ACAL plc Annual Report and Accounts for the year ended 31 March 2015

acal plc

Annual Report and Accounts
for the year ended 31 March 2015

electronics for industry

design. manufacture. distribute.

about acal

Acal designs, manufactures and distributes customer-specific electronic products and solutions to over 25,000 industrial companies around the world supplying customers in the transportation, medical, marine communications, energy, general industrial, automotive and aerospace & defence sectors.

Acal's market proposition is unique. Working across a wide range of technology areas (including power & magnetics, communications & sensors, electro-mechanical, imaging & photonics and embedded computers & displays), the Group adopts a consultative approach to customer projects, helping industrial manufacturers innovate, solve technological challenges and achieve efficiencies and improvements to their products. Acal can do this by recommending high-quality, customer-specific solutions, in addition to its range of standard products. Many products are manufactured in-house. No other company provides this service on Acal's scale and with access to such a range of technologies.

Established in 1986, Acal has transformed itself in recent years. The Company has pursued a strategy of creating a high-margin, differentiated business, developing sophisticated, customer-specific products, investing in top engineers and design and manufacturing facilities, and building scale via targeted acquisitions. The new strategy has delivered results, as sales from continuing operations have grown from £116m in 2010 to £271m in 2015, and the business has returned to profitable growth.

Acal's key markets are the UK, Germany, France, Italy, the Benelux and Nordic regions, with manufacturing facilities in Asia and Eastern Europe. Through the recent acquisition of Noratel, Acal has established its first presence in North America.

Acal operates through the following wholly-owned businesses: Acal BFi, Foss, Hectronic, MTC, Myrra, Noratel, RSG, Stortech and Vertec.

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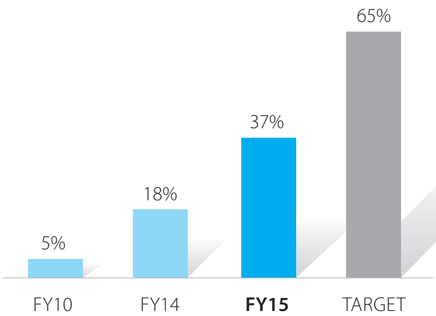
highlights of the year

- Revenue up 28% year-on-year to £271.1m
- Underlying operating profit up 89% year-on-year to £13.4m, with underlying EPS up 31%
- Operating margin up 1.5ppts year-on-year to 4.9%
- Acal restructured into two divisions: Custom Distribution and Design & Manufacturing
- Strategic focus on customised, differentiated products and solutions continues
- Technological expertise strengthened further by the acquisitions of Noratel and Foss
- Global expansion continues, with sales beyond Europe representing 12% of Group revenue
- £55.1m rights issue to fund the Noratel acquisition successfully completed
- Disposal of the legacy IT Supply Chain division businesses

key strategic indicators

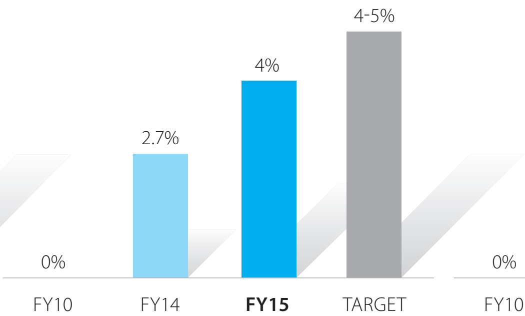
increase Design & Manufacturing revenue

as % of Group revenues



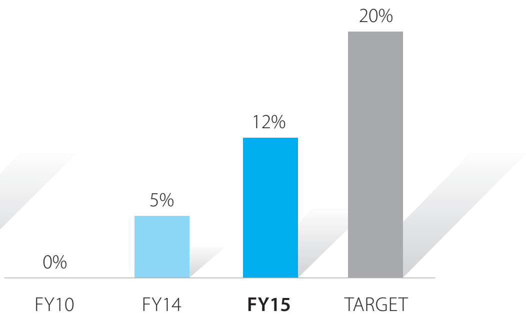
- Total Design & Manufacturing revenue up 182% year-on-year (see page 15), driven by the acquisition of Noratel, RSG and Foss
- Organic Design & Manufacturing sales up 9% year-on-year
- With an underlying 11.3% operating margin, the division is a key factor in Acal's strategy of moving up the electronics value chain

increase sales by cross-selling



- Cross-selling generated sales stood at £11.2m, representing 4% of Group revenue
- Strong collaborative culture fostered at Acal, with financial incentives in place to encourage cross-selling and joint projects

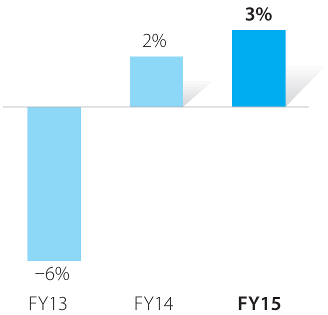
build sales beyond europe



- Growth in sales in Asia and North America achieved primarily through the acquisition of Noratel

key performance indicators

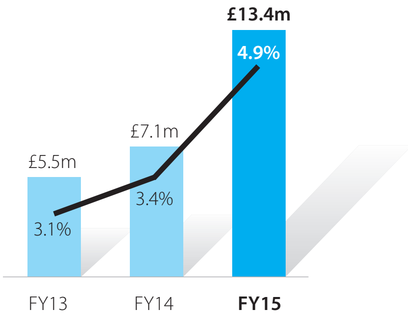
organic sales growth



3 year target: well ahead of GDP

- Organic sales growth in both Design & Manufacturing and Custom Distribution divisions
- UK/Euro area GDP growth was 1.1% in calendar year 2014

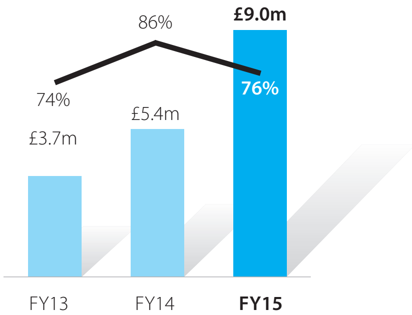
increase underlying operating margin



3 year target: 6–7%

- Consistent growth in underlying operating margin (black line) signifies Acal's transition into a highly differentiated business (underlying operating profit – blue bar)

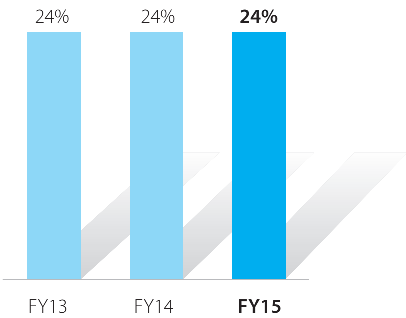
generate strong free cash flow



3 year target: FCF > 75% of underlying profit before tax ('PBT')

- Healthy annualised free cash flow ('FCF') (blue bar) continues
- Average FCF of 78% of underlying PBT (black line) over last 3 years

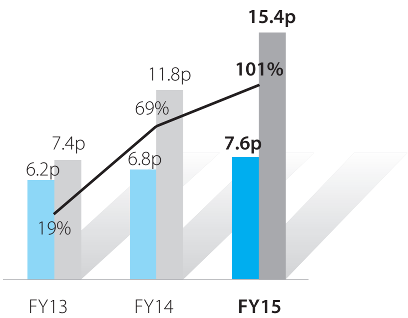
attractive return on trading capital employed ('ROTCE')



3 year target: > 25%

- ROTCE is defined as underlying operating profit, annualised for acquisitions, as a percentage of net operating assets

generate long-term value for shareholders

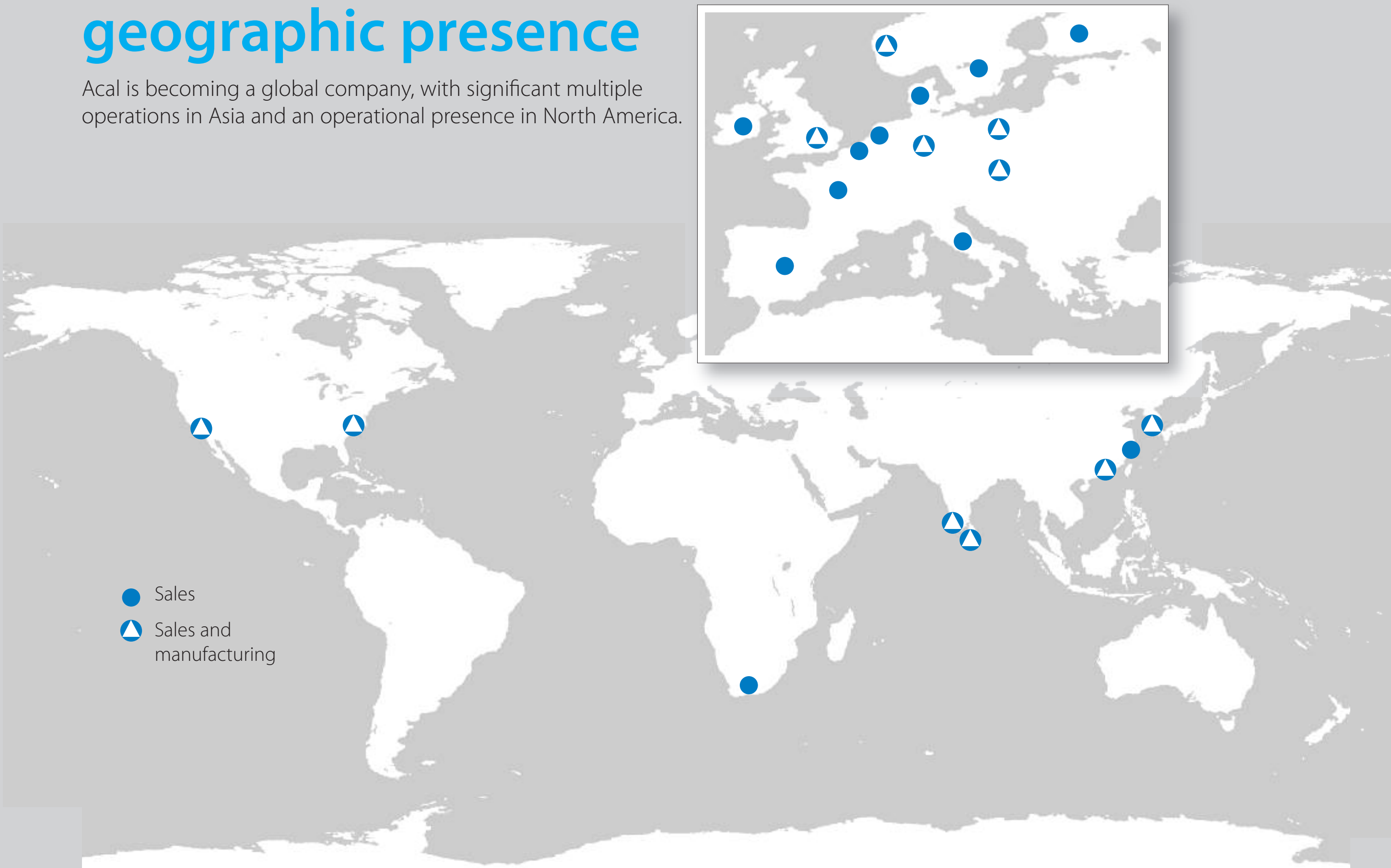


3 year target: upper quartile vs FTSE small cap

- Underlying EPS up 31% year-on-year (grey bar)
- TSR up 19% in the year and 101% over 3 years (growth since FY12 black line)
- Dividend per share up 12% (blue bar)
- Dividend up 49% in 5 years (8.3% CAGR)

geographic presence

Acal is becoming a global company, with significant multiple operations in Asia and an operational presence in North America.



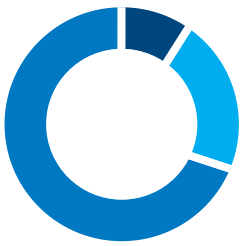
sales by country 2011

- UK 26%
- Rest of Europe
  - Germany 23%
  - France 14%
  - Benelux 12%
  - Nordic 9%
  - Italy 8%
  - Spain 8%

total sales

£211m

sales by country 2015



- UK 21%
- Rest of Europe
  - Germany 22%
  - France 11%
  - Nordic 19%
  - Benelux 7%
  - Italy 5%
  - Spain 3%
- Rest of World 12%

total sales

£271m

our market

Acal operates in attractive end-markets which are driven by the increasing pace of technology adoption, in many cases essential for end-product innovation.

Acal estimates the market for customised industrial electronics to be worth in the region of £12bn globally, of which Europe accounts for £4bn, North America £6bn and Asia £2bn.

Historically, the growth of electronic hardware into industrial applications has grown three times faster than GDP.

With a proliferation of new applications emerging, for example in medical markets and the 'Internet of Things' (communication between devices), the Group expects its long-term growth to continue at rates well ahead of GDP.

our strategy

In 2009, Acal announced a new strategy aimed at creating a high-end electronics business. Acal is today guided by the following four strategic principles:

- Move up the electronics value chain by focusing on differentiated products with higher operating margins in design, manufacturing and custom distribution;
- Grow sales organically ahead of GDP by acquiring new customers via web marketing and realising operational efficiencies from cross-selling and synergies between Group companies;
- Acquire businesses which broaden and strengthen Acal's technological expertise with complementary products, customers, suppliers and geographies;
- Develop sales beyond Europe by following existing customers' international needs and then by developing local market sales.

business model

Acal is a specialist electronics group supplying niche electronic products.

Acal operates in two divisions: Design & Manufacturing and Custom Distribution. The creation of these divisions, in 2014, reflects the Group's increasing focus on design and manufacturing. This divisional structure provides excellent cross-selling opportunities: first, by providing the Design & Manufacturing businesses access to Acal BFi's 20,000 customers, and, secondly, by creating joint project opportunities between the different Design & Manufacturing businesses.

custom distribution

The Custom Distribution division provides technically demanding, customised electronic, photonic and medical products, both from a range of high-quality international suppliers, as well as from Acal's own Design & Manufacturing division.

The Custom Distribution division supplies 20,000 customers in 12 geographies. A high degree of technical knowledge is required in the sales process. Out of the Division's 480 employees, half are technically qualified.

operating companies

Acal BFi
Vertec

design & manufacturing

The Design & Manufacturing division supplies custom electronic products which are either designed uniquely, or specifically modified from an existing product. The products are manufactured at one of the in-house manufacturing facilities, or in a few cases, by third party contractors.

operating companies

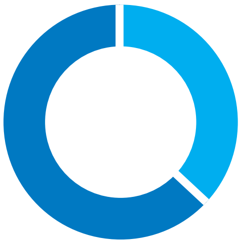
Foss
Hectronic
MTC
Myrra
Noratel
RSG
Stortech

sales 2015

custom distribution
63%
£170m

design & manufacturing
37%
£101m

underlying operating profit* 2015



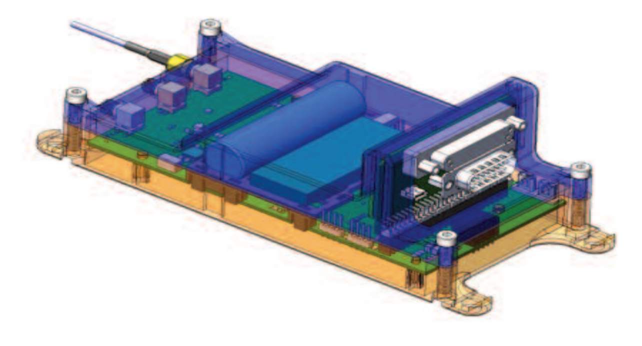
custom distribution
37%
£7m

design & manufacturing
63%
£11m

* before unallocated costs

Fleet management computer for a Nordic food transportation firm

Co-operation between Acal BFi and Hectronic



A Nordic food transportation fleet management firm asked Hectronic and Acal BFi to supply a new fleet management computer.

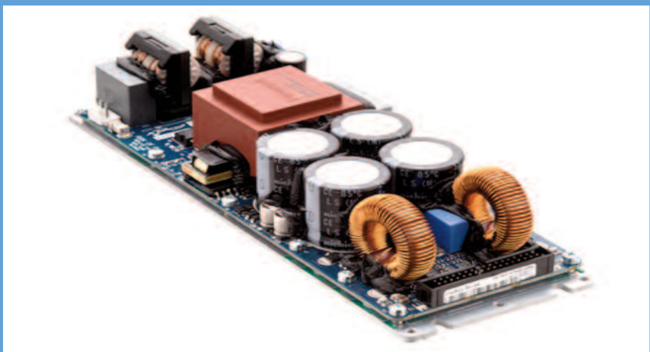
Hectronic worked with the customer on the design of the elements used to log driver data and record additional fleet management data such as: speed, mileage and fuel consumption. These elements were bespoke to the customer's requirements.

Acal BFi worked with Hectronic to design and specify the sensing elements for recording speed, acceleration, location, pressure and altitude, using Sensing, GPS and Wifi systems from Acal BFi's suppliers.

The fleet management computer and sensors were designed to the customer's specific requirements by engineers with products from two Acal businesses. The result was a highly optimised product for the customer, and a better solution from Acal, selling more than just one product.

Internal power supply for a European sound and lighting company

Acal BFi and Myrra cross-selling



Acal BFi was supplying a leading European sound and lighting firm with electronic components for an automated audio messaging and video unit. Audio amplification in this unit was key to sound performance, and the quality of the internal power supply determined the calibre of the sound.

During the design process, Acal BFi specified a customised Myrra inductor, using a core component from an Acal BFi supplier.

The collaboration between Acal BFi and Myrra created a superior end-product for the customer. For Acal, the cross-selling between its distribution and manufacturing companies resulted in additional sales and a longer-term contract.

chairman's statement

This has been another year in which the Group has delivered significant progress, both strategically and financially. The acquisitions of Noratel and Foss, and the ongoing delivery of our Group strategy, have firmly established Acal's position as a key provider of custom electronics to the industrial sector.

In addition to its operations across Europe, Acal now has a number of facilities in Asia (mainly manufacturing, as well as a new sales office in Shanghai) and a small operational presence in North America, marking the beginning of our next phase of development as the Group expands beyond Europe.

On behalf of the Board, I would like to thank our shareholders for their continued support, in particular, in respect of the rights issue in July 2014 which successfully raised £55m (approximately 50% of our market capitalisation at the time), in order to fund the acquisition of Noratel. I am pleased to report that Noratel is performing well and to the level expected by the Group.

In July 2014, the Group also refinanced its debt facilities with a £70m revolving credit facility. This facility provided the balance of funding for the Noratel acquisition, as well as the financing for the purchase of Foss in January 2015 and refinanced our ongoing operational requirements.

The organic performance of existing and newly acquired businesses remains our top priority and I am pleased to report that solid growth in revenues and profitability from these businesses has again been delivered.

Richard Moon Chairman

After almost eleven years on the Board and ten as Chairman, this is my last annual report. As previously announced, it is proposed that Nick Salmon will become Chairman in July following the AGM and I wish him every success. With a background in leading large, listed, international manufacturing and technology businesses, the Board is confident that Nick's experience is ideally suited to lead Acal through the next stage of the Group's ambitious development plans.

During more than a decade at Acal, I have seen the Group transform itself into a differentiated supplier of customised electronics with 3,400 employees and a presence in 21 countries. Acal's market proposition is unique; no other company in our sector is known to have the range of engineering and technological capabilities, and geographical reach, for the provision of complex, customised electronics on Acal's scale. I believe that Acal has created its own market space and has an exciting future ahead.

Results

Group revenue increased by 28% to £271.1m and by 36% at constant exchange rates (CER). Like-for-like sales (excluding acquisitions) increased by 3%.

Underlying operating profit, which excludes the costs of acquisitions, restructuring and integrations, increased by £6.3m to £13.4m (from £7.1m reported last year), representing 106% CER growth. Underlying profit before tax increased by £5.5m to £11.8m (from £6.3m reported last year).

The underlying operating margin increased by 1.5ppts to 4.9% reflecting Acal's continuing transition into a more differentiated and profitable business.

Underlying earnings per share for the year increased by 31% to 15.4p (up from 11.8p last year).

On a reported basis, profit before tax was £4.3m with fully diluted earnings per share of 4.8p.

Net debt at the end of the year was £19.0m with a Group gearing ratio (being net debt divided by underlying EBITDA, adjusted for a full year's inclusion from acquisitions) of approximately 1.0 times.

chairman's statement continued

Dividend

The Board's policy is to maintain a long term dividend cover of between 2 to 3 times underlying earnings. In light of the strong underlying profit performance, the Board is recommending an increase in the final dividend per share of 8% to 5.4 pence per share, giving a full year dividend per share of 7.6 pence, representing an increase of 12% for the year and a cover against underlying earnings of 2.0 times.

Since 2010, the full year dividend per share has risen by 49%, an increase of 8.3% per year CAGR.

Board changes

On 1 March 2015, Nick Salmon joined the Board as a Non-Executive Director and it is proposed that he replaces me, as Chairman, following the AGM on 29 July 2015. Having previously served as Chief Executive of Cookson Group PLC, Executive Vice President of Alstom Group, and Chief Executive of Babcock International Group Plc, Nick is well placed to lead the Board during the next phase of Acal's growth.

On 31 December 2014, Graham Williams retired from the Board. Graham served as a Non-Executive Director since December 2003, as Chairman of the Remuneration Committee since July 2005, and as Senior Non-Executive Director since July 2013. On behalf of the Board, I would like to thank Graham for his very significant contribution.

With effect from the same date, Richard Brooman, a Non-Executive Director since January 2013 and Chairman of the Audit Committee, was appointed Senior Non-Executive Director, and Henrietta Marsh, a Non-Executive Director since May 2013, was appointed Chairman of the Remuneration Committee.

Employees

The Group consists of 3,400 employees in 21 countries around the world. The Board believes that by adopting a decentralised operating environment, supported by rigorous control and review processes, the Group is able to continue to foster an ambitious and entrepreneurial culture.

On behalf of the whole Board, I would like to thank all our employees for their commitment and hard work once again this year. Their dedication is critical in helping us achieve our targets.

The year ahead

Acal is building a business that is differentiated, successful and ambitious. With further initiatives underway to take advantage of growth opportunities, and an improving macro-economic climate, the Board is confident that its strategy will continue to deliver performance ahead of the wider market and further enhance value for the Company's shareholders.

Richard Moon
Chairman
2 June 2015

Utilizing electricity infrastructures for fibre-optical communications

Technological know-how

The use of optical ground wires (“OPGW”) is a cost-effective and secure method of carrying high-speed data traffic in long-distance regional optical networks.

Operating in remote areas and under severe weather conditions requires simple and effective tools for splicing the OPGW. In cooperation with the national system operator, Foss has developed a system for splicing the optical fibre, contained within a stainless steel enclosure, whilst also storing excess cable.

Foss engineers support the system by offering on-site installation training. Several national and international installers have undertaken the training.

operating review

Overview

Group revenues increased by 36% at CER to £271.1m (28% on a reported basis), with sales growing by 3% organically at CER. Underlying operating profit increased to £13.4m (from £6.5m at CER last year), representing a 4.9% return on sales, with underlying EPS increasing by 31%. At the year end, the Group order book was £82m, the highest level since the Group's strategy was launched in 2009.

Currency headwinds have been considerable this year, particularly the weakening Euro and Nordic currencies, having a c.8% overall adverse translational impact on reported revenue and earnings. Our Group hedging policy has minimised transactional effects and contributed to the continuing stable development of Group profitability.

We made two significant acquisitions during the year, Noratel and Foss. Following the disposal of the final business in the legacy Acal IT Supply Chain division in June 2014, a new two divisional structure was introduced to reflect the Group's focus on custom electronics and the intended growth in design and manufacturing.

Growth strategy

The Group operates in attractive end-markets which are driven by the increasing pace of technology adoption, which in many cases is essential for end-product innovation. We estimate our market to be worth in the region of £12bn globally, of which Europe accounts for £4bn, North America £6bn and Asia £2bn. Historically, the use of electronic hardware within industrial applications has grown approximately three times faster than GDP. With a proliferation of new applications emerging, for example in medical markets and the 'Internet of Things' (that is, the communication between devices and objects), we expect our long term growth to continue at rates well ahead of GDP.

The Group strategy comprises four elements:

1 Move up the electronics value chain
by focusing on differentiated products with higher operating margins in design, manufacturing and custom distribution (see Key Strategic Indicator 'KSI' 1 below).

Nick Jefferies Group Chief Executive

2 Grow sales organically and well ahead of GDP
by enlarging and improving the customer offering, by acquiring new customers and by cross-selling between Group companies and between technology areas (see KSI 2).

3 Acquire businesses
with the opportunity for organic growth and operating efficiencies which broaden and strengthen Acal's technological expertise with complementary products, customers, suppliers and geographies (see KSI 1, 2 & 3).

4 Develop sales internationally
by following existing customers' international needs and by developing local market sales (see KSI 3).

Performance

The Group's principal objective is long term growth in total shareholder return ('TSR') driven by consistent growth in underlying earnings per share ('EPS'). In the year, underlying EPS grew by 31% from 11.8p to 15.4p, while over a six year period underlying EPS has risen by 18.2p from a loss per share of 2.8p in FY2008/09. TSR rose by 19% over the year to 31 March 2015, by 101% over the last three years and by 385% over the last 6 years, returns which are in the upper quartile of FTSE Small Cap Index constituents.

Three Key Strategic Indicators measure the progress of the Group on its key strategic objectives, while five Key Performance Indicators measure the financial performance of the business.

Key Strategic Indicators ('KSIs')

	FY2010	FY2014	FY2015	Mid term target
1 Increase share of Group revenue from design & manufacturing	5%	18%	37%	65%
2 Increase cross-selling and web generated sales as a proportion of Group revenue	0%	2.7%	4%	4~5%
3 Build sales outside Europe as a proportion of Group revenue	0%	5%	12%	20%

1 Design & Manufacturing revenue as a proportion of total Group revenue increased to 37% this year (from 18% last year). This was achieved through the acquisitions of Noratel and Foss combined with strong organic sales growth of 9%. Adding in a full year's revenue for Noratel and Foss, the Design & Manufacturing revenue proportion increases to 43%. The mid-term target is to achieve 65%.

2 Cross-selling initiatives exist to accelerate organic sales growth and improve the efficiency of Group businesses. In the year, cross-selling generated £5.5m of new business, with a further £5.7m of recurring business from projects designed in prior years, in total representing 4% of Group revenues. The mid-term target is for these initiatives to generate 4-5% of Group sales.

3 Growth in sales beyond Europe into Asia and North America was achieved this year, principally through the acquisition of Noratel. Overall, sales from outside the UK and Europe were £32.7m and represented 12% of Group sales (up from 5% last

operating review continued

year). Adding in a full year's revenue for Noratel and Foss, the proportion is 14%, with a mid-term target of 20%.

Key Performance Indicators ('KPIs')

	FY2010	FY2014	FY2015	3 year target
1 Organic sales growth	–16%	2%	3%	Well ahead of GDP
2 Increase underlying operating margin	–0.3%	3.4%	4.9%	6-7%
3 Attractive ROTCE*	–	24%	24%	>25%
4 Generate strong free cash flow*	–	86%	76%	>75% PBT
5 Generate long term value for shareholders (TSR)	–	42%	19%	
(percentile vs FTSE Small Cap Index)	–	Top 27th	Top 21st	Upper quartile

* Defined in Note 2 to the group financial statements

1 Group organic sales growth (being sales growth at CER, excluding acquisitions) was 3% for the year, with growth delivered in both the Custom Distribution and Design & Manufacturing divisions. Organic growth in all areas except Custom Distribution in the UK and Design & Manufacturing in Norway, was in line with our medium term targets, being well ahead of GDP growth. There were specific factors in the UK and Norway, which are set out later in this report. Weighted average GDP growth in the Eurozone and UK during the year was 1.1%. The target is to achieve sales growth well ahead of GDP on an ongoing basis.
2 The underlying operating margin for the year was 4.9% and 5.3% for the second half, as improving organic growth added to the positive effect of acquisitions. Following the acquisition of Noratel, we raised our three year target for underlying operating margin to be in the range of 6% to 7%.
3 Return on trading capital employed ('ROTCE') was 24% for the year, with a three year target for ROTCE to be greater than 25%. Over the last three years, ROTCE has averaged 24%.
4 Free cash flow as a percentage of underlying profit before tax ('PBT') was 76%, with a three year target being for free cash to exceed 75% of underlying PBT over that period. Over the last three years, free cash flow of £18.1m has been generated, at an average of 78% of underlying PBT in the period. Details of the free cash flow calculation are given in the Cash Flow section within the Finance Review.

Divisional results

During the year, new segmental reporting was introduced (being Custom Distribution and Design & Manufacturing), reflecting the Group's strategy. The performance of these divisions, and the Group, for the year ended 31 March 2015, is set out and reviewed below.

Custom Distribution

The Custom Distribution division provides technically demanding, customised electronic, photonic and medical products to the industrial, medical and healthcare markets, both from a range of high quality, international suppliers (often on an exclusive basis) and from Acal's own Design & Manufacturing division. A high degree of technical knowledge is required during the sales process with Acal's engineers helping industrial manufacturers solve their design challenges. Acal is the only industrial electronics business which provides such a comprehensive range of customer-specific products and solutions across Europe. The division comprises two businesses: Acal BFi, which supplies industrial markets, and Vertec, which supplies medical and healthcare markets.

Acal BFi, which accounts for over 90% of divisional revenue, uses products from a range of complementary suppliers (including Acal's own Design & Manufacturing businesses) and has over 20,000 customers in five technology areas: Communications & Sensors, Power & Magnetics, Electromagnetics, Embedded Computers & Displays, and Photonics & Imaging. The business operates across Europe, with centralised warehousing, purchasing, finance, customer contact management and web systems.

During the year, divisional sales grew by 4% on a CER basis and 2% on a like-for-like basis. Underlying operating profit grew by 5% CER to £6.7m, representing an underlying operating margin of 3.9%.

Divisional results

	2014/15 Revenue £m	2014/15 Underlying operating profit[1] £m	2014/15 Margin %	2013/14 Revenue £m	2013/14 Underlying operating profit[1] £m	2013/14 Margin %	CER revenue growth
Custom Distribution	**169.8**	**6.7**	**3.9%**	163.7	6.4	3.9%	4%
Design & Manufacturing	**101.3**	**11.4**	**11.3%**	35.9	4.4	12.3%	182%
Unallocated costs	**–**	**(4.7)**		–	(4.3)		
Total CER[2]	**271.1**	**13.4**	**4.9%**	199.6	6.5	3.3%	36%
Translation impact[3]				12.0	0.6	0.1%	
Total reported	**271.1**	**13.4**	**4.9%**	211.6	7.1	3.4%	

1 Underlying operating profit excludes certain items (see Note 2 to the group financial statements).
2 Revenue and operating profit at CER with last year's results translated at this year's average exchange rates.
3 The difference between reported results last year and the results at CER.

operating review continued

At the beginning of the year, the Young Electronics Group ('YEG'), which was purchased in August 2013, was integrated into Acal BFi's UK custom distribution business. YEG's operations were relocated from High Wycombe into Acal BFi's facility in Wokingham and its operating systems transferred onto those of Acal BFi, thereby eliminating its back office and administrative functions. In order to accommodate the increased warehousing requirements, the Acal BFi warehouse was relocated to a new 23,000 sq ft facility in Bracknell. Several unprofitable customer / supplier relationships were discontinued to create a more focused business unit. Following successful integration, the business unit is now trading profitably and in line with Group expectations.

In Continental Europe, Acal BFi's organic sales grew by 8% despite the sluggish macro-economic backdrop which reflects the organic growth initiatives taking effect, as well as a number of particularly large orders. Similar levels of growth were achieved in all countries except Spain, which grew by only 1%.

The UK market was weaker than expected. Manufacturing of Computer, Electronic & Optical goods declined overall by 2% in the year (source: Thomson Reuters), despite the more widespread economic recovery. Following the integration of YEG, a review of the sales and marketing organisation was undertaken with the objective of improving commercial focus and operational efficiency. The resulting changes enable the business to tailor its sales resource according to the size of customer and opportunity. These changes led to a 10% net reduction in headcount, as well as a similar proportion of personnel changes. During the re-organisation period, UK sales dropped by 14%. Also during the year, Acal BFi began the exit from its last major non-specialist supplier, thereby enabling greater focus on highly differentiated and custom products. The revenue represented around 1% of Group sales and approximately half a percentage point of Group gross profit. Associated headcount costs were removed. The exceptional costs of these restructuring activities were £1.1m in the first half and £0.6m in the second.

The number of Acal BFi active customers grew by 5% during the year as a result of the YEG acquisition and new customer leads generated by the web. The web platform (www.acalbfi.co.uk), introduced almost two years ago, makes visible, on external search engines in 11 countries and in five languages, the full range of products and capabilities on offer from Acal BFi, including products from all our Design & Manufacturing businesses. Unique customer visits have increased to 60,000 per month and the value of new business awarded from web sourced opportunities grew steadily through the year. We expect this to continue to grow as design cycles lead to new orders.

Vertec, which supplies exclusively sourced, medical imaging and radiotherapy products into medical and healthcare markets in the UK and South Africa, continued to perform as expected with good revenue growth in the UK and stable revenues in South Africa.

Design & Manufacturing

The Design & Manufacturing division supplies custom electronic products which are either designed uniquely for a customer or specifically modified from an existing product. The products are manufactured at one of our in-house manufacturing facilities, or in a few cases, by third party contractors. The division has seven businesses which are aligned with the Group's core technology areas, namely Noratel, Myrra and RSG (all within Power & Magnetics); Foss (Communication and Sensors); Stortech and MTC (both within Electromechanical and Shielding); and Hectronic (Embedded Systems and Displays). The division's principal manufacturing facilities are in China, India, Sri Lanka and Poland.

Divisional sales increased by 182% at CER to £101.3m in the year, driven by the acquisitions of Noratel and Foss, as well as organic growth of 9% in existing businesses. Underlying operating profit increased to £11.4m (from £4.4m CER) with an underlying operating margin of 11.3%. Divisional revenue was 37% of Group revenue and generated 63% of Group underlying operating profits (before unallocated costs).

Noratel was acquired in July 2014 and Foss in January 2015, and together have contributed approximately £59m of revenue and £6m of underlying operating profit to the division since acquisition. Including the pre-acquisition periods of Noratel and Foss, divisional sales grew by 11% organically in Europe (excluding the Nordic region) and 18% beyond Europe while, in the Nordic region, sales declined by 4%, as a consequence of reduced customer spending linked to the oil price decline. At a Group level, 2% of revenue is derived from the oil and gas sector.

Cross-selling

Cross-selling initiatives are changing the nature of the business, broadening the range of products which Acal sells to existing customers, developing more valuable customer relationships and achieving more efficient use of sales resources. This is achieved in two ways:

1 Sister company cross-selling, which involves the selling of one business's products by fellow Group companies. Programmes are underway with all Design & Manufacturing businesses to

At Noratel's manufacturing facility in Poland.

operating review continued

grow their sales through Acal BFi, in addition to their existing sales programmes. This initiative, started two years ago, generated total sales of £1.0m, of which £0.6m was new sales in the year and £0.4m recurring sales from projects designed in the prior year.

2. Acal BFi cross-selling, which involves increasing the range of Acal BFi products from different technology areas being sold to existing Acal BFi customers. This initiative, launched four years ago, generated total sales of £10.2m, of which £4.9m was new sales in the year and £5.3m recurring sales from projects designed in previous years.

In total, £5.5m of new business was generated from these cross-selling initiatives.

Acquisitions

The 'Acal Effect'

Acquisitive growth is a key part of our strategy. Following acquisition, new Design & Manufacturing businesses operate to a pre-agreed business plan, supported by the Group's governance, controls and centralised treasury function, while retaining their entrepreneurial qualities, commercial capability and branding. These businesses gain access to a much wider range of similar customers throughout Europe via the Acal BFi European distribution network (through cross-selling), as well as displaying their company name and products on the Acal BFi website. Financial incentives are in place internally which encourage cross-selling activities.

Conversely, newly acquired Custom Distribution businesses are fully integrated into the Acal BFi structure, thereby driving commercial efficiencies and realising operational synergies.

Newly acquired businesses can realise a number of benefits by being part of the Acal Group:

1. By our greater product differentiation, acquired businesses can be positively differentiated from other custom product companies, thereby generating new business (cross-selling). For example, since its acquisition, Noratel has become an approved supplier to an existing major Group customer, to which it had hitherto been unable to gain access.
2. Acal is able to provide customers with consolidated account management, administration and logistics, which can reduce their cost of interface and so increase their efficiency.
3. Acal, being a larger, listed group, can provide a degree of transparency and assurance to customers who may be concerned at their exposure to a smaller, privately-owned business.

Noratel

Noratel was acquired in July 2014 for a debt-free consideration of NOK 735m (£70.9m). It is a global designer and manufacturer of electromagnetic products, specifically transformers and inductors. The business sells into Europe, Asia and North America, and, as expected, has performed well since being acquired. Post-acquisition sales have grown by 2% CER compared with the pre-acquisition period; in the second half, sales grew by 7%.

Entering the North American market is an important step for Acal and so it is pleasing to report that good progress has been made in Noratel North America, where the business has been returned to profitability whilst continuing to grow. The improvement was achieved by making local management changes and implementing new commercial and production processes.

Cross-selling initiatives are underway with both Acal BFi and Myrra (the Group's other magnetics Design & Manufacturing business) and progress is being made with a growing number of new design opportunities.

As part of the acquisition, the management sellers of Noratel have been incentivised, over the three year period following acquisition, through an earn-out of up to NOK 12m (£1.1m), based on cumulative growth in EBITDA over that period.

Foss

Foss was acquired in January 2015 for an initial cash consideration of NOK 99m (£8.5m) plus contingent consideration of up to NOK 5m (£0.4m). Foss is a designer, manufacturer and distributor of fibre optic cables and support products. With operations in Norway and Slovakia, the business supplies custom fibre optic cabling and connections which enables high-speed communication, increasingly required in industrial as well as communications markets. The business complements Acal's existing fibre optic cabling and communications business in Acal BFi (mainly Germany and the UK), which is of a similar size.

The business is integrating quickly into the Group and sales since acquisition are in line with our expectations. In addition, cross-selling programmes were launched in the new financial year.

As part of the acquisition, the management sellers of Foss have been incentivised over the three year period following acquisition through an earn-out of up to NOK 15m (£1.3m), based on the business achieving agreed profit growth targets.

Outlook

The new financial year has started in line with our expectations. We are well positioned for further growth with a strong order book and market conditions that are expected to continue improving. Additionally, we are developing several acquisition opportunities and have funding resources available. With a clear strategy to build a differentiated, custom electronics group, the Board remains confident of further positive development in the Group's business.

Design of a new livestock tracking device for a Norwegian manufacturer

Consultative approach

For several years, Acal BFi has been supplying customised magnetics to a Norwegian manufacturer of a livestock tracking device.

Acal BFi learned that the current design was consuming too much power when the animals were remote from the farm.

Acal BFi engineers created a new design which provided much greater battery life and reduced weight, using products from their existing magnetics and communication supplier base, as well as incorporating a movement sensor that detected injured animals.

finance review

Revenue

Group revenue for the year increased by 36% CER (28% at reported rates). Of this, like-for-like sales grew by 3% with acquisitions in the last two years (being Noratel, Foss, YEG and RSG) contributing 33ppts of growth.

	£m 2014/15	£m 2013/14	%	H1 %	H2 %
Like-for-like sales	**196.6**	191.8	3%	3%	3%
Acquisitions	**74.5**	7.8			
Underlying sales (CER)	**271.1**	199.6	36%	27%	45%
FX translation impact	–	12.0			
Reported revenue	**271.1**	211.6	28%	20%	35%

Underlying revenues increased by 27% CER in the first half and 45% CER in the second half with a full half year of Noratel revenue and a quarter's revenue from Foss since their acquisitions being significant factors behind the uplift.

This year has seen a strong foreign exchange translation headwind. Key translation currencies for the Group are Euros and the Nordic currencies. The average sterling rate of exchange strengthened approximately 7% against the Euro for the year ended 31 March 2015, compared with the same period last year (rising from €1.186 to €1.275), and strengthened approximately 8% against Nordic currencies. These, together with other currency translation movements, negatively affected reported revenue and earnings for the year by around 8%.

Gross profit

Gross profit for the year of £84.4m represents an increase of 42% CER over last year. This growth is higher than the corresponding revenue growth rate of 36%, due to an improvement in gross margin by 1.3ppts to 31.1%. Gross margin increased in both divisions, reflecting the Group's continued focus on higher value-add, customised electronics, and has increased by over 5ppts in the last six years.

Simon Gibbins Group Finance Director

Underlying operating costs

Group underlying operating costs increased by 34% CER reflecting the inclusion of the cost bases of businesses acquired in the last two years (mainly Noratel and Foss). Like-for-like underlying operating costs were up 3%, as the Group continues to manage its cost base, of which 1% related to Custom Distribution, with the balance being investment in the higher value-add, Design & Manufacturing division.

	£m 2014/15	£m 2013/14	%
Like-for-like costs	**52.9**	51.5	3%
Acquisitions	**18.1**	1.4	
Underlying costs (CER)	**71.0**	52.9	34%
FX translation	–	3.0	
Underlying adjustments			
Acquisition/integration costs	**3.3**	0.2	
Restructuring costs	**1.7**	0.5	
Amortisation of acquired intangibles	**2.1**	1.0	
IAS 19 pension administration cost	**0.2**	0.2	
Reported costs	**78.3**	57.8	35%
Selling and distribution costs	**44.0**	36.5	
Administration expenses	**27.0**	19.4	
Underlying adjustments	**7.3**	1.9	
Reported costs	**78.3**	57.8	

Sales and distribution costs, and administration expenses, are higher than last year, due mainly to the inclusion of operating costs of the acquired Noratel and Foss businesses. Underlying adjustments, which are included in the group financial statements within administration expenses, are discussed below.

Group operating profit and margin

Group underlying operating profit for the year was £13.4m, up £6.3m (89%) on last year, with an underlying operating margin of 4.9%, up 1.5ppts on last year. At CER, the increase in underlying operating profit was £6.9m (106%).

	£m 2014/15	£m 2013/14	%
Underlying operating profit (CER)	**13.4**	6.5	106%
FX translation	–	0.6	(17%)
Underlying operating profit	**13.4**	7.1	89%

First half underlying operating profits were £5.5m, up £2.7m CER, with an underlying operating margin of 4.5%. Second half underlying operating profits were £7.9m, up £4.2m CER, with an underlying operating margin of 5.3%.

finance review continued

ROTCE (Return on trading capital employed, as defined in Note 5 to the group financial statements) for the year was 24% and in line with last year. Our three year target is to achieve a ROTCE of at least 25%.

Reported Group operating profit for the year (after underlying adjustments discussed below) was £6.1m.

	£m 2014/15 Operating profit	£m 2014/15 Finance cost	£m 2014/15 Profit before tax	£m 2013/14 Operating profit	£m 2013/14 Finance cost	£m 2013/14 Profit before tax
Underlying	**13.4**	**(1.6)**	**11.8**	7.1	(0.8)	6.3
Underlying adjustments						
Acquisition / integration costs	**(3.3)**	**–**	**(3.3)**	(0.2)	–	(0.2)
Restructuring costs	**(1.7)**	**–**	**(1.7)**	(0.5)	–	(0.5)
Exceptional items	**(5.0)**	**–**	**(5.0)**	(0.7)	–	(0.7)
Amortisation of acquired intangibles	**(2.1)**	**–**	**(2.1)**	(1.0)	–	(1.0)
IAS 19 pension administration cost	**(0.2)**	**(0.2)**	**(0.4)**	(0.2)	(0.2)	(0.4)
Reported	**6.1**	**(1.8)**	**4.3**	5.2	(1.0)	4.2

Underlying adjustments

Underlying adjustments for the year comprise exceptional costs of £5.0m (2013/14: £0.7m), the amortisation of acquired intangibles of £2.1m (2013/14: £1.0m) and IAS19 legacy pension costs of £0.4m (2013/14: £0.4m).

Exceptional costs for the year of £5.0m comprise:

1. Acquisition and integration costs of £3.3m, being the costs associated with the acquisition of Noratel and Foss of £2.1m; the cost of integrating YEG into Acal BFi of £0.4m; and a £0.8m provision for future acquisition earn-out payments to the former shareholders and managers of Myrra and Noratel.
2. Restructuring costs of £1.7m, being the costs associated with the restructure of Acal BFi's UK business and the termination costs associated with the exit from its last significant low-margin commodity supplier.

Further details of exceptional costs can be found in Note 6 to the group financial statements.

The £1.1m increase in the amortisation charge since last year relates to the intangibles identified as part of the acquisitions of Noratel and Foss. The equivalent charge for next year, including a full year's amortisation charge for the Noratel and Foss intangibles, is £3.0m.

Net financing costs

Net finance costs for the year of £1.8m (2013/14: £1.0m) comprise underlying finance costs of £1.6m (2013/14: £0.8m) and the IAS 19 pension finance charge of £0.2m (2013/14: £0.2m) relating to the Group's legacy defined benefit pension scheme.

Underlying finance costs consist of interest and facility fees arising from the Group's banking facilities during the year. Such costs for the year were up £0.8m to £1.6m following the partial debt funding of the Noratel acquisition in July 2014 and full debt funding of the Foss acquisition in January 2015. Included within underlying finance costs is the amortisation of the up-front arrangement fees associated with the Group's £70m revolving credit facility of approximately £0.2m per annum.

Underlying tax rate

The underlying effective tax rate for the year was 20%. This rate is higher than the underlying effective tax rate of 14% for last year, due to the underlying effective tax rates of the acquired Noratel and Foss businesses being higher than that of the Acal Group. The prior year rate was also made lower due to the favourable settlement of historic tax returns.

Overall, there was a reported tax charge of £1.4m on reported profits of £4.3m. The higher overall tax rate reflects the non-tax deductibility of certain exceptional costs, in particular the costs associated with the acquisitions of Noratel and Foss.

Profit before tax and earnings per share

Underlying profit before tax for the year of £11.8m represents an increase of £5.5m (87%) compared with the prior year (2013/14: £6.3m). With the higher underlying tax rate and the increased weighted average number of fully diluted shares (up 33% on last year from 45.9m shares to 60.9m shares due to the Noratel rights issue in July 2014), underlying diluted earnings per share for the year of 15.4 pence represents an increase of 31% compared with last year (2013/14: 11.8 pence). Over the last two years, underlying earnings per share has increased by 57%.

finance review continued

After including the underlying adjustments discussed above, reported profit before tax was £4.3m (2013/14: £4.2m) and reported diluted earnings per share for the year was 4.8 pence. Last year, diluted earnings per share from continuing operations was 8.1 pence, and including a loss after tax on discontinued operations of £2.4m (loss of 5.3 pence per share) full year earnings per share was 2.8 pence.

	£m 2014/15 PBT	EPS pence	£m 2013/14 PBT	EPS* pence
Underlying	**11.8**	**15.4p**	6.3	11.8p
Underlying adjustments				
Exceptional items	**(5.0)**		(0.7)	
Amortisation of acquired intangibles	**(2.1)**		(1.0)	
IAS 19 pension cost	**(0.4)**		(0.4)	
Ongoing operations	**4.3**	**4.8p**	4.2	8.1p
Discontinued operations				(5.3p)
Reported	**4.3**	**4.8p**	4.2	2.8p

* EPS data for years prior to the right issue adjusted by the bonus share factor of 1.3759 (see Note 19 to the group financial statements).

Working capital

Working capital of £44.4m at 31 March 2015 was 13.6% of final quarter annualised sales. This ratio comprises:

1. Working capital of the Group (excluding Noratel and Foss) was 10.2% of final quarter annualised sales, up from the 9.9% reported in the prior year. Last year's working capital ratio benefited from a £3.2m customer prepayment on a project since completed. Excluding this prepayment, last year's comparable rate would have been 11.3%.
2. Working capital of Noratel and Foss of 21.3% of final quarter annualised sales. This compares favourably with a working capital ratio of 27% for their years ended 31 December 2013 reported at the time of acquisition.

The combined Group working capital ratio of 13.6% is well below the 15% ratio indicated at the time of the Noratel acquisition, based on the proforma Group balance sheet, including Noratel. Group trade debtors and trade creditors outstanding at 31 March 2015 were similar to last year at 53 days and 60 days respectively; Group inventory turns were lower at 5.9 times reflecting the acquisitions of Noratel and Foss which, as manufacturers, carry higher levels of inventory.

Cash flow

The Group had net debt of £19.0m at 31 March 2015 compared with net cash at 31 March 2014 of £2.3m. The movement primarily relates to the partial debt funding of the Noratel acquisition and the debt funding of the Foss acquisition:

	£m 2014/15	£m 2013/14
Net cash at 1 April	**2.3**	11.8
Cash outflow from continuing operations (below)	**(1.5)**	(0.7)
Acquisitions / disposals (including costs)	**(74.2)**	(9.2)
Net equity proceeds	**52.7**	–
Cash flow from discontinued operations	**(0.2)**	0.9
Foreign exchange impact	**1.9**	(0.5)
Net (debt)/cash at 31 March	**(19.0)**	2.3

The cash outflow from continuing operations for the year of £1.5m is summarised in the table below. Net acquisition costs of £74.2m reflect the cost of acquiring Noratel and Foss (including acquisition costs of £2.3m), offset by the net proceeds received from the sale of Acal Enterprise Solutions Limited, the last business of the now discontinued Acal IT Supply Chain division. Net equity cash proceeds, raised for the purpose of acquiring Noratel, totalled £52.7m (being £55.1m gross proceeds less associated costs).

	£m 2014/15	£m 2013/14	£m 2012/13
Underlying profit before tax	**11.8**	6.3	5.0
Finance cost	**1.6**	0.8	0.5
Non cash items[1]	**3.4**	1.9	1.8
Underlying EBITDA	**16.8**	9.0	7.3
Working capital[2]	**(0.5)**	(0.5)	(0.3)
Capital expenditure	**(2.4)**	(1.4)	(1.3)
Operating cash flow	**13.9**	7.1	5.7
Interest	**(1.6)**	(0.8)	(0.6)
Taxation	**(3.3)**	(0.9)	(1.4)
Free cash flow	**9.0**	5.4	3.7
Exceptional payments	**(2.1)**	(2.5)	(3.6)
Customer prepayment[2]	**(3.2)**	0.6	2.6
Legacy pension	**(1.6)**	(1.5)	(1.5)
Dividends	**(3.6)**	(2.7)	(2.3)
Net cash outflow in the period	**(1.5)**	(0.7)	(1.1)
Free Cash Flow %	**76%**	86%	74%

1 Key non-cash items are depreciation, amortisation and share based payments
2 Excluding significant customer prepayment – see below

finance review continued

Underlying EBITDA of £16.8m was £7.8m (87%) higher than in the prior year. Capital expenditure of £2.4m was £1.0m higher than last year, reflecting investment in line expansions in our Design & Manufacturing division, principally Noratel and Myrra.

The working capital movement has been adjusted over the last three years for a significant customer prepayment of £3.2m received in two instalments (FY 2012/13: £2.6m and FY 2013/14: £0.6m), which was invoiced this year.

The increase in the tax cash payments of £2.4m principally reflects the acquisition of Noratel, which has a higher effective tax rate than the Acal Group. The increase in financing costs of £0.8m principally reflects the debt funding used in the Noratel and Foss acquisitions.

Free cash flow for the year totalled £9.0m and was £3.6m (67%) higher than last year and £5.3m higher than two years ago. This represents 76% of underlying profit before tax (2013/14: 86% and 2012/13: 74%). In total, £18.1m of free cash flow has been generated over the last three years representing 78% of underlying profit before tax during that period.

Exceptional cash payments in the year totalled £2.1m, relating mainly to the costs of restructuring in Acal BFi UK and restructuring costs accrued last year. Further exceptional cash payments associated with costs accrued this year are expected to be £1.1m.

The dividend increase of £0.9m to £3.6m reflects the increase in dividend per share and the increased number of shares following the rights issue. The full impact of the rights issue on dividend cash payments will be seen next year when the run rate dividend cash cost (assuming no impact of future dividend increases) will be £4.9m. The Group will continue to monitor the level of future dividend increases to ensure there is sufficient cover.

Banking facilities

In June 2014, the Group's existing debt facilities of £20m were refinanced by a new five year revolving credit facility of £70m provided by a syndicate of three banks. The new facility was used to provide part of the funding for the Noratel acquisition in July 2014 and, subsequently, all the funding for the Foss acquisition in January 2015. It was also used to provide working capital for Noratel and Foss as well as to fund inter-month outflows of working capital across the Group. Such inter-month outflows resulted in a net average debt balance of £24m across the final quarter of this year following the acquisition of Foss.

With net debt at 31 March 2015 of £19.0m, the Group's gearing ratio (being the net debt to underlying EBITDA ratio) at 31 March 2015 was approximately 1.0 times on an adjusted EBITDA basis (that is, including pre-acquisition EBITDA of Noratel and Foss).

Balance sheet

Net assets of £92.7m at 31 March 2015 were £44.2m higher than at the end of the last financial year (31 March 2014: £48.5m), primarily related to the net equity fund raising of £53.5m to fund the acquisition of Noratel (of which £52.7m was raised from the rights issue and £0.8m from the management of Noratel). During the year, the Group has been adversely impacted by the translational impact of weaker currencies (principally Euros and NOKs), which reduced the balance sheet value of overseas net assets by £8.0m. The movement in net assets is summarised below:

	£m 2014/15
Net assets at 1 April 2014	48.5
Net equity funding	53.5
Net profit after tax	2.9
Share based payments (including tax)	0.4
Dividend paid	(3.6)
Loss on defined benefit scheme	(1.6)
Changes in value of cash flow hedges	0.6
Currency net assets – FX translation impact	(8.0)
Net assets at 31 March 2015	**92.7**

principal risks and uncertainties

The performance of the Group and the implementation of its strategy are subject to a number of risks and uncertainties. The Board continually monitors the key business risks and uncertainties and oversees the development of processes to ensure that these risks are managed appropriately and that operational management implements any mitigating actions in a timely and consistent manner. The Group's risk management framework covers identification, impact assessment, likelihood of occurrence and mitigating actions.

The Group's principal risks and uncertainties and mitigating actions are described below.

Risks and uncertainties	Mitigating action
Economic environment A key external risk affecting the Group remains the challenge of macroeconomic and market conditions, especially in Europe. These conditions, which are underpinned by slow economic growth, could adversely affect the Group in a number of ways, including: • A slowdown in order intake, due to the lack of end-user demand and lack of visibility into the foreseeable future. This could ultimately affect the Group's profitability through a reduction of sales. • Equity and debt raising conditions may become more challenging which could impact on the Group's ability to raise funds for value adding acquisitions, a core part of the Group's stated strategy.	Economic environment • Transition into a differentiated specialist supplier should help reduce exposure to major shocks in the economic environment; • Diversification into different markets, locations and product offerings; • Identifying and completing value adding and earnings enhancing acquisitions; • Entering into a 5-year £70m revolving credit facility, thereby increasing the Group's long term committed working capital headroom.
Business acquisitions Value-adding acquisitions are a core part of the Group's growth strategy. These acquisitions may underperform and expected synergies and cross-selling opportunities may not be realised.	Business acquisitions • Detailed due diligence on target businesses; • Seek appropriate warranties and indemnities from vendors; • Use of earn-out structures, where possible, to retain key management; • Continuous monitoring of the acquired business against budgeted performance.
Loss of major customers A core part of the Group's organic growth strategy is winning new key customers and maintaining existing key accounts. The Group derives great benefits from its reputation of providing a very high quality of service to its customers, which can be adversely damaged by loss of major customers.	Loss of major customers • Reducing Group dependency on any single customer, with the largest customer now less than 2% of Group revenues; • Careful monitoring of key accounts by senior management; • Robust customer quality management systems; • Long-term customer relationships.
Loss of major suppliers The Custom Distribution division is dependent on its key suppliers which it represents in a number of industrial markets. Loss of key suppliers may adversely impact relationships with key customers and reduce sales.	Loss of major suppliers • Reducing Group dependency on any single supplier, with the largest supplier now less than 3% of Group revenues; • Exiting low value supplier relationships; • Careful monitoring of key accounts by senior management; • Long-term supplier relationships; • Strong customer relationships which support and enhance relationships with suppliers

principal risks and uncertainties continued

Risks and uncertainties	Mitigating action
Liquidity and debt covenants The Group's ability to operate depends on access to short and medium-term funding. From time to time, such funding requires refinancing, the success of which depends on the financial condition of the Group and the risk appetite of the lending market. The Group's £70m revolving credit facility is subject to compliance with certain financial debt covenants. There is a risk that the covenants may be breached if the profitability of the Group substantially deteriorates.	**Liquidity and debt covenants** • Central treasury function to oversee the Group's cash resources and financing requirements; • Ongoing review of headroom against committed facilities and financial covenants; • Working capital controls and monitoring of key working capital metrics.
Major business disruption The Group has a number of manufacturing facilities, warehouses, other operational premises and systems in the UK, Europe, Asia, the US and South Africa. Major damage to any of these facilities could adversely affect the business.	**Major business disruption** • Disaster recovery and business continuity plans; • Multiple manufacturing sites and warehousing; • Insurance cover.
Foreign currency The Group's main foreign exchange exposures relate to the translation of results and net assets denominated in foreign currencies into sterling (translational exposure), and the occurrence of transactions in currencies other than the operational currency of the transacting company (transactional exposure).	**Foreign currency** • Use of forward currency contracts to hedge transactional exposure for committed and forecast sales and purchases in foreign currency; • Currency borrowings as a natural hedge against same currency assets; • Oversight of foreign currency exposures by the central treasury function. • Reporting of results at constant exchange rates
Retirement benefit obligations The funding position of the Group's legacy post-retirement defined benefit scheme (the Sedgemoor Scheme – see Note 34 to the group financial statements) may be adversely affected by poor investment performance, changes in interest and inflation rates, improved mortality rates and changes in the regulatory environment. Such changes could increase the charge to the income statement and/or the level of cash contributions required to be made to the scheme.	**Retirement benefit obligations** • The Sedgemoor Scheme was closed to new members in 2000 and shortly thereafter future service benefits ceased to accrue to existing members; • Deficit recovery plans are agreed with the Trustee of the Scheme based on actuarial advice and the results of Scheme valuations.
People The performance of the Group depends on its ability to continue to attract, motivate and retain staff. The Electronics industry is very competitive and the Group's employees may be targeted by other companies for recruitment.	**People** • Staff development, training programmes and succession planning; • Appropriate remuneration and rewards for personal and business success.

corporate social responsibility

While the Board and management of Acal is primarily accountable to its shareholders, in managing the business it takes into account all stakeholders in the Company, including: employees; customers and suppliers; as well as the local communities and the environment in which it operates. In a balanced way, without unnecessarily restricting the optimisation of returns, it continuously endeavours to identify and manage any risks to the value of its business from social, environmental and ethical matters, and to take any opportunities presented by a sensible and considerate approach to such matters to enhance shareholder value.

The Board of Acal has adopted policies in relation to corporate social matters that take into account the interests of the Group's employees; the need to foster business relationships with suppliers, customers and others; the impact of the Group's operations on the community and the environment; and the desirability of the Group maintaining a reputation for high standards of business conduct.

Day-to-day responsibility for implementation of corporate and social policies is delegated to the management of Acal's operating companies. Specifically, the policies cover the following:

General

Management at all levels is committed to giving consideration to its corporate social responsibility in its actions, endeavours to show due respect for human rights and works to high standards of integrity and ethical propriety. As an international organisation, Acal takes account of cultural differences between the various territories in which it operates.

Employees

Acal's employment policy is based on equal opportunities to all employees and prospective employees, and no discrimination on grounds of colour, ethnic origin, gender, age, religion, political or other opinion, disability or sexual orientation. The Group endeavours to protect employees from, and does not tolerate, any sexual, physical or mental harassment.

Percentage of male and female employees within the Acal Group by employment level

	2015 Male	**2015 Female**	2014 Male	2014 Female
Total gender split	**55%**	**45%**	56%	44%
Senior managers and executives	**75%**	**25%**	77%	23%
Directors	**83%**	**17%**	83%	17%

Clear and fair terms of employment, as well as a fair and competitive remuneration policy, are in place. Employees are encouraged to develop their knowledge and skills and to progress their careers to the mutual benefit of themselves and the Group companies they work for. It is the responsibility of management to ensure that they comply with all local laws and regulations, including those relating to the employment of underage staff. Local business units are responsible for developing and implementing effective arrangements for employee communication.

The Group gives full consideration to applications for employment from disabled persons, where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Group's policy to provide continuing employment, wherever practicable, in the same or an alternative position and to provide appropriate training to achieve this aim.

corporate social responsibility continued

Health and safety

A great deal of importance is attached to the provision of clean, healthy and safe working conditions. In addition to compliance with all local regulations, Acal promotes working practices which protect the health and safety of its employees and other persons who enter its premises. Health and safety matters are kept under regular review by local management and at Group level. The Group's statement of intent on health and safety matters can be found on its website (www.acalplc.co.uk).

Business ethics

All Acal Group companies seek to be honest, fair and competitive in their relationships with customers and suppliers. Every attempt is made to ensure that products and services are provided to the agreed standards and all reasonable steps are taken to ensure the safety and quality of the goods and services provided. Payment is made to suppliers in accordance with the agreed terms, the relevant goods or services having been satisfactorily delivered.

So far as it is able to, and taking into account local cultural and regulatory differences, Acal encourages the organisations and people with whom it does business to abide by principles of good practice in relation to their corporate social responsibility.

The Group's statement of intent on business ethics can be found on its website (www.acalplc.co.uk).

The Group operates a 'whistle-blowing' policy whereby employees can report in confidence any suspected wrongdoing. This policy can be found on its website (www.acalplc.co.uk).

Anti-bribery

Acal is committed to applying the highest standards of integrity, honesty and fairness in its business activities all over the world. A zero-tolerance approach is taken towards bribery and corruption in all its forms by, or of, its employees or any persons or companies acting on its behalf. It is Acal's policy that no one in the Group should offer or accept any bribes or other corrupt payments, engage in any anti-competitive practices or knowingly be involved in any fraud or money laundering.

The Board and senior management have implemented world-wide procedures to enforce and monitor effective anti-bribery procedures in accordance with the UK Bribery Act 2010.

Community and environment

Community and environmental matters are taken seriously by Acal. It seeks to ensure that its activities do not harm the communities as places in which to work and live. The Group endeavours to ensure that its operations do not have a negative impact on the environment. Apart from compliance with all local environmental laws and regulations, Group companies are encouraged to effectively manage natural resources and energy, as well as waste minimisation and recycling, where economically viable means of doing so are available. Although the majority of products Acal deals with are non-hazardous, where such products are involved it minimises the environmental risks by use of appropriate labelling and technical information in conjunction with proper training and procedures for the handling, storage and disposal of such products. The Group has implemented procedures to ensure compliance with the Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment Regulations 2004 (RoHS), the Waste Electrical and Electronic Equipment Regulations 2006 (WEEE), the Producer Responsibility Obligations (Packaging Waste) Regulations 2005 and the Waste Batteries and Accumulators Regulations 2009.

The Strategic Report, as set out on pages 1 to 27, has been approved by the Board.

On behalf of the Board

N J Jefferies
Chief Executive

S M Gibbins
Group Finance Director

2 June 2015

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Surrey Research Park
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Surrey GU2 7AH

Telephone 01483 544500

Incorporated in England
and Wales with
registered number 2008246

stockbrokers
Peel Hunt LLP

principal bankers
Clydesdale Bank plc
Danske Bank A/S
HSBC Bank plc

auditor
Ernst & Young LLP

registrars
Equiniti Limited

financial calendar 2015/2016

Annual General Meeting	29 July 2015
results	
Interim report for the six months to 30 September 2015	Late November 2015
Preliminary announcement for the year to 31 March 2016	Early June 2016
Annual report 2016	Late June 2016
dividend payments	
Final dividend for the year to 31 March 2015	31 July 2015
Interim dividend for the six months to 30 September 2015	Late January 2016
Final dividend for the year to 31 March 2016	Late July 2016

board and committees

Our experienced board focuses on strategic development, financial control and risk management, while our group executive committee focuses on delivering results and driving growth

Richard Moon
Non-Executive Chairman
Board
Richard joined the Board in September 2004 and became Chairman in April 2005. Formerly a Director of Racal Electronics plc and Chief Executive of Thales plc, he is Non-Executive Chairman of Seven Technologies Holdings Limited and is Chairman of Synergie Business Limited. Richard will be stepping down from the Board, with effect from the conclusion of this year's Annual General Meeting.

Nick Jefferies
Group Chief Executive
Board and Group Executive Committee
Nick joined Acal as Group Chief Executive in January 2009. Formerly General Manager for electronics globally at Electrocomponents plc, and having previously held senior positions at Arrow Electronics, he started his career as an electronics design engineer for Racal Defence (now part of Thales plc).

Simon Gibbins ACA
Group Finance Director
Board and Group Executive Committee
Simon was appointed as Group Finance Director in July 2010. A Chartered Accountant, he was previously Global Head of Finance and Deputy CFO at Shire plc. Prior to joining Shire in 2000, he spent 6 years with ICI plc in various senior finance roles, both in the UK and overseas. His earlier career was spent with Coopers & Lybrand in London.

Nick Salmon MSc
Non-Executive Director
Board
Nick was appointed a Non-Executive Director in March 2015. It is intended that he will become Non-Executive Chairman with effect from the conclusion of this year's Annual General Meeting. He is also Non-Executive Chairman of South East Water Limited, a Non-Executive Director of Interserve plc and Senior Non-Executive Director of Elementis plc. During his executive career, Nick held senior positions in several multinational companies, including that of Chief Executive of Cookson Group plc and Babcock International Group plc.

Richard Brooman MA FCA FCMI
Senior Non-Executive Director
Board
Richard, a Chartered Accountant, became a Non-Executive Director in January 2013. He is a Non-Executive Director, and Chairman of the Audit Committees, at Hg Capital Trust plc and Invesco Perpetual UK Smaller Companies Investment Trust plc. Richard is a Director or Trustee of several businesses and charities in the third sector. During his executive career, he was Group Finance Director of Sherwood International plc and VCI plc.

Henrietta Marsh MBA MA
Non-Executive Director
Board
Henrietta was appointed a Non-Executive Director in May 2013 and became Chairman of the Remuneration Committee in October 2014. She is a Non-Executive Director at Alternative Networks plc and at Electric Word plc and chairs each company's Remuneration Committee. A member of the London Stock Exchange's AIM Advisory Group, Henrietta was previously a Fund Manager at Living Bridge EP LLP and a Director of 3i plc.

board and committees continued

Gary Shillinglaw FCIS
Group Company Secretary
Group Executive Committee
Gary joined Acal as Group Company Secretary in August 2008. A qualified Chartered Secretary, he has previously held the position of Group Company Secretary in a number of listed and non-listed public companies, including Countryside Properties plc, B&Q plc and First Leisure Corporation plc.

Paul Neville ACA
Group Commercial Director
Group Executive Committee
Paul was appointed Group Commercial Director in March 2009. A Chartered Accountant, he has many years experience of working in senior management positions for listed public companies, including Wincanton plc and Uniq plc.
Prior to joining Acal, he was Group Chief Executive of an AIM listed software development company.

Martin Pangels
Group Strategy and Development Director
Group Executive Committee
Martin is Group Strategy and Development Director. He joined Acal in July 2010 after working as an advisor to the business. Prior to joining Acal, Martin spent 9 years at Electrocomponents plc, where he was Regional General Manager for Europe, and 6 years with Bain & Company as a strategy consultant.

Audit committee
Richard Brooman (chairman)
Henrietta Marsh

Remuneration committee
Henrietta Marsh (chairman)
Richard Brooman
Richard Moon
Nick Salmon

Nomination committee
Richard Moon (chairman)
Richard Brooman
Henrietta Marsh
Nick Jefferies

Paul Webster
Group Product Management and Operations Director
Group Executive Committee
Paul joined Acal in June 2010 as Managing Director, Acal BFi UK. He has many years experience in senior management roles, including Head of Product Management for Electronics globally at Electrocomponents plc. He began his career as a design engineer for Plessey Avionics (now part of BAE Systems).

directors' report

The Directors present their Annual Report with the audited financial statements for the year ended 31 March 2015.

Principal activities of the Group
Acal is a leading supplier of customised electronics to industry. It designs, manufactures and distributes customer-specific electronic products and solutions to over 25,000 industrial companies. Acal has two divisions: Custom Distribution and Design & Manufacturing. The majority of its sales comes from products and solutions, which are either created uniquely for a customer or sourced exclusively. Technologies include Communications & Sensors, Electro-mechanical, Imaging & Photonics, Embedded Computers & Displays, and Power & Magnetics. The Group's businesses comprise Acal BFi, Foss, Hectronic, MTC, Myrra, Noratel, RSG, Stortech and Vertec. Acal has operating companies and manufacturing facilities in a number of markets, including the UK, Germany, France, the Nordic region, Benelux, Italy, Poland, Slovakia and Spain, as well as in Asia (China, India, Sri Lanka and South Korea), the US and South Africa.

Financial results and dividends
The Strategic Report contains information on the Group's activities during the year, likely future developments and the principal risks and uncertainties affecting the business.

The results of the Group for the year to 31 March 2015 are set out in detail in the consolidated income statement on page 66. The key performance indicators of the business are set out in the Strategic Report.

The Directors recommend a final dividend of 5.4p per share (2014: 5.0p) payable on 31 July 2015 to shareholders registered at the close of business on 12 June 2015. The final dividend, together with the interim dividend of 2.2p (2014: 1.8p), makes a total dividend for the year of 7.6p per ordinary share (2014: 6.8p). The total dividends on ordinary shares have a cash cost of £4.9m (2014: £2.9m). The prior period dividends per share have been restated to reflect the bonus element of the rights issue in June 2014.

Directors
The Directors of the Company are set out in the Board Report on Corporate Governance on pages 35 to 38, which is publicly available on the Company's website (www.acalplc.co.uk).

Directors' remuneration, service contracts and Directors' interests are disclosed in the Directors' Remuneration Report on pages 44 to 59.

The Articles of Association of the Company contain an indemnity in favour of the Directors, which is a Qualifying Third Party Indemnity within the meaning of s.236 of the Companies Act 2006 and is in force at the time of the approval of this Annual Report. Directors of subsidiary undertakings are also subject to this Qualifying Third Party Indemnity.

In addition, each Director of the Company has entered into a Deed of Indemnity with the Company, which operates only in excess of any right to indemnity that a Director may enjoy under any such other indemnity or contract of insurance.

Employees
The Group is committed to the principle of equal opportunity in employment. Employment policies are fair, equitable and consistent with the skills and abilities of employees and the needs of the Group's business. These policies ensure that everyone is accorded equal opportunity for recruitment, training and promotion.

It is Group policy to communicate with employees on major matters to encourage them to take an interest in the affairs of their employing company and the Group. Each of the Group's operating companies is responsible for developing effective arrangements in this regard, including the creation of a common awareness by employees of the financial and economic factors affecting their employing company's performance.

Corporate social responsibility
The Group recognises the importance of its responsibilities in relation to the environment, to social and community issues and to business ethics, as well as to its employees. Further information is included in the Corporate Social Responsibility statement on pages 26 and 27.

Greenhouse gas emissions
We present our carbon footprint below which has been compiled in accordance with the Greenhouse Gas Emissions (Directors' Reports) Regulations.

In accordance with the final reporting regulations, we selected a reporting period of the year to 31 December 2014 to enable accurate data to be collated and to compile the table below in time for inclusion in this Annual Report.

Our Scope 1 and 2 emissions, as defined within the Greenhouse Gas Protocol (GHG Protocol)as of 31 December 2014, have been reported from all of our major operating sites (which cover over 99% of our activities by revenue), using an operational control approach. The emissions of the acquired Noratel group represent the post-acquisition period of 5.5 months to December 2014. Emissions of the recently acquired Foss group are not included as the acquisition completed post the emissions reporting period. We have conducted an internal review to check the completeness and accuracy of the reported data.

As well as enabling the reporting of emissions, this information will assist us to identify potential cost savings going forward.

directors' report continued

The 65% increase in carbon emission per £m of revenue compared with the prior year is attributed primarily to the major acquisition of the Noratel group, which has sizeable manufacturing facilities in Poland, Sri-Lanka, India and China. The group's most significant emissions arise from the use of electricity, which comprises nearly all our Scope 2 emissions. 76% (2014: 87%) of our Scope 1 emissions arise from transport fuel, the remainder arising mainly from the use of gas and oil for heating. Less than 1% of our scope 1 emissions arise from process emissions.

Our emissions have been calculated using the latest Defra conversion factors available at https://www.gov.uk/measuring-and-reporting-environmental-impacts-guidance-for-businesses, with the exception of Sri Lanka's, which is not published by Defra and so we have used an appropriate local factor.

Greenhouse gas emissions for the period from 1 January 2014 to 31 December 2014 (tonnes of CO^2 equivalent)

	2015	2014
Scope 1 emissions	**1,589**	1,145
Scope 2 emissions	**4,231**	1,602
Total gross emissions	**5,820**	2,747
Total carbon emissions per £m of Group revenue	**21.5**	13.0

Additional information for shareholders

The following provides the additional information required for shareholders as a result of the implementation of the Takeover Directive into UK Law.

At 31 March 2015 the Company's issued share capital consisted of 63,049,220 ordinary shares of 5p each. On a show of hands at a general meeting of the Company, every holder of ordinary shares present in person is entitled to vote and, on a poll, every member present in person or by proxy and entitled to vote has one vote for every ordinary share held. There are no restrictions on the transfer of ordinary shares in the Company, other than those which may be imposed by law or regulation from time to time.

The Company's Articles of Association may be amended by a special resolution at a general meeting of the shareholders. Directors are appointed by ordinary resolution at a general meeting of the shareholders. The Board can appoint a Director, but anyone so appointed must be elected by an ordinary resolution at the next general meeting. Any Director who has held office for more than three years since their last appointment must offer themselves for re-election at the next Annual General Meeting.

The Directors have the power to manage the Company's business, subject to the provisions of the Company's Articles of Association, law and applicable regulations. The Directors also have the power to issue and buy-back shares in the Company pursuant to the terms and limitations of resolutions passed by shareholders at each Annual General Meeting of the Company.

Directors' interests in the share capital of the Company are shown in the table on page 50. Substantial shareholder interests, of which the Company has been notified, are shown below.

Details of the Group's borrowing facilities are provided in the Finance Review section of the Strategic Report on page 23. These agreements contain a change of control provision, which may result in the facility being withdrawn or amended upon a change of control of the Group. The Group is party to a number of commercial agreements which, in line with normal practice in the industry, may be affected by a change of control following a takeover bid.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment which occurs because of a takeover bid.

Issue of shares under share option and long-term incentive schemes

No shares were issued during the year under the Group's executive share option and long-term incentive schemes.

Substantial shareholdings

As at 31 March 2015, the Company had been notified of the following major shareholdings equal to or in excess of three per cent of the issued share capital:

	Holdings of ordinary shares (5p)	% holding
Hargreave Hale Investment Management (UK)	11,295,850	17.9
Aberdeen Asset Managers Ltd	8,828,018	14.0
Unicorn Asset Management (UK)	5,117,135	8.1
Aberforth Partners LLP	3,702,174	5.9
Legal & General Investment Management Ltd (UK)	2,818,474	4.5
Mr & Mrs J Curry	2,702,292	4.3
BlackRock Investment Management (UK)	2,685,756	4.3
Chelverton Asset Management	2,088,302	3.3
River & Mercantile Asset Management	2,000,000	3.2

The major shareholdings in the Company's issued share capital at 2 June 2015 are unchanged from those at 31 March 2015.

directors' report continued

Acquisition of company's own shares

At the end of the financial year, the Directors had authority to purchase through the market up to 6,226,425 of the Company's ordinary shares at prices ranging between the nominal value and an amount equal to the higher of: (a) 105 per cent of the average of the middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased; and (b) that stipulated by Article 5(i) of the Buy-back and Stabilisation Regulations 2003.

The authority expires at the earlier of the conclusion of the 2015 Annual General Meeting or on 28 October 2015. The Directors will seek to renew this authority at the next Annual General Meeting.

No shares were purchased under this authority during the year.

Financial risk management

The Group's policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposure to credit and liquidity risk are disclosed in Note 28 to the group financial statements on pages 102 and 103.

Going concern

The Group's business activities, together with factors which may adversely impact its future development, performance and position, are set out in the Strategic Report on pages 1 to 27. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review section of the Strategic Report on pages 20 to 23.

The Group has significant financial resources, well established distribution contracts with a number of suppliers and a broad and stable customer base. As a consequence, the Directors believe that the Group is well placed to manage its principal risks and uncertainties that are disclosed on pages 24 and 25 of the Strategic Report.

The Group's forecasts and projections, taking account of a sensitivity analysis of changes in trading performance, show that the Group is well placed to operate within the level of its current committed facilities for the foreseeable future.

After making due enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing this annual report and accounts.

Auditor

A resolution will be proposed at the forthcoming Annual General Meeting for the re-appointment of Ernst & Young LLP as auditor of the Company.

Disclosure of information to auditors

The Directors, who were members of the Board at the time of approving this Report, are set out on page 30. Having made enquiries of fellow Directors and of the Company's auditor, each Director confirms that:

i) to the best of their knowledge and belief, there is no information (i.e. information needed by the auditor in connection with preparing the audit report) of which the auditor is unaware; and

ii) each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the Board

Gary Shillinglaw
Group Company Secretary
2 June 2015

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Occam Road
Surrey Research Park
Guildford
Surrey GU2 7AH

board report on corporate governance

The Acal Group is committed to effective corporate governance and continues to operate the appropriate principles and procedures. This statement describes how Acal applies the principles of the UK Corporate Governance Code (the 'Code'), published by the Financial Reporting Council in September 2014, by considering each of the main headings included within the Code. Acal complied with all provisions of the Code throughout the year to 31 March 2015.

As disclosed in the Directors' Report on page 32, this Report is publicly available on the Company's website (www.acalplc.co.uk).

The Board

Acal is led by a strong and experienced Board with a broad range of business and financial skills. Throughout the year under review the Board consisted of Richard Moon as Non-Executive Chairman; Richard Brooman and Henrietta Marsh as Non-Executive Directors; Nick Jefferies as Group Chief Executive; and Simon Gibbins as Group Finance Director.

Nick Salmon was appointed as a Non-Executive Director with effect from 1 March 2015. As announced on 17 April 2015, it is intended that he be appointed Non-Executive Chairman from the conclusion of the Annual General Meeting on 29 July 2015, in succession to Richard Moon who will step down from the Board then. Richard has served on the Board since September 2004 and as Non-Executive Chairman since April 2005.

Graham Williams stepped down as a Non-Executive Director with effect from 31 December 2014.

The size and composition of the Board is considered to be appropriate to the Group's business at present, although this is kept under review by the Nomination Committee.

The Board sets a framework of controls which are used to mitigate the adverse impact of material risks, including a formal schedule of matters reserved for its decision. These include: determination of the Group's overall strategy and management; the approval of financial statements; dividends; business plans; financing and treasury matters; major capital expenditure; and any litigation of a material nature. The schedule is reviewed periodically.

The Non-Executive Directors challenge management proposals where appropriate and carefully monitor management performance and reporting throughout the year.

As set out below, certain matters are delegated to the Group Executive Committee and to the Audit, Remuneration and Nomination Committees. The Board also has a General Purposes Committee, consisting of any two Directors of the Company, which has delegated authority to approve certain defined and routine matters between Board meetings. There were twelve meetings of the full Board during the year to 31 March 2015, with all Directors attending all meetings, with the exception of one meeting which Henrietta Marsh was unable to attend. All Directors attended the meetings of all Committees on which they served, with the exception of (a) one Audit Committee Meeting, which Graham Williams was unable to attend; and (b) one Remuneration Committee Meeting, which Richard Brooman was unable to attend.

The Group maintains appropriate Directors' and Officers' Liability insurance.

Chairman and Group Chief Executive

The Company has both a Chairman and a Group Chief Executive. There is a clear division of responsibilities, which has been agreed by the Board, and details of their respective roles are available from the Company on request. The Chairman is responsible for leading the Board, which includes the operation of the Board's overall procedures, providing a forum for constructive discussion and ensuring receipt of clear and timely information. The Group Chief Executive is responsible for the day to day management of the Group's businesses and reporting their progress to the Board. Major decisions have to be made by the Board as a whole, and no one individual has unfettered power of discretion.

Board balance and independence

As noted above, the Board currently comprises two Executive Directors and, including the Chairman, four Non-Executive Directors. Each Director has a role, and no individual or small group of individuals determines the Board's decision-making.

No Non-Executive Director who served during the year:
- was an employee of the Group within the last five years before their appointment;
- has, or has had, within the last three years, a material business relationship with the Company, either directly or indirectly;
- receives remuneration, other than a Director's fee, participates in the Company's share incentive schemes or is a member of the Company's pension scheme;
- has close family ties with any of the Group's advisers, Directors or senior employees;
- holds cross-directorships or has significant links with other Directors through involvement in other companies or bodies;
- represents a significant shareholder; or
- has served on the Board for more than nine years from the date of their appointments to the Board, other than Richard Moon who will be stepping down from the Board after the Annual General Meeting on 29 July 2015 and will not be seeking re-election.

board report on corporate governance continued

In the Board's opinion, the Non-Executive Directors of the Company are considered to be independent, including Richard Moon. Although he has long service, he is considered to be independent because his objectivity and willingness to challenge management have not been compromised in any way by the length of his tenure.

Richard Brooman is the Senior Non-Executive Director and is available to shareholders, should they have concerns that cannot be resolved through other channels.

The Chairman meets with the Non-Executive Directors, without Executive Directors present, as and when required. The Non-Executive Directors meet, as necessary, without the Chairman present and, as stated below, the Senior Non-Executive Director leads the process of annually appraising the Chairman's performance in conjunction with the other Non-Executive Directors.

Appointments to the Board

While appointments to the Board are the responsibility of the full Board, the Nomination Committee has a duty to ensure that, when making recommendations to the Board on suitable candidates, it takes into account the Board's existing balance of skills and experience and has due regard for diversity, including gender and race.

The Nomination Committee is chaired by Richard Moon. Richard Brooman, Henrietta Marsh, and Nick Jefferies are the other members of the Committee.

Before any appointment to the Board is considered, a job specification is prepared and agreed by the Nomination Committee. Unless the appointment is as an Executive Director, for which a suitable candidate is available from within the Group, appropriate executive search or other organisations with databases of candidates are consulted, before a short-list of suitable candidates is produced for agreement by the Nomination Committee. Candidates meet all members of the Nomination Committee, which then makes recommendations to the Board. All members of the Board would usually meet with the relevant candidate before an appointment is finally made.

On the appointment of Richard Moon as Chairman, an assessment was made of the time commitment expected to carry out the role and note was taken of his other significant commitments. He is Non-Executive Chairman of Seven Technologies Holdings Limited and Chairman of Synergie Business Limited. The Committee concluded that these Chairmanships did not preclude him from fulfilling his obligations as Chairman of Acal.

The Nomination Committee met formally five times during the year. The terms of reference for the Nomination Committee are available on request and are on the Company's website (www.acalplc.co.uk).

Diversity

The Board is committed to a culture that attracts and retains talented people to deliver outstanding performance and further enhance the success of the Group. In that culture, diversity across a range of criteria is valued, primarily in relation to skills, knowledge and experience and also in other criteria, such as gender and race. The Board has considered setting objectives in relation to diversity, but does not believe that such objectives are appropriate at this juncture, given the relatively small Board. The Board will keep this matter under review, particularly in light of Board succession and development.

Information and professional development

Papers are circulated in advance of Board and Committee meetings, and Directors are invited to request such further information as they may require, thereby ensuring that proper consideration can be given to all matters. Between meetings, Directors are kept abreast of progress through ad hoc meetings and briefings, as and when required. A procedure is in place whereby Directors may have access to independent professional advice at the Company's expense and Directors have access to the advice and services of the Company Secretary. The appointment or removal of the Company Secretary is a matter for the Board as a whole. An induction process is in place for any new Director joining the Board, which includes meeting with the Group's senior management and visits to key locations, as well as a comprehensive briefing pack.

Performance evaluation

During the year, the Board evaluated its own performance, together with that of its Committees and individual Directors, including the Chairman. Each Director is asked to appraise each of these areas. The Chairman co-ordinates discussions with individual Directors on their performance and the Senior Non-Executive Director co-ordinates discussion with the Chairman on his performance. The results of the process are then summarised for presentation to, and discussion by, the Board and any actions to be taken are identified. Arising from the results of the latest evaluation, the Board decided that a review should be undertaken of the Group's existing health & safety reporting structure, given the Group's increased manufacturing activity. This review is expected to lead to more frequent reporting on health & safety matters by those operating companies most exposed to health & safety risks.

board report on corporate governance continued

Election and re-election of directors

The Company's Articles of Association require that, at every Annual General Meeting, each Director who (a) was appointed since the previous Annual General Meeting or (b) was appointed or last re-appointed at or before the Annual General Meeting held at least three years before the current year or (c) being a Non-Executive Director, as at the date of the Meeting has held office with the Company for a continuous period of nine years or more, must retire from office.

At the next Annual General Meeting of the Company, resolutions will be proposed for the election of Nick Salmon, being a Director appointed since the previous Annual General Meeting, and for the re-election of Nick Jefferies. Having taken into account the formal evaluation of their performances, the Board believes that each makes an effective contribution to the Board, demonstrates commitment to their role and is recommended for election and re-election, respectively.

As mentioned earlier in this Report Richard Moon, who has held office with the Company for a continuous period of more than nine years, will be stepping down from the Board after the forthcoming Annual General Meeting and, therefore, will not be seeking re-election.

The level and make-up of directors' remuneration

The level and make-up of the Directors' remuneration is set out in the Directors' Remuneration Report. As this shows, a proportion of an Executive Director's overall remuneration is designed to promote the long-term success of the Company by being performance-related through annual bonus and share incentive schemes.

Procedure on board remuneration

The remuneration of Executive Directors is the responsibility of the Executive Directors' Remuneration Committee, as more fully described in the Directors' Remuneration Report. The remuneration of the Non-Executive Directors is determined by the Non-Executive Directors' Remuneration Committee, which consists solely of the Executive Directors. No Director is involved in deciding their own remuneration.

Financial reporting

The Directors have acknowledged in the Directors' Responsibilities Statement their responsibility for preparing the financial statements of the Company and the Group. The Auditor has included in the audit report a statement of responsibilities.

The Directors are also responsible for the publication of the Interim Report of the Group, covering the first six months of the year, which, in their opinion, provides a balanced and understandable assessment of the Group's financial performance and position. The Directors also issue an Interim Management Statement twice in each financial year.

Group Executive Committee

The Group Executive Committee comprises: Nick Jefferies, who is the Chairman, together with Simon Gibbins, Paul Neville, Martin Pangels, Gary Shillinglaw, who is also the Secretary, and Paul Webster. For their biographies see pages 30 and 31. During the year to 31 March 2015, there were eight meetings of the Committee. Other senior managers attend the Committee meetings, by invitation, for specific topics.

The Committee is responsible for the Group's day-to-day operations, for delivering results and for driving growth for shareholders. The powers delegated to the Committee are contained in its written terms of reference, which are available on request and are on the Company's website (www.acalplc.co.uk).

Relations with shareholders and institutional investors

The Board believes that it is an important part of its responsibilities to maintain an effective and timely dialogue with the Company's shareholders and institutional investors. To this end, the Board keeps in touch with shareholder opinion in whatever ways it deems to be most practical and efficient. For example, through direct face-to-face contact, analysts' or brokers' briefings. The Company's Annual Report includes a statement from the Chairman, plus reviews by the Group Chief Executive and by the Group Finance Director. At the half year, an Interim Report is published.

Throughout the year meetings are held with institutional shareholders, as well as stockbroking analysts. These meetings include discussions on governance and strategy matters. It is the responsibility of the Chairman to ensure that shareholder views are communicated to the Board as a whole. Investor relations information, as well as presentations and news releases, are made available on the Company's website (www.acalplc.co.uk). Members of the Board, the Chairman of the Remuneration Committee and the Chairman of the Audit Committee are available at the Annual General Meeting to answer any questions. In addition, the Chairman of the Remuneration Committee maintains contact, as required, with the Company's principal shareholders about remuneration. The Company responds to any questions from shareholders, generally as they arise.

board report on corporate governance continued

In order to ensure that members of the Board develop an understanding of the views of major shareholders about the Company, any feedback received by the Company from meetings with institutional shareholders and stockbroking analysts is discussed internally and raised with the Board, as appropriate. Periodically, the Company's stockbrokers and public relations advisers follow up meetings held with institutional investors and stockbroking analysts in order to try and obtain feedback on these meetings which may not have been provided directly to the Company. The results of such follow-up discussions are circulated to the Board.

When, in the opinion of the Board, a significant proportion of votes have been cast against any resolution at any general meeting, the Company will explain, when annoucing the voting results, what actions it intends to take to understand the reasons behind the voting result.

Annual General Meeting

The level of proxy voting, together with the number of votes cast for and against each resolution and abstentions, will be made available at the AGM after voting is completed on a show of hands and will be published on the Company's website (www.acalplc.co.uk). A separate resolution will be presented on each substantially separate issue and the Chairman of each Board Committee will normally attend the AGM. The proxy form relating to the AGM includes an option for votes to be withheld. Notice of the Meeting will be sent to shareholders at least 20 working days before the Meeting.

Approval

This Board Report on Corporate Governance has been approved by the Board and signed on its behalf by

Gary Shillinglaw
Group Company Secretary
2 June 2015

audit committee report

Dear Shareholder,
I am pleased to report on the activities of the Audit Committee ("the Committee") during the year under review.

The Committee and external auditor

The Committee is comprised of me, Richard Brooman, as Chairman, together with Henrietta Marsh. The Group Chief Executive and the Group Finance Director attend meetings, although no Executive Director has a right of attendance. The Chairman of the Board is invited to attend the meetings of the Committee. The Board is satisfied that the members of the Committee have recent and relevant financial experience. The Directors' summary biographies can be found on page 30 of this annual report and accounts.

The Committee is responsible for reviewing the scope and results of the audit, the accounting policies and systems of internal control of the Group, as well as the effectiveness and cost-efficiency of the audit. In addition, it considers and monitors the independence and objectivity of the auditor, as well as the extent of any non-audit services provided by the auditor. The interim statement, the preliminary announcement of results and the annual financial statements are considered by the Committee prior to their approval by the Board. As Chairman of the Committee, I maintain direct communication with the external auditor, independently of the management of the Company.

The Committee met three times during the year and its principal activities during the period included reviews of:

- the interim and full year results;
- the key business risks, processes and internal control systems of the Group;
- the scope and results of the external audit;
- the continued independence and objectivity of the external auditor, including an understanding of the external auditor's own standards and procedures for maintaining their independence and reviewing the level of non-audit services provided by the auditor, in order to ensure that these were not significant enough to prejudice their independence and objectivity as the auditor;
- the performance of the external auditor and thereby making a recommendation as to their re-appointment;
- the arrangements whereby staff may raise, in confidence, any concern they may have about possible improprieties.

The Committee considers the appointment or reappointment of the external auditor, including the timing of rotation of the incumbent audit partner, on an annual basis. Ernst & Young LLP have served as the Company's auditor since 2005. The last audit tender was carried out in 2009.

With regard to recommending the re-appointment of the external auditor, the Committee has recommended that the Board presents a resolution to shareholders at the 2015 Annual General Meeting for the re-appointment of Ernst & Young LLP. This followed an assessment of the quality of service provided, including the qualification of the external auditor, the expertise and resources made available to the Group, auditor independence and the effectiveness of the audit process. The decision was based on the consideration of reports issued by the external auditor and feedback from executive management.

Part of at least one Committee meeting a year is held with the Non-Executive Directors and representatives from the external auditor present, thereby providing an opportunity for any concerns to be raised without executive management present.

As Chairman of the Committee, I report to the Board on any significant matters arising from the activities of the Committee.

Financial reporting and significant judgments

As part of the monitoring of the integrity of the financial statements, the Committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgments. Support from the external auditor is sought when undertaking these assessments.

audit committee report continued

The main issues assessed in the year under review are set out below:

Impairment of goodwill
A consideration of the carrying value of goodwill and the assumptions underlying the impairment review. The judgments in relation to goodwill impairment largely relate to the assumptions underlying the calculations of the recoverable amount of the business unit being tested for impairment, primarily the achievability of long term business plans and macroeconomic assumptions underlying the valuation process. The assumptions are sensitised to ensure that there is adequate headroom between the recoverable amount and the carrying value of the business being tested for impairment.

Accounting for acquisitions
A review of the acquisition accounting for material acquisitions during the year, including the appropriateness of the assumptions used in assessing the fair value of assets and liabilities acquired.

Valuation of the legacy defined benefit pension scheme
A review of the appropriateness of the assumptions used in the valuation of the legacy defined benefit pension scheme under IAS 19 – Employee Benefits.

The recognition and valuation of judgmental provisions
A determination of the appropriateness of the assumptions used in the recognition and valuation of judgmental provisions which relate mainly to onerous contracts, severance indemnities, acquisition earn-out arrangements, long term bonus plans, restructuring and integration.

Presentation of exceptional items
A review of the appropriateness of items disclosed as exceptional in the supplementary income statement information and notes to the consolidated financial statements, in line with the Group's stated policy.

The Committee was satisfied that each of the matters set out above had been fully and adequately addressed by the Executive Directors, appropriately tested and reviewed by the external auditor and that the disclosures made in this annual report and accounts were appropriate.

Internal controls
The UK Corporate Governance Code includes a requirement that the Board maintains sound risk management and internal controls systems to safeguard shareholders' investment and the Company's assets. This requirement covers all controls including: operational; compliance and risk management; as well as financial controls. Formal guidance for Directors on internal controls was published by the Institute of Chartered Accountants in England & Wales in September 1999 and subsequently revised in October 2005 by The Financial Reporting Council, following which the Board approved a framework for the implementation of this guidance. The relevant procedures have been in place throughout the year under review and up to the date of this annual report and accounts.

The Board has overall responsibility for the Group's risk management and internal controls systems and for reviewing their effectiveness, at least annually.

While no system of controls can provide absolute assurance against material misstatement or loss, the Group's systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. In establishing and reviewing the systems, the Committee, on behalf of the Board, has regard to the significance of the risks involved, the likelihood and severity of a loss being incurred and the costs of the relevant controls.

The foundation of the Group's systems is the value placed on the quality and integrity of its employees. Its principal components are:

- a clearly defined organisation structure with short and clear reporting lines;
- an ongoing process for the identification, regular review and management of the principal risks and issues affecting the business, both at Group and operating levels;
- in-house and outsourced internal audit activities;
- a regular review of the principal suppliers and customers of the Group, and how each impacts upon the Group's business;
- a comprehensive planning process, which starts with a strategic plan and culminates in an annual budget and a long term plan;
- regular forecasting throughout the year of orders, sales, profitability, cash flow, working capital and balance sheets;
- a regular review of actual performance against budget and forecasts;
- clearly defined procedures for the authorisation of major new investments and commitments; and
- a requirement for each operating company to maintain a system of internal controls appropriate to its own local business environment.

The Finance team is responsible for producing financial information that is timely, accurate and in accordance with applicable laws and regulations. In addition, it is responsible for the timely distribution of financial information, both internally and externally. Key financial and operational performance is reported on a timely basis and measured against both the Board approved budget and management's rolling forecasts. A review of the financial statements is completed by management to ensure that the financial position and results of the Group are appropriately reflected. All financial information published externally by the Group is approved by the Board.

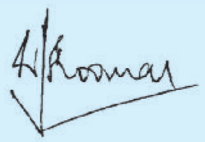
audit committee report continued

The above procedures apply to Acal plc and all of its subsidiary companies.

The Board receives regular submissions from management concerning the matters set out above and other matters relevant to internal controls and the identification, evaluation and management of risk. In addition, the Committee, on behalf of the Board, has conducted a specific annual review of the effectiveness of the Group's system of internal controls, including financial, operational and compliance controls and risk management systems. The Group has embedded risk management and internal control into the operations of the business and continues to deal with areas of improvement which come to the attention of management and the Board.

Terms of Reference

The Committee has written terms of reference, which are available on request and are on the Company's website (www.acalplc.co.uk).



Richard Brooman
Chairman of the Audit Committee
2 June 2015

nomination committee report

Dear Shareholder,

The Acal Board has a collective responsibility for promoting the long-term success of the Company for the benefit of its shareholders and employees. In leading the search for new Board appointments, the Nomination Committee ("the Committee") plays an important part in helping to secure that long-term success. At the same time, Acal's commitment to good governance and compliance with the requirements of the UK Corporate Governance Code ("the Code") means that there is in place a formal, rigorous and transparent procedure for the appointment of new Directors to the Board.

Composition

The majority of the Committee members are independent Non-Executive Directors. During the year under review, the Committee was chaired by myself, with Graham Williams (until his retirement from the Board on 31 December 2014), Richard Brooman, Henrietta Marsh and Nick Jefferies as Committee members.

Future composition

As announced on 17 April 2015, I will be stepping down from the Board with effect from the conclusion of this year's Annual General Meeting. It is intended that Nick Salmon will suceed me as Non-Executive Chairman. On becoming Non-Executive Chairman, Nick will also become Chairman of the Committee.

Role and responsibilities

The Committee's principal role is to make recommendations to the full Board on suitable candidates to fill board vacancies, as and when they arise.

In managing this process, the Committee takes into account the Board's existing balance of skills and experience and has due regard for diversity, including gender and race. A job specification is prepared and agreed by the Committee. Unless the appointment is as an Executive Director, for which a suitable candidate is available from within the Group, appropriate executive search or other organisations with databases of candidates are consulted, before a short-list of suitable candidates is produced for agreement by the Committee. Candidates meet all members of the Committee, which then makes recommendations to the Board. Adopted practice is for all members of the Board to meet with the relevant candidate before an appointment is finally made.

In addition, the Committee is concerned to ensure that a proper process for succession planning for the Board and senior management is in place, so that a pipeline of executive talent is developed.

What the Committee did in the year under review

During the year, the Committee met formally on five occasions and the main focus of its work included the following:

- reviewing the composition and structure of the Board and the Committees;
- selecting a high-calibre candidate to succeed Graham Williams as a Non-Executive Director, given his decision to retire from the Board on 31 December 2014. After undertaking a search, in February 2015 the Board approved, following a recommendation from the Committee, the appointment of Nick Salmon as a Non-Executive Director with effect from 1 March 2015. In making this recommendation to the Board, the Committee was satisfied that (a) Mr Salmon would be able to allocate sufficient time to the Company in order to discharge his responsibilities effectively and (b) given his significant industrial and leadership experience, he was suitably qualified for the position.
- recommending to the Board the re-appointments, which were duly approved, of the Non-Executive Directors upon the conclusion of their specified terms of office. In each case, the Committee's recommendation was made after careful consideration of the individual's independence, performance and ability to continue to contribute to the Board in the light of the knowledge, skills, commitment and experience required;

nomination committee report continued

- recommending to the Board the appointments, which were duly approved, of Richard Brooman, as Senior Non-Executive Director, and Henrietta Marsh, as Chairman of the Remuneration Committee, in succession to Graham Williams because of his retirement from the Board;
- recommending to the Board the appointments, which were duly approved, of Richard Brooman and Henrietta Marsh to the Nomination Committee.

Advisors
In the year under review, the Committee received external advice from Norman Broadbent, executive search consultants, in relation to the appointment of Nick Salmon. Norman Broadbent has no other connection with the Company.

Diversity
The Board's policy on diversity is set out on page 36 of this annual report and accounts.

Terms of reference
The Committee's terms of reference are available upon request and are on the Company's website (www.acalplc.co.uk).

Richard Moon
Chairman of the Nomination Committee
2 June 2015

directors' remuneration report

This remuneration report complies with current regulations, having been prepared in accordance with the Companies Act 2006 ("the Act"); the recommendations of the UK Corporate Governance Code; the requirements of the UKLA Listing Rules; and the disclosure requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

In presenting the report, we have chosen to follow the order of the legislation. The report starts with the annual statement and a "remuneration at a glance" section. These describe the Company's philosophy on executive remuneration and provide key facts on outcomes for the Executive Directors for the year under review and their remuneration for the year ending 31 March 2016. These are followed by the annual report on remuneration, which will be subject to an advisory shareholder vote at the forthcoming Annual General Meeting, and the directors' remuneration policy, which will be subject to a binding shareholder vote.

To meet the requirements of the Act, the report is divided into Unaudited Information and Audited Information. The Company's auditor is required to report to the Company's members on the auditable part of the report and state whether, in their opinion, it has been properly prepared in accordance with the Act.

contents

directors' remuneration report continued
annual statement information not subject to audit

The remuneration packages of our executive directors and senior executives motivate, retain and when necessary, attract senior management of the right calibre. To achieve this, we provide packages which: reflect individual experience and performance; and take into account the remuneration paid by companies of a similar size and complexity and which operate internationally.

Business performance and the Executive Directors' remuneration outcomes for the year ended 31 March 2015
Business performance has been good during the last year. For the year under review, underlying profits before tax increased by 87%; underlying EPS increased by 31%; and dividends went up by 12%. The share price increased by 13% (after taking account of the rights issue to fund the acquisition of Noratel) and this followed a 34% increase in 2014. The transformational acquisition of Noratel was successfully completed, with a further smaller acquisition made in January 2015 (of Foss).

Performance over the longer term has also been good. Since January 2009, when our Group Chief Executive was appointed, the total shareholder return has been 385%, which places the Company in the upper quartile of FTSE Small Cap Index constituents.

For the year under review, we have provided "at a glance" summary details of corporate performance, remuneration outcomes for the executive directors and key features of their remuneration on page 47 of this annual report and accounts and I would like to highlight the following key points:

- Reflecting the strong business performance during the year, the Remuneration Committee ("the Committee") awarded annual bonus payments to each of the executive directors of 59% of their maximum potential awards. This compares with awards of 55% and 20% for the two previous financial years. Further details are shown on page 48 of this annual report and accounts.
- The Company incentivises and rewards long term performance through the LTIP schemes and, during the year, the LTIPs awarded in March 2012 vested at 100%. This full vesting reflects the Company's excellent Total Shareholder Returns over the three years from March 2012, which were first quartile among the constituents of the FTSE Small Cap Index. It also accounts for the majority of the large increase in the single total figure of remuneration of the Group Chief Executive, as compared with the previous year.
- During the year, the Company made significant strategic progress with the acquisitions of Noratel and Foss. The Company now has a larger and more balanced profit stream, with more than half of earnings coming from the Design & Manufacturing division. In recognition of this progress, the Committee made LTIP awards in March 2015 of 150% of salary to the Group Chief Executive and 125% of salary to the Group Finance Director (compared to 125% and 100% respectively in the previous year). These awards will accrue value in the future as the strategic initiatives deliver rewards for shareholders.

Dialogue with the Company's shareholders and future policy
The Committee takes account of the views of the Company's shareholders on remuneration and engages with them, as appropriate. At the time of the Noratel acquisition, we highlighted in the accompanying circular that, following completion, it was the Board's intention to review the incentive plans for Acal's senior management. Following best practice, the Company consulted with key shareholders about its proposals. Although the majority consulted were in favour, some significant shareholders were not willing to support the proposals, and the Committee decided not to proceed with the revised arrangements.

In the light of this, the Committee felt it necessary to address the packages of the senior team in order to ensure their retention and, in early 2015, we conducted benchmarking studies for each senior executive,with the assistance of MM&K limited, who are the Committee's advisers. Since the last full review in 2012, senior salaries have generally risen in line with inflation or below, while the Company has grown substantially. Underlying profits are up from £5.5m to £13.4m, turnover is up from £177m to £271m, the number of employees number is up from 719 to 3,329 and there has been a substantial increase in the size and scope of the Company's international operations. These benchmarking studies identified that a substantial increase to the remuneration of the Group Chief Executive was necessary and the Committee approved an increase in salary to £425,000pa (+29%), an increase in the bonus target payment to 60% of salary (but no change to the maximum) and an increase in the Company's pension contribution from 7% to 15% of salary. The benchmarking study for the Group Finance Director supported an increase in salary to £250,000pa (+18%). There are no other material proposed changes to the remuneration policy. Key shareholders were consulted on these proposals and no adverse comments were received.

directors' remuneration report continued
annual statement information not subject to audit

Point of contact
The changes to the remuneration policy in relation to bonus and pension are subject to shareholders' approval at this year's Annual General Meeting. Any shareholder who wishes to contact me in relation to the directors' and senior executives' remuneration arrangements can do so via the Group Company Secretary at the Company's head office address.

Annual General Meeting 2015
Shareholders will be invited to approve the Annual Report on Remuneration and the Directors' Remuneration Policy at the Annual General Meeting to be held on 29 July 2015.

Henrietta Marsh
Chairman of the Remuneration Committee
2 June 2015

directors' remuneration report continued
executive directors: remuneration at a glance

In this section, we show the link between corporate performance for the year under review and the remuneration outcomes for the Executive Directors. The key features of the Executive Directors' remuneration for the year ending 31 March 2016 are also shown.

Corporate performance for the year[1]

	FY2015	Changes vs FY2014	FY2014	Changes vs FY2013
Underlying profit before tax	**£11.8m**	+87%	**£6.3m**	+26%
Underlying diluted earnings per share	**15.4p**	+31%	**11.8p[2]**	+20%
Full year dividend per share	**7.6p**	+12%	**6.8p[2]**	+10%
Share price (as at 31 March 2015)	**260.0p**	+13%	**230.0p[2]**	+34%

1 Excludes discontinued operations.
2 Rebased following rights issue June 2014.

Remuneration outcomes for the Executive Directors for the year ended 31 March 2015

	Nick Jefferies £000		Simon Gibbins £000	
Salary FY2015	330		212	
Bonus (as % of salary)	194	59%	124	59%
Taxable benefits	11		11	
Pension benefits	23		14	
LTIP/Option: value of awards as at 31.03.15 which vested in March 2015	688		319	
Single figure of total remuneration	1,246		680	

Key features of Executive Directors' remuneration packages for the year ending 31 March 2016

Nick Jefferies
Salary of £425,000 pa; annual maximum bonus opportunity of 100% of salary (up to 60%* of salary for achieving budgeted financial and targeted non-financial objectives,with the potential to increase to 100% of salary for significant over achievement of budgeted financial objectives); LTIP award of up to 150% of salary vesting in full after three years (subject to satisfying performance conditions), but not exercisable until after five years, with dividend equivalents payable from the vesting date until the exercise date; pension allowance of 15%* of salary; car allowance and family medical insurance.

Simon Gibbins
Salary of £250,000 pa; annual maximum bonus opportunity of 100% of salary (up to 50% of salary for achieving budgeted financial and targeted non-financial objectives with the potential to increase to 100% of salary for significant over achievement of budgeted financial objectives); LTIP award of up to 150% of salary vesting in full after three years (subject to satisfying performance conditions), but not exercisable until after five years, with dividend equivalents payable from the vesting date until the exercise date; pension allowance of 6.5% of salary; car allowance and family medical insurance.

Possible remuneration outcomes for the Executive Directors for the year ending 31 March 2016 are shown on page 58 of this annual report and accounts.

* Subject to shareholder approval at Annual General Meeting to be held on 29 July 2015.

directors' remuneration report continued
annual report on remuneration

Information not subject to audit

Introduction

This annual report on remuneration is required by legislation and explains how the remuneration policy was implemented during the year under review.

An advisory resolution to approve the report will be put to shareholders at the forthcoming Annual General Meeting.

Information subject to audit

Single total figure of remuneration

The table below sets out the single total figure of remuneration and the remuneration breakdown for each Executive Director for the year under review and for the prior financial year. For the key features of the Executive Directors' remuneration packages for the current year, please see the policy table on pages 54 and 55 of this annual report and accounts.

		Salary £000	Benefits[1] £000	Bonus[2] £000	Bonus (% of salary)	LTIP/ Option[3] £000	Pension[4] £000	Total £000
Nick Jefferies	**FY15**	**330**	**11**	**194**	**59**[5]	**688**	**23**	**1,246**
	FY14	320	11	176	55	65	22	594
Simon Gibbins	**FY15**	**212**	**11**	**124**	**59**[5]	**319**	**14**	**680**
	FY14	206	13	113	55	313	13	658

1 Taxable benefits comprise car allowances (£9,000 each), family medical insurance and, for Simon Gibbins, childcare vouchers. The benefits cost the Company £10,530 (Nick Jefferies) and £10,802 (Simon Gibbins).
2 Details of the calculation of the annual bonus figure for the year under review are shown below.
3 Details of the calculation of the LTIP/Option figures for the year under review are set out on page 50 of this annual report and accounts.
4 Pension benefits are calculated as 7.0% of salary (Nick Jefferies) and 6.5% of salary (Simon Gibbins).
5 Includes 15% for non-financial objectives awarded at Remuneration Committee's discretion in recognition of the Company's strong business performance during the year.

Additional information: annual bonus for the year

Awards under the annual bonus plan are subject to demanding performance targets. For the year under review, the structure of the plan for the Executive Directors was as follows:

Financial objectives		Award level (% of salary)		
Corporate performance	90% of budget	Budget	Budget +10%	Budget +25%
Group EBIT	0%	20%	40%	65%
Simplified working capital	0%	10%	15%	15%
Total	0%	30%	55%	80%

Non-financial objectives	Award level (% of salary)	
Personal performance	Minimum	Maximum
Specified personal objectives	0%	5%
Remuneration committee discretion	0%	15%
Total	0%	20%

Each Executive Director was given a number of non-financial objectives, tailored to his role and to business requirements in the year under review. Some of these objectives are considered to be commercially sensitive, but they included delivering organic growth initiatives, value enhancing acquisitions (Nick Jefferies); team development and ensuring the adequacy of group equity and debt funding to meet expansion plans (Simon Gibbins).

directors' remuneration report continued
annual report on remuneration

Remuneration of the Non-Executive Directors
Details of the remuneration of the Non-Executive Directors, who served during the years ended 31 March 2015 and 31 March 2014, are as follows:

Total emoluments	**2015 £**	2014 £
Richard Moon[1]	**104,000**	101,000
Eric Barton[2]	**–**	11,667
Richard Brooman[3]	**36,000**	33,333
Henrietta Marsh[4]	**33,500**	27,500
Graham Williams[5]	**27,750**	34,333
Nick Salmon[6]	**3,750**	–

1 Fees are paid to Synergie Business Limited, of which Richard Moon is Chairman and a shareholder.
2 Retired as a Director with effect from 26 July 2013.
3 Received a basic fee of £32,000 pa and additional fees of £2,000 pa and £3,000 pa, respectively, for acting as Senior Non-Executive Director and chairing the Audit Committee.
4 Received a basic fee of £32,000 pa and additional fees of £3,000 pa for chairing the Remuneration Committee.
5 Resigned as a Director with effect from 31 December 2014.
6 Appointed as a Director with effect from 1 March 2014. Received a basic fee of £45,000 pa.

Directors' remuneration
The total amounts for Directors' remuneration were as follows:

	2015 £	2014 £
Fees	**205,000**	207,833
Salary and benefits	**563,332**	549,761
Performance-related bonuses	**318,154**	289,300
Money purchase pension contributions	**36,880**	35,790
Total	**1,123,366**	1,082,684

Pension arrangements
The Company does not operate a defined benefit pension scheme. However, there is a defined benefit pension scheme within the Group in the UK, namely the Sedgemoor Group Pension Fund, which was closed to new members in 2000. Pension contributions to the Company's defined contribution scheme for the Executive Directors are set out in the policy table on pages 54 and 55 of this annual report and accounts.

Executive share option schemes ("the Option Schemes")
The performance criteria for the Option Schemes are set out on page 56 of this annual report and accounts. Movements in the Executive Directors' holdings of options under the Option Schemes during the year under review are shown below. The holding was adjusted during the year following the Company's rights issue in June 2014. The adjustment was made so that Mr Jefferies was no worse off as a result of the rights issue. The recommended HMRC formula was used to calculate the adjustment.

	Number held at 31.03.15	Movements during the year: Granted	Adjusted	Vested	Exercised	Lapsed	Number held at 01.04.14	Vested but not exercised	Share value on vesting date £000	When exercisable
Nick Jefferies	18,819	–	5,141	–	–	–	13,678	18,819	51	Sep 2013 to Sep 2020
Simon Gibbins	–	–	–	–	–	–	–	–	n/a	n/a

The option held by Nick Jefferies vested in part on 1 September 2013 and became excercisable from that date.

No Director exercised any executive share options during the year under review, or in the prior year.

directors' remuneration report continued
annual report on remuneration

2008 long-term incentive plan and the 2008 renewed long-term incentive plan ("the LTIPs")

The performance criteria for the LTIPs are set out in the policy table on pages 54 and 55 of this annual report and accounts. Movements in the Executive Directors' holdings of nil-cost options under the LTIPs during the year are shown below. The holdings were adjusted during the year following the Company's rights issue in June 2014. The adjustments were made so that the LTIP participants were no worse off as a result of the rights issue. The recommended HMRC formula was used to calculate the adjustments.

	Number held at 31.03.15	Movements during the year Granted	Adjusted	Vested	Exercised	Lapsed	Number held at 01.04.14	Vested but not exercised	Share value at 31.03.15 £000	When exercisable
Nick Jefferies	804,587(v)[1]	–	219,810	–	–	–	584,777	804,587	2,092	Mar 2012 to Mar 2019
	340,105(v)[2]	–	92,915	–	–	–	247,190	340,105	884	Mar 2013 to Mar 2020
	264,593(v)[3]	–	72,286	264,593	–	–	192,307	264,593	688	Mar 2015 to Mar 2022
	233,696(nv)	–	63,845	–	–	–	169,851	–	608	Mar 2016 to Mar 2023
	183.081(nv)	–	50,017	–	–	–	133,064	–	476	Mar 2019 to Mar 2024
	245,192(nv)	245,192	–	–	–	–	–	–	637	Mar 2020 to Mar 2025
Simon Gibbins	192,431(v)[4]	–	52,571	–	–	–	139,860	192,431	500	Jul 2013 to Jul 2020
	122,638(v)[5]	–	33,504	122,638	–	–	89,134	122,638	319	Mar 2015 to Mar 2022
	108,318(nv)	–	29,592	–	–	–	78,726	–	282	Mar 2016 to Mar 2023
	84,683(nv)	–	23,135	–	–	–	61,548	–	220	Mar 2019 to Mar 2024
	120,192(nv)	120,192	–	–	–	–	–	–	312	Mar 2020 to Mar 2025

(v) = vested; (nv) = non-vested

1 Nick Jefferies holds a nil-cost option over 804,587 shares (as adjusted) in the Company, which vested and became exercisable on 31 March 2012. He has undertaken to retain, on a cumulative basis, shares under options which have become exercisable equivalent in market value (at the point of vesting) to his annual basic salary.

2 The award, in the form of a nil-cost option, initially over 269,230 shares in the Company, was made to Nick Jefferies on 31 March 2010. The performance conditions attached to the award, when measured on the basis of an analysis produced by JP Morgan Cazenove, resulted in 236,759 shares vesting on 31 March 2013 and 24,109 shares vesting on 1 September 2013, of which 13,678 shares are held under the 2010 Company Share Option Plan (see "Executive share options schemes ("the Option Schemes")" above). The numbers of vested shares were adjusted during the year for the reasons mentioned previously.

3 The award, in the form of a nil-cost option over 264,593 shares (as adjusted) in the Company, was made to Nick Jefferries on 28 March 2012. The performance conditions attached to the award, when measured on the basis of an analysis produced by Orient Capital Limited, resulted in 100% vesting on 28 March 2015.

4 Simon Gibbins holds a nil-cost option over 192,431 shares (as adjusted) in the Company, which vested and became exercisable on 20 July 2013. He has undertaken to retain at least 50% of these vested shares so that, when combined with any shares which vest under LTIPs, he builds up a holding of shares in the Company equivalent in market value (at the point of vesting) to his annual basic salary.

5 The award, in the form of a nil-cost option over 122,638 shares (as adjusted) in the Company, was made to Simon Gibbins on 28 March 2012. The performance conditions attached to the award, when measured on the basis of an analysis produced by Orient Capital Limited, resulted in 100% vesting on 28 March 2015.

No Director exercised any LTIP share options during the year under review, or in the prior year.

Directors' interests

The interests of the Directors who held office as at 31 March 2015 (including family interests) in the shares of the Company, were as follows:

	At 31 March 2015 Ordinary shares (5p) fully paid Beneficial	**Non-beneficial**	At 31 March 2014 Ordinary shares (5p) fully paid Beneficial	Non-benficial
Nick Jefferies	**73,796**	**–**	36,898	–
Simon Gibbins	**28,730**	**–**	14,365	–
Richard Moon	**67,600**	**–**	65,100	–
Richard Brooman	**8,000**	**–**	4,000	–
Henrietta Marsh	**10,000**	**–**	–	–
Nick Salmon	**–**	**–**	–	–

The interests of the Directors in the shares of the Company at 2 June 2015 are unchanged from those at 31 March 2015, except that Nick Salmon purchased 10,000 shares of the Company on 2 June 2015 at a price of 299 pence per share.

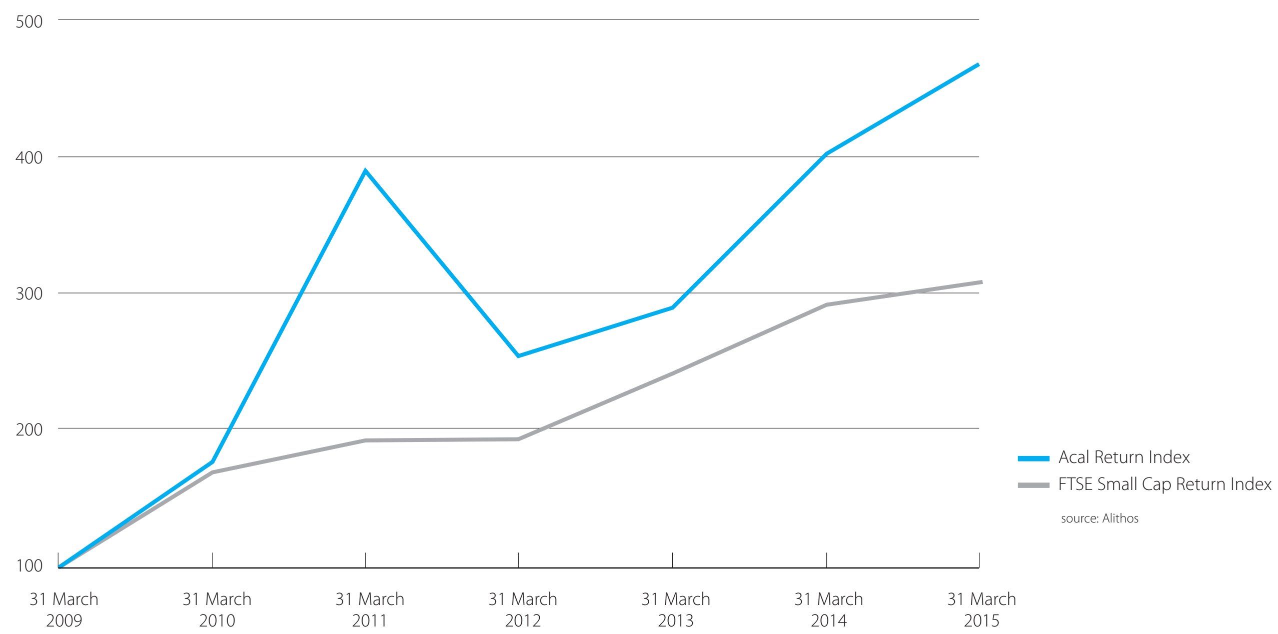
directors' remuneration report continued
annual report on remuneration

Information not subject to audit

Historical comparative TSR performance graph

The graph below shows the TSR (Total Shareholder Return), in terms of change in value (with dividends deemed to be re-invested gross on the ex-dividend date) of an initial investment of £100 on 1 April 2009 between that date and 31 March 2015 in a holding of the Company's shares, compared with the corresponding TSR in a hypothetical holding of £100 worth of shares in the companies represented in the FTSE Small Cap Index. This index has been chosen because, although the Company is not currently a member, it is considered to be a reasonable comparator in terms of the Company's size and its share liquidity.

Total Shareholder Return: Acal & FTSE Small Cap Index



Note: The Company's share price was adjusted following the rights issue in June 2014.

Group Chief Executive remuneration

The table below records the single total remuneration figure for the Group Chief Executive during each of the financial years shown. The "total remuneration" figure has been calculated on the same basis as the single total figure of remuneration disclosed on page 48 of this annual report and accounts and, therefore, includes basic salary, annual bonus, taxable benfits, pension benefits and the value of LTIPs and share options (based on the Company's share price at 31 March 2015).

	Year ended 31 March				
	2015	2014	2013	2012	2011
Total remuneration (£000s)	1,246[1]	572[1]	999[1]	1,613[1]	590
Bonus (as % of maximum)	59	55	20	10	100
Vested LTIPs and share options (as % of maximum)	100	9	88	94	–

1 Includes vested LTIPs and share options, assessed using the Company's share price on the respective year-end date.

directors' remuneration report continued
annual report on remuneration

Percentage increase in the remuneration of the Group Chief Executive
The table below shows the movement in the remuneration for the Group Chief Executive between the year under review and the prior financial year, compared with the movement in the average remuneration (per head) for employees of continuing businesses, excluding acquisitions.

	2015 £000	2014 £000	% change
Group Chief Executive			
Salary	330.0	320.0	+3%
Benefits	11.0	11.0	0%
Bonus	194.0	176.0	+10%
Average per employee			
Salary	24.4	22.1	+10%
Benefits	0.8	0.6	+33%
Bonus	3.5	2.2	+59%

Importance of the spend on pay
The table below shows the importance of the spend on pay for all employees, compared with the returns distributed to shareholders, during the year under review and the prior financial year. The information is based on like-for-like constant currency, and excludes acquisitions and disposals made in both financial years.

	2015 £m	2014 £m	% change
Remuneration paid to or receivable by all employees	56.2	44.1	+27%
Distributions to shareholders by way of dividends	3.6	2.7	+33%

Statement of implementation of the remuneration policy in the financial year ending 31 March 2016
The Company intends to implement the remuneration policy in the financial year ending 31 March 2016 in the way described in the policy table for the Executive Directors on pages 54 and 55 of this annual report and accounts.

Composition and role of the Remuneration Committee
The Committee is constituted, and it operated throughout the year under review, in accordance with the provisions of the UK Corporate Governance Code. It comprises Henrietta Marsh, as Chairman, Richard Brooman, Richard Moon and Nick Salmon. Graham Williams was Chairman of the Committee from the beginning of the year until his retirement from the Board on 31 December 2014.

The Committee is responsible for considering, and making recommendations to the Board, on the remuneration of the Executive Directors. In so doing, it reports to the Board on how it has discharged its responsibilities and operates within agreed terms of reference, a copy of which is available on the Company's website or on request from the Group Company Secretary. Basic salary increases elsewhere in the Group are set at a business level, taking into account economic factors, competitive market rates, roles, skills, experience and individual performance.

The Committee also considers the recommendations of the Group Chief Executive with regard to the members of the Group Executive Committee who are not Executive Directors, in determining their remuneration packages, including bonuses, incentive payments, share options and other share-based awards.

The change in remuneration for the Group as a whole, comparing the year under review with the prior financial year, is set out above.

During the year under review, the Committee held six formal meetings at which it considered remuneration matters for the Executive Directors including: the annual cash bonuses payable for the 2014 financial year; the annual cash bonuses payable and the LTIP awards for the 2015 financial year; the structure of the annual cash bonus scheme for the 2016 financial year and the related non-financial objectives; the basic salaries for the 2016 financial year; the remuneration packages for the Groiup Chief Executive and the Group Finance Director; a potential new incentive scheme.

directors' remuneration report continued
annual report on remuneration

Advisers

In the year under review, the Committee received external advice from its independent adviser, MM&K Limited. The total fees paid to MM&K Limited, in respect of services provided to the Committee during the year, were £49,000. The Committee also received input from the Group Chief Executive, who was not present when his own remuneration was discussed, and administrative support from the Group Company Secretary.

Shareholder voting

2014 AGM resolutions	% votes for	% votes against	% votes witheld
Approval of the Directors' Remuneration Report	98.70	1.29	0.01
Approval of the Directors' Remuneration Policy	94.09	5.90	0.01
Approval of the Acal plc 2014 Unapproved Share Option Plan	98.70	1.29	0.01

directors' remuneration report continued
directors' remuneration policy information not subject to audit

Introduction
In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2013, shareholders will be asked to endorse our remuneration policy through a binding vote at this year's AGM on 29 July 2015. Subject to shareholder approval, the policy will be implemented, as described, from that date.

The Remuneration Committee regularly reviews the Executive Directors' remuneration packages to ensure that they reflect the Company's own particular circumstances and are aligned with the Company's key strategic objectives, as set out in the Strategic Report on pages 1 to 27 of this annual report and accounts, and with the long-term interests of its shareholders.

When setting the remuneration policy, the Committee:
- considers market practice in terms of the size and structure of executive remuneration;
- takes account of pay and employment conditions elsewhere in the Group;

Policy table for Executive Directors – key elements of remuneration

	Purpose and link to strategy	Operation
Base salary	To attract and retain quality staff.	Reviewed annually and normally fixed for 12 months, 1 April. Decision influenced by: • role, experience and performance; • average change in broader workforce pay; • total organisational salary budgets. Salaries are also benchmarked against companies of a size and complexity which operate internationally, in similar sectors.
Benefits	To provide competitive rewards for staff welfare.	Directors are entitled to healthcare, car allowance, life assurance and critical illness cover.
Pension	To facilitate long-term savings provision.	The Company operates a defined contribution pension scheme. Contributions are benchmarked periodically against companies of a comparable size and complexity, which operate internationally, in similar sectors.
Annual bonus	The principal long-term measure of shareholder interests is total shareholder return. The Committee considers that this will be enhanced through the setting and attainment of various short-term targets, which are within the control of the Executive Directors. These are incentivised through the bonus plan which rewards the achievement of annual financial and strategic business targets. The Company's policy is that a substantial proportion of an Executive Director's overall remuneration is performance-related.	Financial and non-financial objectives are renewed annually, with the financial objectives relating to the trading performance which the executive can influence. Financial objectives are updated to reflect acquisitions, disposals and currency movements during the year. Specific targets include EBIT, as well as the achievement of non- financial objectives which may be relevant for the year in question. Actual bonus payable is determined by the Committee after the financial year end, based on performance against targets. Clawback of both paid and unpaid bonus is possible in the event of material misstatement of information or misconduct.
Long Term Incentive Plan	To motivate executives to deliver shareholder value over the longer term.	Awards of conditional shares under nil-cost options are typically granted annually, with vesting dependent on the achievement of performance conditions over the following three years. For awards made in March 2014, and thereafter, those which vest after three years will not be exercisable for a further two years, but will attract dividend equivalents from the vesting date until the exercise date. Part of an LTIP award may be satisfied using an HMRC approved company share option scheme (CSOP). Other than this, the Company no longer makes awards of approved share options to Executive Directors except, potentially, in the case of new recruits. Clawback of both vested and non-vested awards is possible in the event of material misstatement of information or misconduct.

directors' remuneration report continued
directors' remuneration policy

- ensures that the incentive arrangements encourage responsible behaviour in all aspects of the Company's business, including financial, social, environmental and governance aspects; do not encourage excessive risk-taking; and are compatible with the Company's risk policies and procedures. The Committee has the discretion to consider corporate performance on these issues, when setting remuneration, including bonuses and LTIP awards;
- enters into open dialogue and consults with key shareholders, when looking to make material changes to the remuneration policy. In the event of exceptional circumstances, or a significant change in the strategy of the Group, the Committee believes it is important that it has the flexibility to review and change the remuneration policy to best fit those circumstances. However, it will consult with key shareholders and then seek shareholders' approval to such changes.

The Committee believes that the Executive Directors' remuneration policy, described more fully in the policy table on this page, and the previous page, enables the Company to recruit high quality staff in new and higher technology areas and to retain its most able people.

Opportunity	Performance metrics
None	Not applicable
None	Not applicable
Maximum Company contribution of 15.0%* of basic salary (Nick Jefferies) and 6.5% of basic salary (Simon Gibbins)	Not applicable
Target % of salary: 60%* (Nick Jefferies) and 50% (Simon Gibbins) for achievement of budgeted financial and non-financial objectives. Potential to increase to 100% of salary for significant over-achievement of budgeted financial objectives.	Performance metrics reflect strategic goals and milestones. For FY16 the metrics are: Group EBIT: up to 65% of salary for over-budget performance. SWC: up to 15% of salary for over-budget performance. Non-financial objectives: up to 20% of salary. (SWC = Simplified Working Capital)
Maximum % of salary: 150%	Performance metrics reflect strategic goals and milestones. For the financial year 2016 the metrics are: The exercise of an award is dependent upon the individual's continued employment for a five-year holding period from the date of grant and the satisfaction by the Company of certain performance conditions over the three-year vesting period, which for existing awards are as follows: • 50% of the award is based on the Company's total shareholder return against a comparator group made up of the constituents of the FTSE Small Cap Index, with vesting as follows: Median = 25%; Upper Quartile = 100%; and • 50% of the award is based on the Company's absolute total shareholder return, as measured against the Consumer Price Index ("CPI"), with vesting as follows: CPI + 10% = 25%; CPI + 20% = 100%

* subject to shareholder approval at the Annual General Meeting on 29 July 2015.

directors' remuneration report continued
directors' remuneration policy

It places great importance on the balance between:
- fixed and variable pay, ensuring that a significant proportion of the overall package is performance-related;
- short-term and long-term incentives; and
- cash-based and share-based remuneration.

Remuneration policy discretions
Salaries may be adjusted and any increase will ordinarily be (in percentage of salary terms) in line with those of the wider workforce (other than in the case of an executive promoted to a more senior role), but may, in exceptional circumstances, such as the need to retain a critical executive, or an increase in the scope of the executive's role and/or in the size of the Group, be increased by a larger amount.

The Committee will operate the annual bonus, share option schemes and LTIPs according to their respective rules (or relevant documents) and in accordance with the UKLA Listing Rules, where relevant. The Committee retains discretion, consistent with market practice, in a number of respects in the operation and administration of these plans. These include, but are not limited to, the following in relation to the share option schemes and the LTIPs:
- the participants;
- the timing of the grant of an award;
- the size of an award;
- the determination of vesting;
- discretion required, when dealing with a change of control or restructuring of the Group;
- determination of the treatment of leavers, based on the rules of the particular plan and the appropriate treatment chosen;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends); and
- the annual review of performance measures and weighting, and targets for the share option schemes and LTIPs, from year to year.

In relation to the annual bonus plan, the Committee retains discretion over:
- the participants;
- the timing of the award of a payment;
- the determination of the bonus payment;
- dealing with a change of control;
- determination of the treatment of leavers, based on the rules of the plan and the appropriate treatment chosen;
- the annual review of performance measures and weighting, and targets for the annual bonus plan, from year to year;
- the review of performance targets if certain conditions occur (eg acquisitions and disposals).

In relation to the Company's share option schemes and LTIPs, the Committee retains the ability to adjust the targets and/or set different measures if events occur (e.g. a material acquisition and/or the divestment of a Group business and/or rights issue) which cause it to determine: (a) that the conditions are no longer appropriate, and (b) that the amendment is required, so that the conditions achieve their original purpose and are not materially less difficult to satisfy.

Where relevant, any use of the above discretions will be explained in the annual report on remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Details of share awards granted to the current Executive Directors are disclosed on pages 49 and 50 of this annual report and accounts. Awards which have yet to vest remain eligible to vest, based on their original award terms.

Retirement and re-election of Directors
In accordance with the Company's Articles of Association, each Director has to be elected by the shareholders at the AGM following their appointment as a Director, and to retire, and be subject to re-election, at the AGM of the Company at intervals of not more than three years.

Non-Executive Directors, who have served for more than nine years, are subject to annual re-election. Any recommendation to re-appoint a Non-Executive Director is preceded by a review by the Nomination Committee. This review takes into account his/her performance and ability to continue to contribute to the Board in the light of the knowledge, skills and experience required, plus his/her independent status. The need for progressive refreshment of the Board is also considered.

See the Corporate Governance section of this annual report and accounts for further details on the retirement, election and re-election of Directors.

External appointments
The Executive Directors are entitled to accept appointments outside the Group, provided that the Chairman's permission is obtained in advance of accepting an appointment and specific approval is given by the Board. Neither of the Executive Directors who served during the year held any non-executive appointments outside the Group.

Share incentive schemes
(a) Approved and unapproved executive share option plans
The Group operates an approved executive share option scheme, known as the Acal plc 2010 Company Share Option Plan ("the CSOP"). On the grant of an option under the CSOP, the Committee may impose a performance target and any further condition on the exercise of an option, which the Committee determines to be appropriate.

directors' remuneration report continued
directors' remuneration policy

The Group also operates an unapproved executive share option scheme, known as the Acal plc 2014 Unapproved Share Option Plan. The rules are similar to the rules of the CSOP mentioned above.

(b) Long-term incentive plans (the "LTIPs")

The Company operates two LTIPs, namely the 2008 Long-Term Incentive Plan ("the 2008 LTIP"), which is now closed to the granting of new awards, and the 2008 Renewed Long-Term Incentive Plan ("the 2008 Renewed LTIP"), under which the first awards were granted on 31 March 2014.

The LTIPs involve participants receiving awards of nil-cost options. In the opinion of the Committee, the LTIPs provide a strong link between management reward and the returns experienced by shareholders, while encouraging key executives to build and maintain a shareholding.

The rules of the two LTIPs are virtually identical and provide that, each year, the Executive Directors, and selected senior managers, are eligible to be granted nil cost options over shares worth up to a maximum of 150 per cent of base salary. Subject to this limitation, actual grant levels are determined by the Committee, based upon factors such as the individual's contribution to the Group's success.

Pursuant to the rules of the 2008 Renewed LTIP, approved by shareholders in July 2013, awards which vest must be held for a further two years before they become exercisable. For awards granted from 31 March 2014, vested awards will attract dividend equivalents, from the date of vesting up until the date of exercise. Consequently, when the awards have been exercised, additional company shares will be transferred to the individual, equivalent to the dividends (interim and final) paid by the Company from the time when the awards vested to the date on which they are exercised. In calculating the number of additional shares to be awarded by way of dividend equivalents, the Company's closing share price on the business day immediately preceding the date of exercise will be used.

The performance conditions which apply to the 2008 Renewed LTIP will be kept under review by the Committee to ensure that they remain aligned with the Company's strategy. Therefore, they may be subject to change for future grants in order to reflect this strategy. Any change might require prior consultation with the Company's major shareholders.

Pension arrangements

The Company's pension scheme is a defined contribution (money purchase) scheme. In accordance with best practice, no fluctuating payments made to the Executive Directors and to the other members of of the Group Executive Committee are pensionable. With effect from 1 March 2013, the Company introduced a Salary Exchange arrangement for the payment of personal pension contributions. Under the arrangement, an employee agrees to give up an amount of salary equal to their personal pension contribution to the Acal Group Employee Pension Scheme ("the Scheme"). In exchange, the Company pays an amount directly into the Scheme on their behalf, additional to the employer's pension contribution already paid to the Company. The arrangement is beneficial for both an employee and the Company and has been approved by HMRC.

Fees for Non-Executive Directors

Fees for Non-Executive Directors are determined on behalf of the Board by the Non-Executive Directors' Remuneration Committee, comprised solely of the Executive Directors, having regard to fees paid to Non-Executive Directors in other similarly sized UK quoted companies, the time commitment and the responsibilities of the role. Non-Executive Directors cannot participate in any of the Company's share incentive schemes. As disclosed on page 49 of this annual report and accounts, additional fees, over and above the base fee payable to the Non-Executive Directors, are payable for chairing the Audit and Remuneration Committees and for acting as Senior Non-Executive Director.

With effect from 1 April 2015, the fees of the Non-Executive Directors, including the additional fees payable as mentioned above, were as follows:

Richard Moon	£104,000 pa	
Richard Brooman	£40,000 pa	
Henrietta Marsh	£38,000 pa	
Nick Salmon	£45,000 pa	(NB to be increased to £110,000 pa upon appointment as Non-Executive Chairman)

The increases in non-executive remuneration were approved following a benchmarking exercise undertaken by MM&K Limited.

Fees are normally reviewed annually to ensure that they reflect an individual's time commitment and responsibilities.

Recruitment policy for Executive Directors

Principles

When appointing or recruiting an Executive Director, the Company will normally aim to set remuneration at a level which is consistent with the remuneration policy in place for other Executive Directors and for the previous incumbent in the role.

Details

The main components of remuneration will be salary, bonus, long-term incentives, share options, pension (or cash pension allowance), benefits (which may include those relating to relocation such as: flights; immigration costs; relocation allowance; shipping and storage; temporary living accommodation; housing allowances; annual leave travel; international medical insurance cover; legal and tax services; school fees; school search; movement of pets; termination of car leases and costs of replacement goods) and compensation for loss of earnings from his/her previous employment which are forfeited in order to take up the role.

directors' remuneration report continued
directors' remuneration policy

The approach for each component will be to set each in line with the remuneration policy for Directors, except that the approach in respect of compensation for forfeit of remuneration in respect of a previous employer will be considered on a case by case basis taking into account all relevant factors, such as performance achieved or likely to be achieved, the proportion of the performance period remaining and the form of the award.

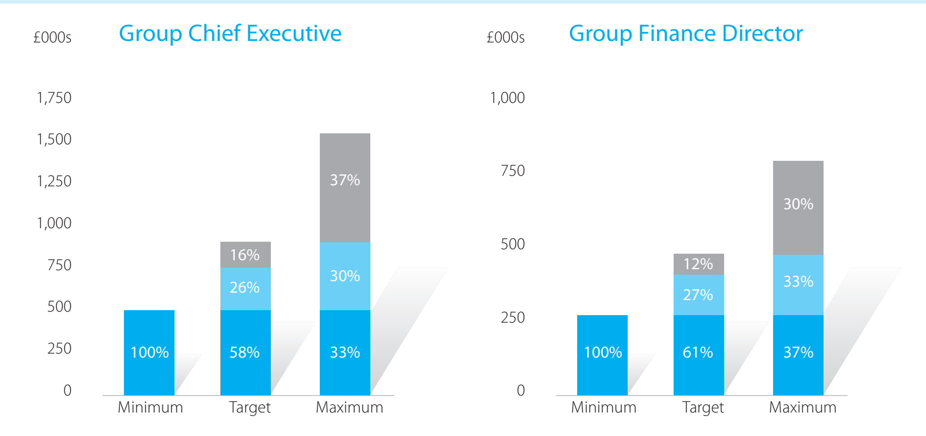
Maximum
In order to secure the best candidate for the role, the Company may need to pay more than it pays to its existing Executive Directors. The maximum level of variable remuneration which may be granted will be 100% of salary under the bonus plan, 150% under the LTIP and the HMRC maximum under the approved share option schemes (these limits already apply to the existing bonus, LTIP plans and share option schemes). In addition, a new recruit may be awarded unapproved share options of up to 300% of salary. Pre-existing contractual agreements for internal candidates may be maintained on recruitment to an Executive Director role.

Directors' contracts
Nick Jefferies has a service contract with a company within the Acal Group dated 26 November 2008 (as amended), incorporating notice periods of one year from the Company and one year from him. However, when his remuneration package was reviewed in January this year, he committed to stay with Acal for at least the next three years. Simon Gibbins has a service contract with a company within the Acal Group dated 10 June 2010, incorporating notice periods of one year from the Company and one year from him.

The following letters of appointment are in place in relation to the Chairman and to the Non-Executive Directors:
(a) with Synergie Business Limited for the provision of the services of Richard Moon dated 31 March 2005 (as amended), which expires on 31 July 2015 and will not be renewed;
(b) with Nick Salmon for his services dated 16 February 2015, which expires on 29 February 2016 and which may be terminated earlier;
(c) with Richard Brooman for his services dated 7 December 2012 (as amended), which expires on 31 December 2015 and which may be terminated earlier;
(d) with Henrietta Marsh for her services dated 22 April 2013 (as amended), which expires on 30 April 2016 and which may be terminated earlier.

Other than their service contracts, no contract of significance, to which any member of the Acal Group is a party and in which a Director is or was materially interested, subsisted at the end of, or during, the year.

Illustrations of the application of the Executive Directors' remuneration policy
The bar charts below illustrate some possible outcomes of the application of the remuneration policy for the financial year 2016, which will be voted on by shareholders at the 2015 Annual General Meeting.



1. Minimum in the bar charts above is fixed remuneration only (i.e salary, pension and benefits).
2. Target assumes that the Long-Term Incentive Plan (LTIP) award (50% of award; coloured grey) is made at the same multiple of salary as in the year ended 31 March 2015 and bonus (60% of salary for the Group Chief Executive and 50% of salary for the Group Finance Director; coloured pale blue) have been awarded at the target level as stated in the policy table on pages 54 and 55 of this annual report and accounts.
3. Maximum assumes that the maximum LTIP award (150% of award; coloured grey) and the maximum bonus (100% of salary; coloured pale blue) have been awarded as stated in the policy table on pages 54 and 55 of this annual report and accounts.

Policy on payment for loss of office
Policy on setting of notice periods
It is the Company's policy that Executive Directors should have service contracts incorporating a maximum notice period of one year. However, it may be necessary occasionally to offer longer initial notice periods to new Directors. Under the terms of their service contracts, any termination payments are not pre-determined but are determined in accordance with the Director's contractual rights, taking account of the circumstances and the Director's duty to mitigate loss. The Company's objective is to manage its exposure to the risk of a potential termination payment in the event of failure.

directors' remuneration report continued
directors' remuneration policy

How termination payments are determined

On termination, the Company will normally make a payment in lieu of notice (PILON) which is equal to the aggregate of: the basic salary at the date of termination for the applicable notice period; the pension allowance over the relevant period; the cost to the Company of providing all other benefits (excluding pension allowance and bonus) or a sum equal to the amount of benefits as specified in the Company's most recent annual report and a bonus payment calculated in accordance with the service contract of the Director. The treatment of the LTIP awards on termination will be in accordance with the rules of the LTIPs and, where appropriate, at the discretion of the Committee.

The Company may pay the PILON either as a lump sum or in equal monthly instalments, from the date on which the employment terminates until the end of the relevant period. If alternative employment (paid above a pre-agreed rate) is commenced, for each month that instalments of the PILON remain payable, the amounts, in aggregate (excluding the pension payment), may be reduced by half of one month's basic salary in excess of the pre-agreed rate.

Discretion

If identified as a 'good leaver', for the purposes of the bonus plan, the Committee may determine that the leaver's contribution was significant in early or high achievement of targets, in which case, it may decide to make a payment which is the equivalent of up to a full year's bonus.

If identified as a 'good leaver' under the LTIPs and share option schemes' rules, (including those identified as being at the discretion of the Committee), outstanding awards may be exercised, normally pro-rated for service up until the date of leaving and subject to the outcome of the performance conditions, either on the normal vesting date or on such earlier date as the Committee may determine, to the extent that they have vested. If, in the judgment of the Committee, greater progress towards achievement of targets has been made as a result of the performance of the Executive Director, it may, at its absolute discretion, decide to vest up to 100% of the outstanding award.

The Committee may also agree to make payments in respect of statutory employment claims, reasonable legal fees, outplacement and accrued holiday or sick leave.

Consideration of employment conditions elsewhere in the Group

The remuneration policy implemented for the current Executive Directors is more weighted towards performance-related pay than for other employees. The reason for this is to establish a clear link between the creation of shareholder value and the remuneration received by the Executive Directors.

As mentioned on page 52 of this annual report and accounts, when setting the Directors' remuneration policy the Committee takes account of pay and employment conditions elsewhere in the Group, but has not used any remuneration comparison measures between the Executive Directors and other employees.

Consideration of shareholder views

The Committee's policy is to receive updates on the views of shareholders and their representative bodies on best practices, and take these into account. It seeks the views of key shareholders on matters of remuneration in which it believes they may be interested. In the Committee's opinion, the 98% vote (excluding votes withheld) in favour of the Directors' Remuneration Report and the 94% vote (excluding votes withheld) in favour of the Director's Remuneration Policy at the Annual General Meeting in 2014 demonstrated strong shareholder support for the Group's remuneration arrangements.

Where individual shareholders have voted against the Company's policy or abstained, the Committee seeks to engage with them, to understand their concerns, as part of determining remuneration policy.

directors' responsibilities statement

The Directors are responsible for preparing the Annual Report and financial statements in accordance with law and regulations.

Company law requires the Directors to prepare financial statements for each year. Under the provisions of this law, the Directors have prepared the consolidated financial statements in accordance with IFRS as adopted by the European Union and the Company financial statements in accordance with United Kingdom (UK) Accounting Standards and applicable law.

In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state that the consolidated financial statements have complied with IFRS as adopted by the European Union, subject to any material departures being disclosed and explained;
- state for the Company financial statements whether the applicable UK Accounting Standards have been followed, subject to any material departures being disclosed and explained; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the consolidated financial statements comply with Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Annual Report for the year ended 31 March 2015 is published in hard copy printed form and made available on the Group's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in accordance with UK legislation governing the preparation and dissemination of financial statements. Access to the website is available from outside the UK, where comparable legislation may be different.

The Directors individually and together, as at the date of this Report, confirm to the best of their knowledge that:

- the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the Group;
- the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Company and the Group, together with a description of the principal risks and uncertainties that the Group faces; and
- the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's performance, business model and strategy.

Acal plc

group financial statements
for the year ended 31 March 2015

report of the auditor

Independent auditor's report to the members of Acal plc

In our opinion:

- The financial statements give a true and fair view of the state of the group's and of the parent company's affairs at 31 March 2015 and of the group's profit for the year then ended;
- The group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- The parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

What we have audited

We have audited the financial statements of Acal plc for the year ended 31 March 2015, which comprise the following:

In respect of the group financial statements:

The consolidated income statement, consolidated statement of total comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of changes in cash flows and the related notes 1 to 38.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards adopted by the European Union.

In respect of the company financial statements:

The company balance sheet and the related notes 1 to 10.

The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the directors' responsibilities statement set out on page 60, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Our assessment of risks of material misstatement

We identified the following risks that had the greatest impact on our audit strategy and scope; the allocation of resources in the audit; and directing the efforts of the engagement team. Our response to the risks identified is also set out below:

	The risk	Our response
Accounting for acquisitions. Refer to note 11 to the consolidated financial statements	Noratel represents a significant acquisition to the Group. The acquisition generated provisional goodwill of £31.2m, intangible assets of £13.9m and contributed an additional £55.1m of revenue and £3.1m of post-tax earnings. In addition to an increased presence in Europe, the Group also increased its presence in China and has entered new territories including India, Sri Lanka and the United States. The Group also completed a smaller acquisition of Foss AB, which generated provisional goodwill of £5.4m and intangible assets of £3.3m. This acquisition completed on 7 January 2015 and therefore resulted in a smaller contribution to revenue and post-tax earnings.	We understood the additional risk profile to the Group through review of purchase related agreements and findings of the previous Noratel group auditor. We used this information as a basis for developing our risk assessment, and identifying risks specific to the March 2015 reported results. We challenged the alignment of Noratel accounting policies with those of the underlying Acal group and understood changes to the Group entity level control environment operating from the Group's headquarters. We increased the number of component teams within the scope of our procedures. We also attended meetings of certain significant locations, both in the planning and conclusion stages of the audit.

report of the auditor continued

	The risk	Our response
	We have assessed the accounting for acquisitions as giving rise to a significant risk due to the following: • The existence of earn-outs and contingent consideration, which are derived from subjective calculations that require estimation of projected future performance; and • The acquisitions generated material goodwill and intangible assets, which are calculated based on a number of subjective estimates and assumptions, specifically future revenue, earnings and an appropriate discount rate. Inaccurate calculation of contingent consideration, intangible assets and goodwill could directly impact the consolidated income statement in future periods.	We challenged the accounting for earn-outs and contingent consideration. We challenged the recognition of intangible assets and involved our business modelling experts in determining whether an appropriate valuation model was used and whether an appropriate discount rate was applied. The conclusions from our experts were based on their understanding of the Group and their independent calculation of an appropriate discount rate. We also challenged whether other inputs into the valuation model were reasonable. We involved our treasury experts in determining whether the acquisition accounting adopted was appropriate, with a particular focus on the treatment of exchange gains and losses on hedges supporting the financing of the acquisition.
Revenue recognition Refer to note 4 to the consolidated financial statements	Group revenue substantially arises from the sale of goods. The timing of revenue recognition depends on the terms of individual transactions, which is typically on despatch. We assessed inappropriate revenue cut-off to be a significant risk as revenue is a key input to the Group's key performance indicators.	We tested the correct application of the timing of revenue recognition through substantive testing and, where appropriate, we also tested internal controls supporting revenue recognition. We considered the underlying terms of sale for a sample of transactions. We have selectively tested manual journal entries to revenue, credit notes issued subsequent to the year-end and the appropriate recognition of rebates and sales discounts. We also performed analytical review procedures to identify significant fluctuations and trends and obtained explanations for unusual variances.
The presentation of items as exceptional Refer to note 6 to the consolidated financial statements	The Group reports its performance using a combination of statutory and underlying performance measures and includes supplementary income statement information within the primary statements. There is a risk that inappropriate presentation could enhance 'underlying earnings', and the key performance indicators of the Group.	We obtained a breakdown of exceptional items and determined whether the underlying event is exceptional in the context of the guidance for separate presentation of 'material items' provided in IAS 1, and is consistent with the narrative given in the operating review. We specifically challenged the presentation of Acal BFi restructuring costs as exceptional, and verified whether the supporting disclosure in the annual report is consistent with the costs being reported as exceptional.
The recognition and valuation of judgmental provisions Refer to note 27 to the consolidated financial statements	The Group carries judgmental provisions in respect of the following: • Warranty obligations arising from the sale of goods. The Group identifies specific instances where a warranty exposure has arisen and records its best estimate of its future obligation; • Severance obligations that are payable on termination of employment or retirement. The recognition of such obligations depends on international requirements in various jurisdictions within which the Group operates; • Judgmental restructuring accruals, which are recognised when the group has entered into a committed plan to restructure its operations; • Onerous contract commitments where the costs of fulfilling the terms of a contract exceed the benefit to be received; • Dilapidation obligations, which arise from the numerous leasehold building obligations that the Group has entered into. The Group records a provision where a restoration obligation exists and a reliable estimate can be identified.	Our audit procedures included: • Challenging the appropriateness of the assumptions upon which the provisions were calculated; • Obtaining third party evidence used to calculate material severance obligations and involving international teams in the relevant jurisdiction to support the audit of these severance obligations; • Determining the historical accuracy of provisions by challenging the basis underlying the provision. We also examined the utilisation or release of previously recorded provisions; and • Assessing the adequacy of the Group's disclosures set out in note 27 to the financial statements.

report of the auditor continued

	The risk	Our response
	Judgment is required in determining appropriate assumptions and calculating the likely obligation. There is a risk that the assumptions upon which the provisions are measured is not appropriate and is not based on reliable information. As a result, the Group's obligations could either be over or understated.	
Current tax provisions Refer to note 10 to the consolidated financial statements	The level of current tax liability recognised requires judgment regarding the likely outcome of decisions to be made by the relevant tax authorities across the large number of tax jurisdictions in which the Group operates. There is a risk that the judgments on which tax liabilities are based do not take into account or properly reflect the latest available tax information or an appropriate application of tax legislation, and as a result the Group's tax liabilities are either over or understated.	Our audit procedures included: • Challenging the appropriateness of the assumptions applied and estimates made in relation to current tax liabilities by considering the range of possible outcomes that may be assessed under the applicable tax laws; • Involving our tax specialists to assist in critically assessing the assumptions used by reference to international and local tax legislation in different jurisdictions; and • Assessing whether the Group's tax disclosures set out in note 10 of the financial statements are appropriate and in accordance with relevant accounting standards.

In our audit opinion for the year ended 31 March 2014, the potential impairment of goodwill and other non-current assets, and incorrect valuation of the defined benefit pension scheme liability were included in our summary of risks of material misstatement. Whilst we continue to perform audit procedures over these matters, we considered these risks to be less significant in FY 15 as the impairment analysis has a history of sufficient headroom and the Group has a history of selecting appropriate assumptions in valuing its defined benefit pension scheme liability. In FY 14, we also reported on the risk of accounting for disposals, however, the impact in FY 15 is considerably less significant to the financial statements.

Our application of materiality
We applied the concept of materiality both in planning and performing our audit, and in evaluating the effects of misstatements on our audit and the financial statements. For the purposes of determining whether the financial statements are free from material misstatement, we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person relying on the financial statements would be changed or influenced. We also determine a level of performance materiality, which we use to determine the extent of testing needed to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.
When establishing our overall audit strategy, we determined a magnitude of uncorrected misstatements that we judged would be material for the financial statements as a whole. We determined materiality for the Group to be £458,000, which is approximately 5% of pre-tax earnings, adjusted for exceptional items. On the basis of our risk assessment, together with our assessment of the Group's overall control environment, our judgment is that overall performance materiality for the Group is £229,000. Our objective in adopting this approach is to ensure that total uncorrected and undetected audit differences do not exceed our materiality of £458,000 for the financial statements as a whole.

Materiality in FY 14 was £357,000 and was calculated as approximately 5% of earnings before interest and tax (EBIT), adjusted for exceptional items. We adjusted the basis for calculating planning materiality due to the positive impact of the Noratel acquisition on the pre-tax earnings of the Group. Performance materiality in FY 14 was £268,000.

We agreed with the audit committee that we would report all audit differences in excess of £23,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We reported audit differences greater than £18,000 to the audit committee in FY 14.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in the light of other relevant qualitative considerations.

An overview of the scope of our audit
Our audit focused on the Group's principal trading locations and cost centres, which were identified based on our assessment of higher risk areas and locations that were considered material based on size, complexity and risk. Our testing is summarised below:

	FY15 Coverage (Revenue/EBIT)	**FY15 No. of components**	FY14 Coverage (Revenue/EBIT)	FY14 No of components
Full scope procedures	**61%/81%**	**11**	63%/62%	10
Specific audit testing	**36%/29%**	**27**	14%/20%	4
Limited review	**3%/-10%**	**42**	23%/18%	47
	100%	**80**	100%	61

report of the auditor continued

The audits of these components were performed at a materiality level calculated as a proportion of Group materiality appropriate to the relative scale and risk of the location. The number of components significantly changed following the acquisition of Noratel.

Full scope locations were subject to an audit of the entire balance sheet and income statement. Specific scope locations were not significant enough to require a full scope audit, our procedures therefore focused on individual balances that are significant to the Group. Limited review locations were subject to analytical procedures, testing of entity level controls at Group level and review of the Group financial statement close process.

Detailed audit instructions were sent to the auditor in all these locations. The instructions explained the relevant risks of material misstatement to the Group and set-out significant audit areas that should be addressed and the nature of reporting required by the Group audit team.

The audit of all the UK components was performed by the Group audit team, who also attended key meetings of the most significant international components to discuss the results of their testing of higher risk areas relevant to the Group. All significant locations were audited by EY member firms. Due to the nature of the risks noted on the previous page, the Group audit team was supported by actuarial, business modelling and treasury experts, and taxation specialists.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion:
- The part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006;
- The information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The information given in the Corporate Governance Statement set out on pages 29 to 60 with respect to internal control and risk management systems in relation to financial reporting processes and about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the annual report is:
- Materially inconsistent with the information in the audited financial statements; or
- Apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- Is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the annual report is fair, balanced and understandable, and whether the annual report appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- The parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- Certain disclosures of directors' remuneration specified by law are not made; or
- We have not received all the information and explanations we require for our audit; or
- A Corporate Governance Statement has not been prepared by the company.

Under the Listing Rules we are required to review:
- The directors' statement in relation to going concern, set-out on page 34; and
- The part of the Corporate Governance Statement relating to the company's compliance with the ten provisions of the UK Corporate Governance Code specified for our review.

Nick Powell (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
2 June 2015

consolidated income statement

for the year ended 31 March 2015

Continuing operations	notes	**2015 £m**	2014 £m
Revenue	4	**271.1**	211.6
Cost of sales		**(186.7)**	(148.6)
Gross profit		**84.4**	63.0
Selling and distribution costs		**(44.0)**	(36.5)
Administrative expenses (including exceptional items)		**(34.3)**	(21.3)
Operating profit	7	**6.1**	5.2
Finance revenue	9	**0.1**	0.2
Finance costs	9	**(1.9)**	(1.2)
Profit before tax:		**4.3**	4.2
Tax expense	10	**(1.4)**	(0.5)
Profit for the year from continuing operations		**2.9**	3.7
Discontinued operations			
Loss for the year from discontinued operations	13	**–**	(2.4)
Profit for the year		**2.9**	1.3
Earnings per share*	15		
Basic, profit from continuing operations		**5.0p**	8.6p
Diluted, profit from continuing operations		**4.8p**	8.1p
Basic, profit for the year		**5.0p**	3.0p
Diluted, profit for the year		**4.8p**	2.8p

supplementary income statement information

Underlying performance measure	notes	**2015 £m**	2014 £m
Operating profit	7	**6.1**	5.2
Add back: Exceptional items	6	**5.0**	0.7
Amortisation of acquired intangible assets	19	**2.1**	1.0
IAS 19 pension administrative charge	34	**0.2**	0.2
Underlying operating profit		**13.4**	7.1
Profit before tax		**4.3**	4.2
Add back: Exceptional items	6	**5.0**	0.7
Amortisation of acquired intangible assets	19	**2.1**	1.0
Total IAS 19 pension charge	34	**0.4**	0.4
Underlying profit before tax		**11.8**	6.3
Underlying earnings per share*	15		
Basic		**16.3p**	12.5p
Diluted		**15.4p**	11.8p

* Prior year earnings per share (basic and diluted) restated to reflect the bonus element of the rights issue (note 36).

consolidated statement of comprehensive income

for the year ended 31 March 2015

	notes	2015 £m	2014 £m
Profit for the year		**2.9**	1.3
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss:			
Actuarial loss on defined benefit pension scheme	34	**(2.0)**	(1.1)
Deferred tax relating to the defined benefit pension scheme	10	**0.4**	0.1
		(1.6)	(1.0)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign subsidiaries		**(8.0)**	(1.8)
Effective portion of changes in fair value of cash flow hedges		**0.6**	–
Other comprehensive loss for the year, net of tax		**(9.0)**	(2.8)
Total comprehensive loss for the year, net of tax		**(6.1)**	(1.5)

consolidated statement of financial position

at 31 March 2015

	notes	**2015 £m**	2014 £m
Non-current assets			
Property, plant and equipment	16	**13.8**	3.5
Intangible assets – goodwill	17	**51.6**	21.2
Intangible assets – other	19	**18.3**	4.3
Deferred tax assets	10	**4.9**	4.1
		88.6	33.1
Current assets			
Inventories	21	**39.8**	19.4
Trade and other receivables	22	**60.2**	48.3
Other financial assets	29	**0.6**	–
Cash and cash equivalents	23	**26.7**	18.1
		127.3	85.8
Assets in disposal group classified as held for sale	13	**–**	6.9
Total assets		**215.9**	125.8
Current liabilities			
Trade and other payables	30	**(56.2)**	(45.7)
Other financial liabilities	24	**(0.2)**	(6.8)
Current tax liabilities		**(2.3)**	(2.7)
Provisions	27	**(3.4)**	(1.7)
		(62.1)	(56.9)
Non-current liabilities			
Other financial liabilities	24	**(45.5)**	(9.5)
Pension liability	34	**(7.4)**	(6.5)
Provisions	27	**(2.7)**	(2.0)
Deferred tax liabilities	10	**(5.5)**	(1.0)
		(61.1)	(19.0)
Liabilities in disposal group classified as held for sale	13	**–**	(1.4)
Total liabilities		**(123.2)**	(77.3)
Net assets		**92.7**	48.5
Equity			
Share capital	31	**3.1**	1.6
Share premium		**92.7**	40.7
Merger reserve		**3.0**	3.0
Currency translation reserve		**(7.8)**	0.2
Retained earnings		**1.7**	3.0
Total equity		**92.7**	48.5

These financial statements were approved by the Board of Directors on 2 June 2015 and signed on its behalf by:

N J Jefferies
Chief Executive

S M Gibbins
Group Finance Director

consolidated statement of changes in equity

for the year ended 31 March 2015

	Attributable to equity holders of the Company						
	Share capital £m	Share premium £m	Other reserve £m	Merger reserve £m	Currency translation reserve £m	Retained earnings £m	Total equity £m
At 1 April 2013	**1.6**	**40.7**	**5.5**	**3.0**	**2.0**	**(1.3)**	**51.5**
Profit for the year	–	–	–	–	–	1.3	1.3
Other comprehensive loss	–	–	–	–	(1.8)	(1.0)	(2.8)
Total comprehensive loss	–	–	–	–	(1.8)	0.3	(1.5)
Share-based payments including tax	–	–	–	–	–	1.2	1.2
Equity dividends (note 14)	–	–	–	–	–	(2.7)	(2.7)
Transfer of other reserve	–	–	(5.5)	–	–	5.5	–
At 31 March 2014	**1.6**	**40.7**	**–**	**3.0**	**0.2**	**3.0**	**48.5**
Profit for the year	–	–	–	–	–	2.9	2.9
Other comprehensive loss	–	–	–	–	(8.0)	(1.0)	(9.0)
Total comprehensive loss	–	–	–	–	(8.0)	1.9	(6.1)
Shares issued (note 31)	1.5	54.4	–	–	–	–	55.9
Share issue costs (note 31)	–	(2.4)	–	–	–	–	(2.4)
Share-based payments including tax	–	–	–	–	–	0.4	0.4
Equity dividends (note 14)	–	–	–	–	–	(3.6)	(3.6)
At 31 March 2015	**3.1**	**92.7**	**–**	**3.0**	**(7.8)**	**1.7**	**92.7**

On 5 June 2014, the Company announced a proposed 1 for 1 rights issue of 31,332,127 shares at 176 pence per share to raise approximately £55.1 million (before transaction costs). The rights issue shares went ex-rights on 24 June 2014 and were fully paid and commenced trading on 9 July 2014.

On 17 July 2014, the Company issued 384,966 shares ("Consideration Shares") to the management sellers of the Noratel Group in connection with the Noratel Group's acquisition. The fair value of the shares issued was £0.8m.

The total number of shares in issue following the rights issue and the issue of the Consideration Shares are 63,049,220 shares. All new shares carry the same rights as the existing ordinary shares.

The difference between the nominal value of the shares issued and the gross proceeds has been credited to the share premium account. The directly attributable transaction costs of £2.4m related to the issue of shares have been debited to the share premium account.

consolidated statement of cash flows

for the year ended 31 March 2015

	notes	**2015 £m**	2014 £m
Net cash flows from operating activities	26	**1.6**	4.1
Investing activities			
Acquisition of shares in subsidiaries (net of cash/(debt) acquired)	11	**(42.7)**	(12.5)
Proceeds from the disposal of business (net of disposal costs)	12	**5.3**	3.3
Purchases of property, plant and equipment		**(2.2)**	(0.7)
Purchase of intangible assets – software		**(0.3)**	(0.7)
Proceeds from the disposal of property, plant and equipment		**0.1**	–
Interest received	9	**0.1**	0.2
Net cash used in investing activities		**(39.7)**	(10.4)
Financing activities			
Net proceeds from issue of shares	31	**52.7**	–
Proceeds from borrowings		**56.2**	8.0
Repayment of borrowings		**(51.2)**	(0.8)
Dividends paid	14	**(3.6)**	(2.7)
Net cash from financing activities		**54.1**	4.5
Net decrease in cash and cash equivalents*		**16.0**	(1.8)
Cash and cash equivalents at 1 April		**11.9**	14.4
Effect of exchange rate fluctuations		**(1.3)**	(0.7)
Cash and cash equivalents at 31 March		**26.6**	11.9
Reconciliation to cash and cash equivalents in the consolidated statement of financial position			
Cash and cash equivalents shown above		**26.6**	11.9
Add back: bank overdrafts	24	**0.1**	6.7
Less: cash held for sale in disposal group	13	**–**	(0.5)
Cash and cash equivalents presented in current assets in the consolidated statement of financial position	23	**26.7**	18.1

* Further information on the consolidated statement of cash flows is provided in notes 25 and 26.

notes to the group financial statements

for the year ended 31 March 2015

1 Authorisation of financial statements and statement of compliance with IFRS

The financial statements, which comprise the results of Acal plc ('the Company') and its subsidiaries (collectively referred to as 'the Group') for the year ended 31 March 2015 were authorised for issue by the Board of Directors on 2 June 2015. Acal plc is a public limited company incorporated and domiciled in England and Wales. The Company's ordinary shares are traded on the London Stock Exchange.

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and as applied in accordance with the provisions of the Companies Act 2006.

The significant accounting policies adopted by the Group are set out in note 2.

2 Accounting policies

Basis of preparation

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted for use in the European Union.

The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest hundred thousand except as otherwise indicated.

Basis of consolidation

The Group's financial statements consolidate the results of Acal plc, entities controlled by the Company (its subsidiaries) and include the Group's share of the results of its associates.

Subsidiaries

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries at 31 March 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee, if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Associates

An associate is an undertaking in which the Group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power and the ability to participate in financial and operating policy decisions, but not to execute control or joint control of those decisions.

Acal's investments in its associates are accounted for under the equity method of accounting. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate, less distributions received and less any impairment in value.

notes to the group financial statements continued

2 Accounting policies continued

Going concern

The Group's business activities, together with factors which may adversely impact its future development, performance and position, are set out in the Strategic Report on pages 1 to 27. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review section of the Strategic Report on pages 20 to 23.

The Group has significant financial resources, well established distribution contracts with a number of suppliers and a broad and stable customer base. As a consequence, the Directors believe that the Group is well placed to manage its principal risks and uncertainties as disclosed on pages 24 and 25 of the Strategic Report.

The Group's forecasts and projections, taking account of the sensitivity analysis of changes in trading performance, show that the Group is well placed to operate within the level of its current committed facilities for the foreseeable future.

After making due enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Underlying profits and earnings

The Group uses a number of alternative (non Generally Accepted Accounting Practice ("non GAAP")) financial measures, which are not defined within IFRS. The Directors use these measures in order to assess the underlying operational performance of the Group and as such, these measures are important and should be considered alongside the IFRS measures. The following non GAAP measures are referred to in this Annual Report:

Underlying operating profit

"Underlying operating profit" is defined as operating profit from continuing operations excluding exceptional items, amortisation of acquired intangible assets and the IAS19 pension charge.

Underlying EBITDA

"Underlying EBITDA" is defined as underlying operating profit with depreciation, amortisation and equity settled share-based payment expense added back.

Underlying profit before tax

"Underlying profit before tax" is defined as profit from continuing operations before tax excluding exceptional items, amortisation of acquired intangible assets and the IAS19 pension charge relating to the Group's legacy defined benefit pension scheme.

Underlying effective tax rate

"Underlying effective tax rate" is defined as the effective tax rate on underlying profit before tax.

Underlying earnings per share

"Underlying earnings per share" is calculated as underlying profit before tax reduced by the underlying effective tax rate, divided by the weighted average number of ordinary shares (for diluted earnings per share purposes) in issue during the period.

Free cash flow

"Free cash flow" is defined as net cash flow from continuing operations before the payment/receipt of exceptional items, payments to the legacy defined benefit pension scheme, dividend payments, net proceeds from equity fund raising, the cost of acquisitions and proceeds from business disposals.

Return on trading capital employed ("ROTCE")

"ROTCE" is defined as underlying operating profit, annualised for acquisitions, as a percentage of net operating assets. Net operating assets are defined as tangible and intangible assets (excluding goodwill) plus working capital.

Like for like basis

Reference to 'like for like' basis included in the Chairman's Statement, Operating Review and Finance Review of the Strategic Report means at constant exchange rates, excluding this year's acquisitions of Noratel (acquired 17 July 2014) and Foss (acquired 7 January 2015), and excluding YEG and RSG which were acquired during the prior year (on 30 August 2013 and 2 December 2013 respectively).

notes to the group financial statements continued

2 Accounting policies continued

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. The choice of measurement of non-controlling interest, either at fair value or at the proportionate share of the acquiree's identifiable net assets, is determined on a transaction by transaction basis. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 'Financial instruments: Recognition and Measurement' either in profit or loss or in other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. Assets acquired and liabilities assumed in transactions separate to the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements, are accounted for separately from the business combination in accordance with their nature and applicable IFRS. Identifiable intangible assets, meeting either the contractual-legal or separability criterion are recognised separately from goodwill. Contingent liabilities representing a present obligation are recognised if the acquisition-date fair value can be measured reliably.

If the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest (and where the business combination is achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree) is lower than the fair value of the assets, liabilities and contingent liabilities and the fair value of any pre-existing interest held in the business acquired, the difference is recognised in the consolidated income statement.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (or groups of cash-generating units) that are expected to benefit from the business combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and shall not be larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed of operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Intangible assets – other

All intangible assets, excluding goodwill arising on a business combination, are stated at their amortised cost or fair value, less any provision for impairment.

a *Software*
Implementation costs of IT systems, and computer software, are amortised on a straight-line basis over their estimated useful lives which vary depending on the type of software and associated licensing and maintenance arrangements.

b *Acquired intangible assets – business combinations*
Intangible assets that are acquired as a result of a business combination include customer and supplier relationships and brands that can be separately identified and measured at fair value on a reliable basis, together with the associated deferred tax liability. Amortisation is charged to the consolidated income statement on a straight line basis over the expected useful economic lives, as follows:

Customer and supplier relationships	5-10 years
Brands	5 years

c *Intangible assets – research and development*
Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Group's development activities is capitalised only if all of the following conditions are met: (a) an asset is created that can be identified (such as software, new processes and product development costs); (b) it is probable that the asset created will generate future economic benefits; and (c) the development cost of the asset can be measured reliably. Internally generated intangible assets are amortised on a straight-line basis over their useful lives. Where no internally generated intangible asset can be capitalised, development expenditure is recognised as an expense in the period in which it is incurred.

notes to the group financial statements continued

2 Accounting policies continued

Property, plant and equipment
Property, plant and equipment is carried at cost, less accumulated depreciation and any accumulated impairment losses.

Depreciation is provided on a straight-line basis to write off the cost, less residual value, over the estimated useful life at the following rates:

Land and buildings:	Freehold land	2-4% per annum
	Leasehold buildings	Shorter of lease term or useful life
Land is not depreciated		
Leasehold improvements		10-20% per annum or over the life of the lease
Plant and equipment		10-33% per annum

Property, plant and equipment is reviewed for impairment in accordance with IAS 36, 'Impairment', when there are events or changes in circumstances that indicate that the carrying value may not be recoverable.

Impairment of assets
At each reporting date, the Group reviews the carrying value of its assets to determine whether there is any indication that the assets are impaired. If any such indication exists, or when annual impairment testing for an asset is required, such as in the case of goodwill, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value, less costs to sell and value in use. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount and an impairment loss is immediately recognised as an expense.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, an impairment loss is reversed to the extent that the asset's carrying value does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Such reversals are recognised in the consolidated income statement. Any impairment charge on goodwill is not reversed.

Financial assets
Loans and receivables are non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for those with maturities greater than twelve months after the reporting date, which are classified as non-current assets. Loans and receivables are presented in trade and other receivables in the consolidated statement of financial position.

Financial assets are assessed for impairment in accordance with IAS 39 'Financial instruments: Recognition and Measurement', when there are events or changes in circumstances that indicate that the carrying value may not be recoverable.

Inventories
Inventories comprise goods held for resale and work in progress and are stated at the lower of cost and net realisable value after making allowance for any obsolete or slow moving items. Cost comprises direct materials, inward carriage and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Trade and other receivables
Trade receivables are recognised and carried at original invoice amount, less an allowance for any uncollectable amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. The decision to make a provision for doubtful debts is determined by using profiles, based on past practice in addition to assessment of the credit worthiness of each customer and related aging of overdue balances. Bad debts are written off when identified.

Cash and cash equivalents
Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash and cash equivalents as defined above, net of outstanding bank overdrafts to the extent that offsetting agreements are in place.

Borrowings
Borrowings are initially recognised at fair value net of any associated issue costs. Borrowings are subsequently recorded at amortised cost, with any difference between the amount initially recorded and the redemption value recognised in the consolidated income statement using the effective interest rate method.

notes to the group financial statements continued

2 Accounting policies continued

Provisions
Provisions for warranties, onerous contracts, retirement benefits and restructuring costs are recognised when the Group has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and a reliable estimate can be made of the amount of the obligation. In relation to the provision for onerous contracts, an assessment is made for impairment of any related assets.

Provisions are discounted to present value when the effect is material using a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The amortisation of the discount is recognised as a finance cost.

Exceptional items
The Group discloses exceptional items by virtue of their nature, size or incidence so as to allow a better understanding of the underlying trading performance of the Group. The Group includes, where material, the profit or loss on disposal of property, investments or businesses and other financial assets, asset impairments, significant restructuring and acquisition and related integration and earn-out costs in exceptional items.

Foreign currency translation
Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date and gains or losses on translation are included in the consolidated income statement.

Currency gains and losses arising from the retranslation of the opening net assets of foreign operations are recorded as a movement on reserves, net of tax. The differences that arise from translating the results of overseas businesses at average rates of exchange, and their assets and liabilities at closing rates, are dealt with in a separate currency translation reserve. All other currency gains and losses are dealt with in the consolidated income statement.

Revenue recognition
Revenue represents the invoiced value of goods, commission and other services provided to third parties, after deducting discounts, VAT and similar taxes levied overseas. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. In particular:

a Revenue from the sale of products is recognised upon transfer to the customer of the significant risks and rewards of ownership. This is generally when goods are despatched to customers.
b Revenue from rendering of services, which primarily comprise maintenance and outsourcing contracts, is recognised over the life of the contract, reflecting performance of the contractual obligations to the customer.
c Interest income is recognised as the interest accrues using the effective interest method.
d Dividend income is recognised when the shareholders' right to receive the payment is established.

Segment reporting
Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

Dividends
Dividends are recognised when they meet the criteria for recognition as a liability. In relation to final dividends, this is when the dividend is approved by the shareholders in the general meeting, and in relation to interim dividends, when paid.

Leases
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group has not entered into any material finance leases.

Borrowing costs
Borrowing costs are recognised as an expense in the period in which they are incurred, in accordance with the effective interest rate method.

notes to the group financial statements continued

2 Accounting policies continued

Pensions
Payments to defined contribution pension schemes are charged as an expense as they fall due.

In respect of defined benefit pension schemes, the obligation recognised in the consolidated statement of financial position represents the present value of the defined benefit obligation adjusted for any unrecognised past service cost, reduced by the fair value of the scheme assets. The cost of providing benefits is determined using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognised in full in the period in which they occur in the consolidated statement of comprehensive income. Net interest costs are included in finance costs and pension administration costs are included in administration expenses.

Share-based payments
The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted, calculated using an option pricing model, and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. In valuing equity-settled transactions, no account is taken of non-market vesting conditions.

At each reporting date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and hence the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous reporting date is recognised in the consolidated income statement, with a corresponding entry in equity.

Taxation
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the reporting date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:
- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the reporting date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise, income tax is recognised in the consolidated income statement.

Derivative financial instruments
The Group uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational activities. It principally employs forward foreign exchange contracts to hedge the risks associated with foreign currency fluctuations relating to certain firm commitments and highly probable forecast transactions. Certain derivative financial instruments are designated as hedging instruments in line with the group's risk management policies. Hedges of foreign currency exposure on firm commitments and highly probable forecast transactions are accounted for as a cash flow hedge. The group does not enter into speculative derivative contracts.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items. All derivative financial instruments are initially recognised in the statement of financial position at fair value and are subsequently re-measured to their fair value at each reporting date. The fair value of forward exchange contracts is calculated by reference to current forward exchange contracts with similar maturity profiles.

Hedge Accounting – Cash Flow Hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are recycled in the income statement in the years when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

notes to the group financial statements continued

2 Accounting policies continued

Discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value, less costs to sell.

The criteria for held for sale is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the disposal group will be made. Management must be committed to the sale expected within one year from the date of the classification. Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operations if it is:
- classified as held for sale or already disposed in such a way; and
- a component of the Group that is a CGU or a group of CGUs; or
- a major line of business or major geographical area.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. Additional disclosures are provided in note 13. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

Significant accounting judgments and estimates

Estimation uncertainty
Key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The most significant areas in which assumptions are made and estimates used are in determining:

Goodwill impairment
The Group tests annually whether goodwill is impaired in accordance with its accounting policy. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates of future cash flows and the selection of suitable discount rates (note 18).

The recognition and quantification of provisions
Judgment is used in determining the value of provisions carried. For onerous contracts, which relate to property, this is primarily based around assumptions on rent and related costs for the period the property is vacant and assumptions over future rental incomes. Other provisions are estimated based on factors such as historical experience and expectations of future events that management believe to be reasonable. Note 27 provides details of provisions.

Contingent consideration and earn–outs
The amounts recognised for contingent consideration and earn-outs in relation to business combinations are the Directors' best estimates of the actual amounts which will be payable, based on the forecast performance of the acquired businesses.

Fair value of assets acquired in a business combination
Judgments and estimates are required in assessment of fair value of the consideration and net assets acquired, including the identification and valuation of intangible assets. Note 11 provides details on business combinations.

Retirement benefits
The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net expense for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of retirement benefit obligations. The actuarial assumptions used in determining the carrying amount at 31 March 2015 are set out in note 34.

Taxation
The Group operates in a number of tax jurisdictions around the world. Tax regulations generally are complex and in some jurisdictions agreeing tax liabilities with local tax authorities can take several years. Consequently, at the reporting date, tax liabilities and assets are based on management's best estimate of the future amounts that will be settled. While the Group aims to ensure that the estimates recorded are accurate, the actual amounts could be different from those expected.

Current assets
In the course of normal trading activities, judgment is used to establish the carrying value of various elements of working capital, principally inventory and trade receivables. Provisions are made against obsolete or slow-moving inventories and doubtful debts. The provisions are based on the facts available at the time the financial statements are approved and are also determined by using profiles, based on past practice, applied to certain aged inventory and trade receivables categories.

notes to the group financial statements continued

3 New accounting standards and financial reporting requirements

New standards and interpretations not applied

The following standards and interpretations, which have been issued by the IASB, become effective after the current year end and have not been early adopted by the Group:

International Accounting Standards (IAS/IFRS/IFRIC)		effective date
IAS 1	Amendments: Presentation of the Financial Statements	1 January 2016
IAS 19	Defined Benefit Plans: Employee Contributions	1 July 2014
IAS 16	Amendments: Property, Plant & Equipment	1 January 2016
IAS 38	Amendments: Intangible Assets	1 January 2016
IAS 39	Amendments: Financial Instruments: Recognition and measurement	1 July 2014
IFRS 7	Amendments: Financial Instruments: Disclosures	1 July 2014
IFRS 9	Financial Instruments: Classification and measurement	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2017

The Directors do not anticipate that the adoption of the applicable standards and interpretations above will have a material impact on the Group's financial statements in the period of initial application. A full impact assessment of the new standards will be carried out in due course.

4 Revenue

Group revenue is analysed below:	2015 £m	2014 £m
Sale of goods	**266.2**	208.3
Rendering of services	**4.9**	3.3
Total revenue	**271.1**	211.6

5 Operating segment information

During the year the Group completed the disposal of its Supply Chain Division with the sale of its last remaining business (the "Enterprise Business"). As the sale of the Enterprise Business was committed before the year ending 31 March 2014, the Supply Chain division was disclosed as a discontinued business for accounting purposes and not disclosed as a reported segment in the 2013/14 Annual Accounts. The Electronics segment was the only reported operating segment.

As a result of the disposal of the Supply Chain division and the major acquisition of Noratel, the Group has reviewed its internal reporting to the Chief Operating Decision Maker (CODM – identified as the Board) and, in line with the Group's stated strategy in the 2013/14 Annual Accounts, has organised its businesses into two divisions, Custom Distribution and Design & Manufacturing.

- The Custom Distribution division provides technically demanding, customised electronic, photonic and medical products to the industrial market, from a range of high-quality, international suppliers (often on an exclusive basis) and from Acal's Design & Manufacturing division.

- The Design & Manufacturing division supplies electronic products, which are principally either designed uniquely for a customer or specifically modified from an existing product. The products are mostly manufactured at one of the in-house manufacturing facilities, or, in some cases, contracted out to third parties.

These two divisions have been assessed as the reportable operating segments of the Group. Within each reportable operating segment are aggregated business units with similar characteristics such as the method of acquiring products for sale (manufacturing versus distribution), the nature of customers and products, risk profile and economic characteristics.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is reported and evaluated based on operating profit or loss earned by each segment without allocation of central administration costs, including Directors' salaries, investment revenue and finance costs, and income tax expense.

notes to the group financial statements continued

5 Operating segment information continued

Segment revenue and results

2015	Custom Distribution £m	Design & Manufacturing £m	Unallocated £m	Total £m
Revenue	**169.8**	**101.3**	**–**	**271.1**
Result				
Underlying operating profit/(loss)	6.7	11.4	(4.7)	13.4
Exceptional items – Earn-outs	–	(0.8)	–	(0.8)
Exceptional items – acquisition and related integration costs	(0.4)	(2.1)	–	(2.5)
Exceptional items – restructuring	(1.7)	–	–	(1.7)
Amortisation of acquired intangible assets	(0.5)	(1.6)	–	(2.1)
IAS 19 pension charge	–	–	(0.2)	(0.2)
Operating profit/(loss)	**4.1**	**6.9**	**(4.9)**	**6.1**

2014	Custom Distribution £m	Design & Manufacturing £m	Unallocated £m	Total £m
Revenue	**173.1**	**38.5**	**–**	**211.6**
Result				
Underlying operating profit/(loss)	6.8	4.6	(4.3)	7.1
Exceptional items – acquisition and related integration costs	(0.6)	(1.1)	–	(1.7)
Exceptional items – restructuring	(0.5)	–	–	(0.5)
Exceptional items – gain on aquisition of YEG	1.5	–	–	1.5
Amortisation of acquired intangible assets	(0.5)	(0.5)	–	(1.0)
IAS 19 pension charge	–	–	(0.2)	(0.2)
Operating profit/(loss)	**6.7**	**3.0**	**(4.5)**	**5.2**

Segment assets and liabilities

2015 **Assets and liabilities**	Custom Distribution £m	Design & Manufacturing £m	Discontinued Operations (Supply Chain) £m	Total £m
Segment assets (excluding goodwill and other intangible assets)	52.6	60.3	–	112.9
Goodwill and other intangible assets	12.1	56.8	–	68.9
	64.7	117.1	–	181.8
Central assets				2.5
Cash and cash equivalents				26.7
Deferred tax assets				4.9
Total assets				**215.9**
Segment liabilities	(32.3)	(24.0)	–	(56.3)
Central liabilities				(6.0)
Other financial liabilities				(45.7)
Pension liability				(7.4)
Current and deferred tax liabilities				(7.8)
Total liabilities				**(123.2)**
Net assets				**92.7**

notes to the group financial statements continued

5 Operating segment information continued

2014 **Assets and liabilities**	Custom Distribution £m	Design & Manufacturing £m	Discontinued operations (Supply Chain) £m	Total £m
Segment assets (excluding goodwill and other intangible assets)	54.5	15.7	4.4	74.6
Goodwill and other intangible assets	13.3	10.9	2.5	26.7
	67.8	26.6	6.9	101.3
Central assets				2.3
Cash and cash equivalents				18.1
Deferred tax assets				4.1
Total assets				**125.8**
Segment liabilities	(36.2)	(8.6)	(1.4)	(46.2)
Central liabilities				(4.6)
Other financial liabilities				(16.3)
Pension liability				(6.5)
Current and deferred tax liabilities				(3.7)
Total liabilities				**(77.3)**
Net assets				**48.5**

For the purposes of monitoring segment performance and allocating resources between segments, the Directors monitor the net assets attributable to each segment. Assets and liabilities are allocated to reportable segments, with the exception of the pension liability, tax assets and liabilities, cash and all borrowings, central assets and liabilities and certain property, plant and equipment and intangible assets.

Other segment information	**Depreciation and amortisation** 2015 £m	2014 £m	**Additions to non-current assets** 2015 £m	2014 £m
Custom Distribution	**0.9**	1.1	**0.6**	0.4
Design & Manufacturing	**3.4**	0.8	**64.4**	9.7
Central	**0.4**	0.2	**0.1**	0.6
	4.7	2.1	**65.1**	10.7

Geographical information

The Group's revenue from external customers based on customer locations and information about its segment assets by geographical location are detailed below:

	Revenue from external customers 2015 £m	2014 £m	**Non-current assets** 2015 £m	2014 £m
UK	**49.9**	49.9	**13.0**	13.3
Europe	**186.9**	143.7	**70.6**	19.7
Rest of the World	**34.3**	18.0	**5.0**	0.1
	271.1	211.6	**88.6**	33.1

notes to the group financial statements continued

6 Exceptional items

		2015 £m	2014 £m
Earn-outs	(a)	**(0.8)**	(0.3)
Acquisition and related integration costs	(b)	**(2.5)**	(1.4)
Acal BFi restructuring costs	(c)	**(1.7)**	(0.5)
Gain on acquisition of YEG	(d)	**–**	1.5
Net exceptional items (included within administrative expenses)		**(5.0)**	(0.7)
Tax impact of exceptional items above		**0.1**	–
Exceptional items after tax		**(4.9)**	(0.7)

a) A £0.6m charge was provided for the earn-out relating to the acquisition of the Myrra Group. A £0.2m charge was provided for the earn-out relating to the Noratel Group acquisition. Last year, the earn-out charge was in relation to the Myrra Group only. The overall earn-out payment to Myrra is due for payment in 2016.

b) Acquisition and related integration costs relate mainly to the acquisition of the Noratel and Foss Groups and residual costs relating to the integration of YEG into Acal BFi.
Last year, the acquisition and related integration costs related mainly to the acquisition of the Myrra Group, YEG and RSG.

c) The Acal BFi business undertook a restructuring programme to improve organisational efficiency in the business, mainly in the UK. As a result redundancy costs of £1.7m were incurred during the year, of which a £0.4m charge was incurred in respect of the termination of a major non-specialist supplier. These costs, due to their size and nature, have been included within exceptional items.
Last year, the restructuring costs comprised redundancy costs of £0.4m and a provision of £0.1m in respect of onerous property costs.

d) The gain on acquisition of YEG in the prior year was the difference between the net consideration and fair value of the assets acquired (note 11).

7 Operating profit

Amounts charged to the consolidated income statement are as follows:

	2015 £m	2014 £m
Employee costs (note 8)	**56.2**	44.1
Depreciation of property, plant and equipment (note 16)	**2.1**	1.1
Amortisation of other intangible assets (note 19)	**2.6**	1.3
Net foreign exchange differences	**–**	0.2
Inventories (amounts included in cost of sales):		
Cost of inventories	**184.2**	155.5
Write-down of inventories to net realisable value	**1.1**	1.5
Operating lease rentals:		
Minimum lease payments recognised as an operating lease expense	**3.0**	3.2
Auditors' remuneration:		
Audit of the Group financial statements (including parent company)	**0.2**	0.1
Other fees to auditor – local statutory audits for subsidiaries	**0.4**	0.3
Tax and other non-audit services	**0.1**	0.1

The above amounts for the year ended 31 March 2014 relate to the results of both continuing and discontinued operations.

notes to the group financial statements continued

8 Employee costs and Directors' emoluments

	2015 £m	2014 £m
Wages and salaries	**45.2**	34.3
Social security costs	**8.1**	7.3
Pension costs	**2.3**	1.9
Share-based payments (note 33)	**0.6**	0.6
	56.2	44.1

The average monthly number of employees (including Executive Directors) during the year was as follows:

	2015 Number	2014 Number
Sales and marketing	**638**	470
Manufacturing and service	**1,655**	556
Administration	**258**	143
	2,551	1,169

The above amounts for the year ended 31 March 2014 relate to the results of both continuing and discontinued operations.

At 31 March 2015 the Group had 3,329 employees (2014: 1,301). Head count increased primarily as a result of the acquisitions of Noratel and Foss, partially offset by the disposal of the Enterprise Business.

Directors' emoluments	2015 £	2014 £
Aggregate emoluments in respect of qualifying services	**881,486**	839,061
Aggregate contribution to money purchase pension schemes	**36,880**	35,790
	918,366	874,851
Highest paid director		
Emoluments in respect of qualifying services	**534,240**	506,530
Pension contributions to the defined contribution scheme	**23,100**	22,400
	557,340	528,930

Retirement benefits are accruing to two directors under a defined contribution pension scheme (2014: two).

Further details of Directors' emoluments are provided in the remuneration report on pages 44 to 59.

9 Finance revenue/(costs)

	2015 £m	2014 £m
Interest receivable and similar income	**0.1**	0.2
Finance revenue	**0.1**	0.2
Finance costs on bank loans and overdrafts	**(1.7)**	(1.0)
Net pension finance charge (note 34)	**(0.2)**	(0.2)
Finance costs	**(1.9)**	(1.2)

notes to the group financial statements continued

10 Taxation

The major components of corporation tax expense/(credit) are summarised below:

	2015 £m	2014 £m
Current taxation		
UK corporation tax	0.1	–
UK adjustments in respect of prior years	(0.1)	–
	–	–
Overseas tax	3.1	1.7
Overseas adjustments in respect of prior years	(0.9)	(1.1)
	2.2	0.6
Total current taxation expense	2.2	0.6
Deferred taxation		
Origination and reversal of temporary differences within the UK	–	0.1
Origination and reversal of temporary differences overseas	(0.9)	(0.4)
Adjustment in respect of prior years	0.1	0.2
Total deferred taxation credit	(0.8)	(0.1)
Tax expense reported in the consolidated income statement	1.4	0.5

Tax recognised in other comprehensive income	2015 £m	2014 £m
Increase in deferred tax asset on pension deficit	0.4	0.1
Tax reported in other comprehensive income	0.4	0.1

Tax recognised in equity	2015 £m	2014 £m
Increase in deferred tax asset on share based payments	(0.2)	0.6
Tax reported in equity	(0.2)	0.6

notes to the group financial statements continued

10 Taxation continued

The effective rate of taxation for the year is higher (2014: higher) than the standard rate of taxation in the UK of 21% (2014: 23%). A reconciliation of the tax expense applicable to the profit before tax at the statutory tax rate to the actual tax expense at the Group's effective tax rate for the years ended 31 March 2015 and 31 March 2014 respectively is presented below:

	2015 £m	2014 £m
Profit before tax on continuing operations	**4.3**	4.2
Loss before tax on discontinued operations (note 13)	**–**	(2.3)
Profit before tax	**4.3**	1.9
Profit before taxation multiplied by standard rate of corporation tax in the UK of 21% (2014: 23%)	**0.9**	0.4
Effect of:		
Different tax rates in overseas companies	**0.4**	0.3
Tax losses not recognised/(utilisation of previously unrecognised losses)	**0.3**	(0.2)
Goodwill impairment	**–**	0.8
Non-deductible expenses	**0.7**	0.2
Adjustments to deferred tax in respect of prior years	**0.1**	0.2
Adjustments to tax expense in respect of prior years	**(1.0)**	(1.1)
Tax reported in the consolidated income statement	**1.4**	0.6
Tax attributable to continued operations	**1.4**	0.5
Tax attributable to discontinued operations (note 13)	**–**	0.1
	1.4	0.6

Deferred tax

	2015 £m	2014 £m
Deferred tax liabilities:		
Accelerated capital allowances	**(0.8)**	–
Other temporary differences	**(4.7)**	(1.0)
Gross deferred tax liabilities	**(5.5)**	(1.0)
Deferred tax assets:		
Decelerated capital allowances	**0.8**	0.7
Pensions	**1.4**	1.1
Tax losses	**0.5**	–
Other temporary differences	**2.2**	2.3
Gross deferred tax assets	**4.9**	4.1

Deferred tax credit in the consolidated income statement

	2015 £m	2014 £m
Consolidated income statement		
Decelerated capital allowances	**(0.1)**	0.1
Other temporary differences	**(0.7)**	(0.2)
	(0.8)	(0.1)

At 31 March 2015, the Group had not recognised any deferred tax asset in respect of tax losses of approximately £27.7m (2014: £26.8m). Deferred tax assets are not recognised where there is insufficient evidence that losses will be utilised.

At 31 March 2015, there was no recognised deferred tax liability (2014: nil) for taxes that would be payable on the remittance of certain of the Group's overseas subsidiaries' unremitted earnings, as the Group has determined that the undistributed profits of its overseas subsidiaries will not be distributed in the near future where an additional tax charge would arise.

A reduction in the UK corporation tax rate from 21% to 20% had been substantively enacted at 1 April 2015 and is the rate at which the Group's UK deferred tax is expected to crystallise. Accordingly, this rate has been applied in the measurement of the Group's UK based deferred tax assets and liabilities as at 31 March 2015.

notes to the group financial statements continued

11 Business combinations

During the year, the Group completed the acquisitions of two businesses, namely: Foss AS Fiberoptisk Systemsalg ("Foss") on 7 January 2015 and Trafo Holding AS ("Trafo" or "the Noratel Group" or "Noratel") on 17 July 2014. These acquisitions have signifcantly expanded the Group's design and manufacturing capabilities.

The net cash flow on the acqusitions (including net cash/(debt) acquired and before transaction costs) during the year was £42.7m.

Acquisitions in year ended 31 March 2015

Acquisition of Foss

On 7 January 2015, the Group completed the acquisition of 100% of the share capital and voting equity interests of Foss for an upfront cash consideration of £8.0m (NOK93m). An additional £0.5m (NOK5.8m) was paid in April 2015 to the vendor in relation to the working capital settlement pursuant to the Sale and Purchase Agreement. The net cash consideration therefore paid to the seller was £8.5m (NOK98.8m). Foss owns 100% of the share capital and voting equity interests of Optocon Technologies s.r.o ("Optocon"), based in Slovakia.

Foss, which has operations in Norway and Slovakia, is a leading designer and manufacturer of customised fibre optic cabling which enables high speed communication, increasingly required in industrial as well as telecommunication applications. With approximately 100 staff, the business will operate within the Group's Design & Manufacturing division.

In addition to the upfront cash consideration above, a contingent consideration of up to £0.4m (NOK5m) is payable to the seller based on the financial performance of Foss for the year ending 31 December 2015. The fair value of the contingent consideration at acquisition was estimated to be £0.3m (NOK3m). There was no change to the fair value as at 31 March 2015.

An earn-out of up to a maximum of £1.3m (NOK15m) is payable to certain Foss management sellers based on the financial performance of Foss for the year ended 31 December 2017 and the continued employment of certain management sellers for the two year period ending 31 December 2017.

The provisional fair values of the identifiable assets and liabilities of Foss at the date of acquisition were as follows. The fair values will be finalised in the year ending 31 March 2016 following the completion of management's assessment.

	Provisional fair value recognised at acquisition £m
Property, plant and equipment	0.4
Intangible assets – customer relationships	3.3
Inventories	1.8
Trade and other receivables	2.4
Cash and cash equivalents	0.9
Trade and other payables	(2.0)
Other financial liabilities	(1.6)
Current tax liabilities	(0.5)
Provisions (current)	(0.4)
Defered tax liabilities	(0.9)
Total indentifiable net assets	**3.4**
Provisional goodwill arising on acquisition	**5.4**
Total investment	**8.8**
Discharged by:	
Cash	8.0
Working capital settlement paid in April 2015	0.5
Contingent cash consideration	0.3
	8.8

The fair value of the trade receivables is equal to their gross amounts. It is expected that the full contractual amounts of the trade receivables can be collected.

Included in the £5.4m of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree, due to their nature. These include the value of expected operational benefits. None of the goodwill recognised is expected to be deductible for corporate tax purposes.

notes to the group financial statements continued

11 Business combinations continued

Net cash outflows in the year in respect of the acquisition comprise:

	Total £m
Cash consideration	**8.0**
Transaction costs of the acquisition (included in cash flows from operating activities)*	**0.2**
Net debt acquired (included in cash flows from investing activities)	**0.7**
	8.9

*Transaction costs of £0.2m were expensed as incurred in the year ending 31 March 2015 and were included as an exceptional item within administrative expenses (note 6).

From the date of acquisition to 31 March 2015, Foss contributed £4.0m to revenue and £0.2m to profit after tax of the Group. If the business combination had taken place at the beginning of the year, the consolidated profit after tax for the Group would have been £3.5m and the consolidated revenue for the Group would have been £282m.

Acquisition of the Noratel Group

On 17 July 2014, the Group completed the acquisition of 100% of the share capital and voting equity interests of the Noratel Group for an initial consideration of £70.9m (NOK735m) being: (i) cash consideration of £35.6m (NOK369m) and consideration shares in Acal plc with a fair value of £0.8m (NOK8m); (ii) settlement of the long term debt of £34.5m (NOK358m) acquired on acquisition, funded partly from the proceeds of the rights issue (see note 31) and partly refinanced with the Group's revolving credit facility.

In addition, as part of the purchase negotiations, the Company has put in place an earn-out arrangement for certain management sellers based on the financial performance of the Noratel Group over the three year period to 31 March 2017 worth up to a maximum of NOK12m (£1.1m). Earn-out expense of £0.2m attributable to this year has been recognised as an expense in the consolidated income statement, and presented as an exceptional item.

The Noratel Group is a global designer and manufacturer of electromagnetic products, specifically of low, medium and high power transformers and chokes. Noratel has a broad customer base in Europe, Asia and increasingly in North America, and has become a preferred supplier to leading international OEMs in various markets. It has a well established position supplying the industrial, renewable energy, medical and oil and gas sectors.

The provisional fair value of the identifiable assets and liabilities of the Noratel Group at the date of acquisition were as follows. The fair values will be finalised in the year ending 31 March 2016 following the completion of management's assessment.

	Provisional fair value recognised at acquisition £m
Property, plant and equipment	9.9
Intangible assests – other	1.2
Intangible assests – customer relationships	13.9
Deferred tax asset (non-current)	0.5
Inventories	16.8
Trade and other receivables	14.9
Cash and cash equivalents	1.6
Trade and other payables	(12.1)
Other financial liabilities (current)	(34.5)
Current liabilities	(0.6)
Provisions (current)	(1.5)
Deferred tax liabilities (non-current)	(4.9)
Total identifiable net assets	**5.2**
Provisional goodwill arising on acquisition	**31.2**
Total investment	**36.4**
Discharged by:	
Cash	35.6
Shares	0.8
	36.4

notes to the group financial statements continued

11 Business combinations continued

The fair value of the trade receivables is equal to their gross amounts. It is expected that the full contractual amounts of the trade receivables can be collected.

Included in the £31.2m of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree, due to their nature. These include the value of expected operational benefits. None of the goodwill recognised is expected to be deductible for corporate tax purposes.

Net cash outflows in respect of the acquisition comprise:

	Total £m
Cash consideration	**35.6**
Transaction costs of the acquisition (included in cash flows from operating activities)*	**2.1**
Cash acquired	**(1.6)**
Debt settled on acquisition	**34.5**
	70.6

*Transaction costs of £2.1m were expensed as incurred in the year ending 31 March 2015 and were included as an exceptional item within administrative expenses (note 6).

From the date of acquisition to 31 March 2015, the Noratel Group contributed £55.1m to revenue and £3.1m to profit after tax of the Group. If the business combination had taken place at the beginning of the year, the consolidated profit after tax for the Group would have been £4.0m and the consolidated revenue for the Group would have been £293m.

Acquisitions in the year ended 31 March 2014

Acquisition of Aramys SAS ("the Myrra Group")

On 4 April 2013, the Group completed the acquisition of 100% of the share capital and voting equity interests of the Myrra Group for an upfront cash consideration of £8.0m (€9.5m) before expenses and subject to certain post completion adjustments. £0.2m (€0.3m) was received back from the vendor in relation to a working capital settlement pursuant to the Sale and Purchase Agreement. The net cash consideration therefore paid to the sellers was £7.8m (€9.2m).

In addition to the upfront consideration above, an earn-out of up to a maximum of £1.5m (€1.8m) is payable to certain shareholders ("Management Sellers") based on the financial performance of the Myrra Group and continued employment of Management Sellers over the three year period to 31 December 2015. Earn-out expense of £0.6m attributable to the year ending 31 March 2015 has been recognised in the consolidated income statement and presented as an exceptional item.

The Myrra Group designs and manufactures magnetic electronic products, of which approximately 70% are developed to meet specific individual customer requirements. The Myrra Group's head office is based near Paris, with sales offices in France, Spain, Hong Kong, China and Germany. The Myrra Group's manufacturing facilities are based in China and Poland.

The fair values of the identifiable assets and liabilities of the Myrra Group at the date of acquisition were:

	Fair value recognised at acquisition £m
Property, plant and equipment	1.1
Intangible assests – customer relationships	0.9
Inventories	2.5
Trade and other receivables	3.9
Current tax asset	0.1
Cash and cash equivalents	1.9
Trade and other payables	(3.3)
Other financial liabilities	(2.8)
Current tax liabilities	(0.6)
Provisions (current)	(0.8)
Deferred tax liabilities	(0.2)
Total identifiable net assets	**2.7**
Goodwill arising on acquisition	**5.1**
Total investment	**7.8**
Discharged by:	
Cash	**7.8**

notes to the group financial statements continued

11 Business combinations continued

The fair value of the trade receivables is equal to their gross amounts. It is expected that the full contractual amounts of the trade receivables can be collected.

Included in the £5.1m of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree, due to their nature. These include the value of expected operational benefits. None of the goodwill recognised is expected to be deductible for corporate tax purposes.

Net cash outflows in respect of the acquisition comprise:

	Total £m
Cash consideration	**7.8**
Transaction costs of the acquisition (included in cash flows from operating activities)*	**0.6**
Net debt acquired (included in cash flows from investing activities)	**0.9**
	9.3

*Transaction costs of £0.6m were expensed as incurred in the year ending 31 March 2014 and were included as an exceptional item within administrative expenses (note 6).

From the date of acquisition to 31 March 2014, Myrra contributed £20.0m to revenue and £1.1m to profit after tax of the Group. As the business combination took place at the beginning of the year, the consolidated profit after tax for the Group and the consolidated revenue for that year are unchanged.

Acquisition of Young Electronics Group ("YEG")

On 30 August 2013, the Group completed the acquisition of the trade and assets of Young Electronics Group ("YEG") for a net cash consideration of £1.5m before expenses.

YEG is a UK based specialist provider of electronic components, solutions and services, including solid state lighting, power, power cord, custom cable assembly, with a significant proportion of own products sales.

The fair values of the identifiable assets and liabilities of YEG at the date of acquisition were:

	Fair value recognised at acquisition £m
Property, plant and equipment	0.1
Inventories	2.7
Trade and other receivables	1.8
Trade and other payables	(1.6)
Total identifiable net assets	**3.0**
Gain on acquisition (included in administrative expenses and disclosed as an exceptional item last year)	**(1.5)**
Total investment	**1.5**
Discharged by:	
Cash	**1.5**

The gain on acquisition of £1.5m arose because the business at the time of acquisition was loss making.

The fair value of the trade receivables is equal to their gross amounts.

notes to the group financial statements continued

11 Business combinations continued

Net cash outflows for last year in respect of the acquisition comprise:

	Total £m
Cash consideration	**1.5**
Transaction costs of the acquisition (included in cash flows from operating activities)*	**0.1**
	1.6

* Transaction costs of £0.1m were expensed as incurred in the year ending 31 March 2014 and were included as an exceptional item within administrative expenses (note 6).

From the date of acquisition to 31 March 2014, YEG contributed £6.5m to revenue and £0.5m to profit after tax of the Group. If the business combination had taken place at the beginning of the year, the consolidated profit after tax for the Group would remain unchanged and revenue would have been £216.1m.

Acquisition of RSG Electronic Components GmbH ("RSG")

On 2 December 2013, the Group completed the acquisition of 100% of the share capital and voting equity interests of RSG, for a net upfront cash consideration of £2.6m (€3.2m) before expenses. Additionally, a deferred cash consideration of £0.2m (€0.3m) will be payable 18 months after the date of acquisition.

Based near Frankfurt in Germany, RSG is a supplier of customised power solutions (power supplies, AC/DC converters, quartz products, inverters, inductivities and cables) including specialist design and distribution.

The fair values of the identifiable assets and liabilities of RSG at the date of acquisition were:

	Fair value recognised at acquisition £m
Intangible assets – supplier relationships	1.1
Inventories	0.6
Trade and other receivables	0.3
Cash and cash equivalents	0.2
Trade and other payables	(0.3)
Deferred tax liability	(0.3)
Total identifiable net assets	**1.6**
Gain arising on acquisition	**1.2**
Total investment	**2.8**
Discharged by:	
Cash	2.6
Deferred cash consideration	0.2
	2.8

The fair value of the trade receivables is equal to their gross amounts. It is expected that the full contractual amounts of the trade receivables can be collected.

Included in the £1.2m of goodwill recognised above, are certain intangible assets that cannot be individually separated and reliably measured from the acquiree, due to their nature. These include the value of expected operational benefits. None of the goodwill recognised is expected to be deductible for corporate tax purposes.

notes to the group financial statements continued

11 Business combinations continued

Net cash outflows for last year in respect of the acquisition comprise:

	Total £m
Cash consideration	**2.6**
Transaction costs (included in cash flows from operating activities)*	**0.2**
Net cash acquired (included in cash flows from investing activities)*	**(0.3)**
	2.5

*Transaction costs of £0.2m were expensed as incurred in the year ending 31 March 2014 and were included as an exceptional item within administrative expenses (note 6).

From the date of acquisition to 31 March 2014, RSG contributed £1.3m to revenue and £0.1m to profit after tax of the Group. If the business combination had taken place at the beginning of that year, the consolidated profit after tax for the Group would have been £4.2m and revenue would have been £215.6m.

12 Disposals

Disposals in year ended 31 March 2015

Disposal of Enterprise Business

On 2 June 2014, the Company completed the disposal of its enterprise services business (the "Enterprise Business"), the last remaining business within its Supply Chain Division. The disposal of the Enterprise business was a related party transaction and received shareholder approval on 2 June 2014. At 31 March 2014, the Enterprise Business was classified as a disposal group held for sale.

The disposal involved the sale of the Group's UK subsidiary, Acal Enterprise Solutions Limited ("AES"), to Agilita Holdings Limited, in which the management team of AES participated, for a cash consideration of £6.0m, of which £0.3m was deferred, at the purchasers' option, until no later than 31 December 2014. The deferred consideration of £0.3m was received in December 2014.

The disposal generated a loss of £0.1m, which is summarised below:

	£m
Net cash consideration	6.0
Net assets disposed of	(5.7)
Transaction costs	(0.4)
Loss on disposal	**(0.1)**

Consideration received	**£m**
Net upfront cash consideration received	5.7
Deferred consideration	0.3
Net cash consideration received	**6.0**

Net assets disposed of	**£m**
Property, plant and equipment	0.3
Intangible assets – goodwill	2.4
Intangible assets – other	0.1
Inventories	1.9
Trade and other receivables	1.5
Cash	0.3
Trade and other payables	(0.8)
Net assets disposed of	**5.7**

notes to the group financial statements continued

12 Disposals continued

Net cash inflow on disposal	**£m**
Cash consideration	6.0
Cash disposed	(0.3)
Transaction costs	(0.4)
Net cash inflow on disposal	**5.3**

Disposal in year ended 31 March 2014

Disposal of European Parts Business

On 11 November 2013, the Group completed the disposal of its Supply Chain division's European Parts business to its current management team, together with certain third party investors. The disposal involved the sale of the Group's German subsidiary, EAF Computer Services Supplies GmbH ("EAF GmbH") for a consideration of £3.7m (€4.4m), comprising an upfront payment of £3.4m (€4.0m) and deferred consideration of £0.3m (€0.4m) payable on 31 March 2014.

The disposal of the European Parts business was a related party transaction and received shareholder approval on 1 November 2013.

The transaction generated a loss on disposal of £0.2m, which is summarised below:

	£m
Net cash consideration	3.7
Net assets disposed of	(3.8)
Cumulativeexchange gain in respect of the net assets of EAF GmbH reclassified from equity to the consolidated income statement	0.2
Transaction costs	(0.2)
Provision against claim from purchaser	(0.1)
Loss on disposal	**(0.2)**

Consideration received	**£m**
Net upfront cash consideration received	3.4
Deferred consideration	0.3
Net cash consideration received	**3.7**

Net assets disposed of	**£m**
Property, plant and equipment	0.1
Intangible assets – other	0.1
Inventories	2.2
Trade and other receivables	3.2
Trade and other payables	(1.7)
Provisions	(0.1)
Net assets disposed of	**3.8**

Net cash inflow on disposal	**£m**
Upfront cash consideration	3.5
Transaction costs	(0.2)
Net cash inflow on disposal	**3.3**

notes to the group financial statements continued

13 Discontinued operations

On 2 June 2014, the Company completed the disposal of the Enterprise Business, which was the last remaining business within its Supply Chain Division. At 31 March 2014, the Enterprise Business was classified as a disposal group held for sale.

The disposal of the Enterprise Business was in addition to the disposal of the European Parts business and the UK Parts business in the year ending 31 March 2014 and year ending 31 March 2013 respectively. With the Enterprise Business being the last remaining company in the Supply Chain Division, the Division has been accounted for as a discontinued operation for the current and prior year.

The results of the Supply Chain Division for the year and the prior year are presented below:

	2015 £m	2014 £m
Revenue	**1.1**	17.9
Expenses	**(1.0)**	(16.7)
Operating profit	**0.1**	1.2
Impairment loss recognised on the re-measurement to fair value less costs of disposal*	**–**	(3.3)
Loss on disposal of business (note 12)	**(0.1)**	(0.2)
Loss before tax from discontinued operations	**–**	(2.3)
Tax expense	**–**	(0.1)
Loss for the year from discontinued operations	**–**	(2.4)

* Following the classification of the Enterprise Business as a held for sale disposal group, a write-down of £3.3m on goodwill allocated to the Enterprise Business was recognised on 31 March 2014 to reduce the carrying value to fair value less costs of disposal.

There is no tax impact of the loss on disposal of businesses.

Earnings per share*

	2015	2014
Basic loss per share on discontinued operations	**–**	(5.6)p
Diluted loss per share on discontinued operations	**–**	(5.6)p

*The prior year number of shares (basic and diluted) have been restated to reflect the bonus element of the rights issue. See note 36 for details.

Cash flows relating to discontinued operations

	2015 £m	2014 £m
Net cash (outflow)/inflow from operating activities	**(0.2)**	1.0
Net cash outflows from investing activities	**–**	(0.1)
Net (decrease)/increase in cash and cash equivalents	**(0.2)**	0.9

Assets classified as held for sale

The major classes of assets and liabilities classified as held for sale and measured at the lower of carrying amount and fair value less costs to sell are summarised below:

	2015 £m	2014 £m
Property, plant and equipment	**–**	0.3
Intangible assets – goodwill	**–**	2.4
Intangible assets – other	**–**	0.1
Inventories	**–**	1.9
Trade and other receivables	**–**	1.7
Cash and cash equivalents	**–**	0.5
Total assets	**–**	6.9
Trade and other payables	**–**	(1.4)
Total liabilities	**–**	(1.4)

notes to the group financial statements continued

14 Dividends

Dividends recognised in equity as distributions to equity holders in the year:

	2015 £m	2014* £m
Equity dividends on ordinary shares:		
Final dividend for the year ended 31 March 2014 of 5.0p (2013: 4.4p)	2.1	1.9
Interim dividend for the year ended 31 March 2015 of 2.2p (2014: 1.8p)	1.5	0.8
Total amounts recognised as equity distributions during the year	**3.6**	2.7

Proposed for approval at the AGM:	£m	£m
Equity dividends on ordinary shares:		
Final dividend for the year ended 31 March 2015 of 5.4p (2014: 5.0p)	3.4	2.1

Summary		
Dividends per share declared in respect of the year	7.6p	6.8p
Dividends per share paid in the year	7.2p	6.2p
Dividends paid in the year	£3.6m	£2.7m

* The dividend per share for prior periods has been restated to reflect the bonus element of the rights issue. Refer to note 36 for more details.

15 Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is the basic earnings per share after allowing for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the year.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2015 £m	2014 £m
Profit for the year attributable to equity holders of the parent:		
Continuing operations	2.9	3.7
Discontinued operations	–	(2.4)
Profit for the year	**2.9**	1.3

	Number	Number
Weighted average number of shares for basic earnings per share*	57,631,407	43,084,582
Effect of dilution – share options*	3,318,230	2,825,423
Adjusted weighted average number of shares for diluted earnings per share	**60,949,637**	45,910,005
Basic earnings per share from continuing operations	5.0p	8.6p
Diluted earnings per share from continuing operations	4.8p	8.1p
Basic earnings per share	5.0p	3.0p
Diluted earnings per share	4.8p	2.8p

* The prior year number of shares (basic and diluted) has been restated to reflect the bonus element of the rights issue. See note 36 for details.

At the year end, there were 4,194,192 ordinary share options in issue that could potentially dilute earnings per share in the future, of which 3,318,230 are currently dilutive (2014: 3,586,808 in issue and 2,825,423 dilutive).

notes to the group financial statements continued

15 Earnings per share continued

Underlying earnings per share is calculated as follows:

Continuing operations	**2015 £m**	2014 £m
Earnings for the year	**2.9**	3.7
Exceptional items	**5.0**	0.7
Amortisation of acquired intangible assets	**2.1**	1.0
IAS 19 pension charge	**0.4**	0.4
Tax effect of the above	**(1.0)**	(0.4)
Underlying earnings on continuing operations	**9.4**	5.4

	2015 Number	2014 Number
Weighted average number of shares for basic earnings per share*	**57,631,407**	43,084,582
Effect of dilution – share options*	**3,318,230**	2,825,423
Adjusted weighted average number of shares for diluted earnings per share	**60,949,637**	45,910,005
Underlying basic earnings per share on continuing operations	**16.3p**	12.5p
Underlying diluted earnings per share on continuing operations	**15.4p**	11.8p

At the year end, there were 4,194,192 ordinary share options in issue that could potentially dilute underlying earnings per share in the future, of which 3,318,230 are currently dilutive (2014: 3,586,808 in issue and 2,825,423 dilutive).

*The prior year number of shares (basic and diluted) have been restated to reflect the bonus element of the rights issue. See note 36 for details.

16 Property, plant and equipment

	Land and buildings £m	Leasehold improvements £m	Plant and equipment £m	Total £m
Cost				
At 1 April 2013	1.8	2.4	5.5	9.7
Additions	–	–	0.7	0.7
Disposals	–	–	(1.2)	(1.2)
Business disposals	–	–	(0.8)	(0.8)
Arising from business combinations	–	0.1	1.1	1.2
Reclassified to assets held for sale	–	(0.2)	(0.4)	(0.6)
Exchange adjustments	–	–	(0.2)	(0.2)
At 31 March 2014	1.8	2.3	4.7	8.8
Additions	0.3	0.2	1.8	2.3
Disposals	–	–	(0.7)	(0.7)
Arising from business combinations	4.5	0.1	5.7	10.3
Exchange adjustments	(0.3)	(0.1)	0.3	(0.1)
At 31 March 2015	**6.3**	**2.5**	**11.8**	**20.6**

notes to the group financial statements continued

16 Property, plant and equipment continued

	Land and buildings £m	Leasehold improvements £m	Plant and equipment £m	Total £m
Depreciation				
At 1 April 2013	1.1	1.6	3.9	6.6
Charge for the year	0.1	0.2	0.8	1.1
Disposals	–	–	(1.2)	(1.2)
Business disposals	–	–	(0.7)	(0.7)
Reclassified to assets held for sale	–	(0.1)	(0.2)	(0.3)
Exchange adjustments	–	(0.1)	(0.1)	(0.2)
At 31 March 2014	1.2	1.6	2.5	5.3
Charge for the year	0.2	0.1	1.8	2.1
Disposals	–	–	(0.6)	(0.6)
Exchange adjustments	(0.2)	–	0.2	–
At 31 March 2015	**1.2**	**1.7**	**3.9**	**6.8**
Net book value at 31 March 2015	**5.1**	**0.8**	**7.9**	**13.8**
Net book value at 31 March 2014	0.6	0.7	2.2	3.5

Land and buildings includes land with a cost of £0.8m (2014: £0.5m) that is not subject to depreciation.

17 Intangible assets – goodwill

	£m
Cost	
At 1 April 2013	63.1
Reclassified to assets held for sale	(11.0)
Arising from business combinations	6.3
Exchange adjustments	(0.4)
At 31 March 2014	58.0
Arising from business combinations	36.6
Exchange adjustments	(6.2)
At 31 March 2015	**88.4**

Impairment	£m
At 1 April 2013	42.1
Reclassified to assets held for sale	(5.3)
At 31 March 2014 and 31 March 2015	**36.8**
Net book value at 31 March 2015	**51.6**
Net book value at 31 March 2014	21.2

notes to the group financial statements continued

18 Impairment testing of goodwill

The carrying value of goodwill is analysed as follows:

	2015 £m	2014 £m
Custom Distribution		
Acal BFi UK	**3.3**	3.3
Compotron	**4.4**	4.9
Medical	**0.6**	0.6
Design & Manufacturing		
Stortech	**3.6**	3.6
Hectronic	**0.5**	0.6
MTC	**1.9**	2.0
Myrra	**4.3**	5.0
RSG	**1.0**	1.2
Noratel	**26.8**	–
Foss	**5.2**	–
	51.6	21.2

Goodwill acquired through business combinations is allocated to cash-generating units (CGUs).

The recoverable amount of each remaining CGU is based on value in use calculations and management's view of the recoverable amount. The key assumptions in these calculations relate to future revenue and margins. Cash flow forecasts for the 5 year period from the reporting date are based on 2016 budget and management projections thereon. Average annual revenue growth rates between 5% and 10% (2014: between 5% and 10%) have been used depending on size and sector in which the CGU operates. Annual cash flow growth rates beyond the five-year period are assumed at 2% (2014: 2%) for all CGUs in line with the average long-term growth rate for the relevant markets.

Discount rates reflect the current market assessment of the risks specific to each CGU. The discount rate was estimated based on the average percentage of a weighted average cost of capital for the industry and then further adjusted to reflect management's assessment of any risk specific to the Group. The pre-tax discount rate applied to the cash flow projections of CGUs varies from 14%-21% (2014: 14%-19%).

Sensitivity to changes in assumptions

The Group has conducted sensitivity analysis on the impairment test of each CGU's carrying value. With regard to all the CGUs above, the Directors believe that no reasonably possible change in any of the key assumptions would cause the carrying value of the unit materially to exceed its recoverable amount.

notes to the group financial statements continued

19 Intangible assets – other

	Software & Development £m	Acquired intangibles: Customer/ Supplier Relationships £m	Acquired intangibles: Brands £m	Total £m
Cost				
At 1 April 2013	8.6	3.3	0.8	12.7
Business disposals	(0.6)	–	–	(0.6)
Arising from business combinations	–	2.0	–	2.0
Reclassified to assets held for sale	–	(0.7)	–	(0.7)
Additions	0.6	–	–	0.6
Exchange adjustment	(0.1)	–	–	(0.1)
At 31 March 2014	8.5	4.6	0.8	13.9
Arising from business combinations	1.2	17.1	–	18.3
Additions	0.3	–	–	0.3
Disposals	(0.2)	–	–	(0.2)
Exchange adjustment	(0.2)	(2.1)	(0.1)	(2.4)
At 31 March 2015	**9.6**	**19.6**	**0.7**	**29.9**
Amortisation				
At 1 April 2013	7.6	1.7	0.2	9.5
Business disposals	(0.5)	–	–	(0.5)
Reclassified to assets held for sale	–	(0.6)	–	(0.6)
Charge for the year	0.2	0.9	0.2	1.3
Exchange adjustment	(0.1)	–	–	(0.1)
At 31 March 2014	7.2	2.0	0.4	9.6
Disposals	(0.1)	–	–	(0.1)
Charge for the year	0.5	2.0	0.1	2.6
Exchange adjustment	(0.1)	(0.4)	–	(0.5)
At 31 March 2015	**7.5**	**3.6**	**0.5**	**11.6**
Net book value at 31 March 2015	**2.1**	**16.0**	**0.2**	**18.3**
Net book value at 31 March 2014	1.3	2.6	0.4	4.3

The computer software capitalised at 31 March 2015 principally relates to the implementation of an ERP system within the Acal BFi business. This ERP system has a carrying amount of £0.9m (2014: £1.1m) following the completion of an upgrade to the system during the year ending 31 March 2014.

notes to the group financial statements continued

20 Investments in associates

	£m
Cost at 31 March 2014 and 2015	**5.4**
Impairment at 31 March 2014 and 2015	**(5.4)**
Net book amount at 31 March 2014 and 2015	**–**

Associates	Country of incorporation	**% equity interest 2015 and 2014**
Scientific Digital Business (Pte) Ltd	Singapore	**40**

During the year, the company disposed of its investment in Ceratech Holdings Limited for a consideration of £0.1m.

Impairment of associate investments

In 2009, the Directors took the view that the associate investments should be fully impaired, due to continuing losses in those businesses. There have been no changes in 2015 that would lead to these impairments being reversed.

21 Inventories

	2015 £m	2014 £m
Finished goods, work in progress and goods for resale	**39.8**	19.4

22 Trade and other receivables

	2015 £m	2014 £m
Trade receivables	**53.2**	43.4
Other receivables	**4.0**	2.5
Prepayments and accrued income	**3.0**	2.4
	60.2	48.3

Trade receivables are non-interest bearing, are generally on 30-60 days' terms and are shown net of a provision for impairment.
As at 31 March 2015, trade receivables of £1.3m (2014: £2.0m) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2015 £m	2014 £m
At 1 April	**2.0**	2.3
Acquired	**0.1**	–
Charge for the year	**0.2**	0.1
Amounts written off	**(0.7)**	(0.3)
Unused amounts reversed	**(0.1)**	(0.1)
Exchange adjustments	**(0.2)**	–
At 31 March	**1.3**	2.0

As at 31 March, the analysis of trade receivables that were past due but not impaired is as follows:

			Past due but not impaired				
	Total £m	Neither past due nor impaired £m	<30 days £m	30-60 days £m	60-90 days £m	90-120 days £m	>120 days £m
2015	**53.2**	**45.7**	**5.6**	**0.9**	**0.7**	**–**	**0.3**
2014	43.4	36.5	5.4	0.9	0.3	0.1	0.2

notes to the group financial statements continued

23 Cash and cash equivalents

	2015 £m	2014 £m
Cash at bank and in hand	**26.7**	18.1
Cash at bank included in assets held for sale	**–**	0.5
Cash and cash equivalents	**26.7**	18.6

Cash at bank earns interest at floating rates, based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term deposit rates. The Group only deposits cash surpluses with major banks of high credit standing, in line with its treasury policy. The fair value of cash and cash equivalents is £26.7m (2014: £18.6m).

24 Financial liabilities

			Current		Non-current	
	Effective interest rate %	Maturity	2015 £m	2014 £m	2015 £m	2014 £m
Bank overdrafts	Variable	On demand	**0.1**	6.7	**–**	–
Unsecured bank loans	Variable		**0.1**	0.1	**0.4**	1.7
Revolving credit facility (RCF)	Variable		**–**	–	**45.1**	7.8
Total other financial liabilities			**0.2**	6.8	**45.5**	9.5
Trade and other payables			**49.3**	40.1	**–**	–
Provisions			**0.2**	0.2	**0.1**	0.2
Total			**49.7**	47.1	**45.6**	9.7

Interest on overdrafts is based on floating rates linked to LIBOR.

Included in unsecured bank loans are euro denominated loans of £0.3m carrying fixed interest rates of between 2% and 11%.

On 17 July 2014, the Group entered into a 5 year committed multi-currency revolving credit facility of £70m. The facility was used to fund in part the acquisition of the Noratel Group and the acquisition of the Foss Group (note 11). At 31 March 2015 the facility draw downs of £45.1m were denominated primarily in Sterling, Euros and Norwegian Kroner which bear interest based on LIBOR, EURIBOR and NIBOR respectively. The facility is secured against the shares of certain Group subsidiaries.

Trade and other payables and provisions above include only contractual obligations.

The maturity of the carrying value of the gross contractual financial liabilities is as follows:

At 31 March 2015	Within 1 year £m	2-5 years £m	Total £m
Fixed and floating rate	0.2	45.5	45.7
Trade payables	49.3	–	49.3
Provisions	0.2	0.1	0.3
	49.7	**45.6**	**95.3**

At 31 March 2014	Within 1 year £m	2-5 years £m	Total £m
Floating rate	6.8	9.5	16.3
Trade payables	40.1	–	40.1
Provisions	0.2	0.2	0.4
	47.1	9.7	56.8

notes to the group financial statements continued

24 Financial liabilities continued

The carrying amount of the Group's borrowings is denominated in the following currencies:

	2015 £m	2014 £m
Sterling	**16.0**	–
Euro	**16.8**	14.2
US dollar	**4.1**	1.8
Other currencies	**8.8**	0.3
	45.7	16.3

25 Movements in cash and net debt

Year to 31 March 2015	31 March 2014 £m	Cash flow £m	Foreign exchange £m	**31 March 2015 £m**
Cash at bank and in hand	18.6	10.2	(2.1)	**26.7**
Bank overdrafts	(6.7)	5.8	0.8	**(0.1)**
Cash and cash equivalents	11.9	16.0	(1.3)	**26.6**
Bank loans under one year	(0.1)	(1.3)	1.3	**(0.1)**
Bank loans over one year	(9.5)	(37.9)	1.9	**(45.5)**
Total loan capital	(9.6)	(39.2)	3.2	**(45.6)**
Net cash	**2.3**	**(23.2)**	**1.9**	**(19.0)**

Included in net debt cash flow of £39.2m is £34.5m of long term debt acquired as part of the acquisition of Noratel. This debt was partially settled with proceeds of equity raised and partially refinanced with the revolving credit facility.

Bank loans over one year above include £45.1m drawn down against the Group's revolving credit facility.

Year to 31 March 2014	31 March 2013 £m	Cash flow £m	Foreign exchange £m	31 March 2014 £m
Cash at bank and in hand	17.8	1.9	(1.1)	18.6
Overdrafts	(3.4)	(3.7)	0.4	(6.7)
Cash and cash equivalents	14.4	(1.8)	(0.7)	11.9
Bank loans under one year	(0.9)	0.8	–	(0.1)
Bank loans over one year	(1.7)	(8.0)	0.2	(9.5)
Total loan capital	(2.6)	(7.2)	0.2	(9.6)
Net cash	11.8	(9.0)	(0.5)	2.3

notes to the group financial statements continued

25 Movements in cash and net debt continued

Supplementary information to the statement of cash flows

Underlying performance measure	2015 £m	2014* £m
(Decrease)/increase in net cash	**(23.2)**	(9.0)
Add: Business combinations	**79.5**	12.5
Exceptional cash flow	**2.1**	2.5
Legacy pension scheme funding	**1.6**	1.5
Customer prepayment	**3.2**	(0.6)
Dividends paid	**3.6**	2.7
Less: Net proceeds from share issue	**(52.7)**	–
Net proceeds from disposal of business	**(5.3)**	(3.3)
Cash flows from discontinued operations	**0.2**	(0.9)
Free cash flow	**9.0**	5.4

* Restated to adjust for discontinued operations and exceptional customer prepayment.

26 Reconciliation of cash flows from operating activities

	2015 £m	2014 £m
Profit from continuing operations	**2.9**	3.7
Loss from discontinued operations	**–**	(2.4)
Profit for the year	**2.9**	1.3
Taxation expense	**1.4**	0.6
Net finance costs	**1.8**	1.0
Gain on business acquisition	**–**	(1.5)
Impairment of goodwill	**–**	3.3
Depreciation of property, plant and equipment	**2.1**	1.1
Amortisation of intangible assets – other	**2.6**	1.3
Loss on disposal of intangible assets	**0.1**	–
Change in provisions	**0.3**	(0.2)
Loss on disposal of business	**0.1**	0.2
Pension scheme funding	**(1.6)**	(1.5)
IAS 19 pension administration charge	**0.2**	0.2
Equity-settled share-based payment expense	**0.6**	0.6
Operating cash flows before changes in working capital	**10.5**	6.4
(Increase)/decrease in inventories	**(2.3)**	0.8
Decrease/(increase) in trade and other receivables	**1.1**	(3.9)
(Decrease)/increase in trade and other payables	**(2.7)**	2.7
Increase in working capital	**(3.9)**	(0.4)
Cash generated from operations	**6.6**	6.0
Interest paid	**(1.7)**	(1.0)
Income taxes paid	**(3.3)**	(0.9)
Net cash flows from operating activities	**1.6**	4.1

notes to the group financial statements continued

27 Provisions

	Deferred consideration £m	Severance and retirement indemnity £m	Other £m	Total £m
At 1 April 2014	0.4	1.1	2.2	3.7
Arising during the year	0.8	0.7	0.7	2.2
Arising from business combinations	0.3	0.8	1.6	2.7
Released during the year	–	–	(0.2)	(0.2)
Utilised	–	(0.2)	(1.5)	(1.7)
Exchange difference	(0.2)	(0.2)	(0.2)	(0.6)
At 31 March 2015	**1.3**	**2.2**	**2.6**	**6.1**

Analysis of total provisions	**2015 £m**	2014 £m
Current	**3.4**	1.7
Non-current	**2.7**	2.0
	6.1	3.7

Deferred consideration
Of the total deferred consideration of £1.3m, £0.2m deferred consideration relates to the acquisition of RSG Electronic Components GmbH and £0.3m is contingent consideration relating to the acquisition of Foss. The remaining £0.8m relates to earn-outs in respect of the Myrra and Noratel acquisitions. Refer to note 11 for details .

Severance indemnity
The severance indemnity provision relates to severance costs payable to employees.

Retirement indemnity provision of £1.5m (2014: £0.6m), relates to retirement and leaving indemnity schemes principally in Sri Lanka, India and Italy. The schemes are unfunded. The service cost, representing deferred salaries accruing to employees, is included as an operating expense and determined by reference to local laws and actuarial assumptions where applicable. The key actuarial assumptions used in relation to valuation of the Sri Lankan scheme comprise mortality rates, staff turnover (20% up to age of 50 and nil% thereafter), retirement age (55 years), discount rate (10.5%) and salary increases (7%-9%).

Other
Included in other provisions is £0.5m for the payment of a working capital adjustment in relation to the Foss acquisition (note 11) and £0.3m of warranty provisions. The remaining other provisions relate to long term deferred bonus schemes, onerous contracts, dilapidations and general restructuring. The provisions greater than one year are expected to be utilised within one to three years.

28 Financial risk controls

Management of financial risk
The main financial risks faced by the Group are credit risk, liquidity risk and market risk, which include interest rate risk and currency risk. The Board regularly reviews these risks and has approved written policies covering the use of financial instruments to manage these risks.

The Group Finance Director retains the overall responsibility and management of financial risk for the Group. Most of the Group's financing and interest rate and foreign currency risk management is done centrally at Group head office. The Acal plc Board approves policies and procedures setting out permissible funding and hedging instruments, exposure limits and a system of authorities for the approval of transactions.

Management of interest rate risk
The Group has exposure to interest rate risk arising principally from changes in Euro, Sterling and US dollar interest rates. The Group does not hedge against exposure to interest rate risk.

Based on the Group's debt position at the year end, a 1% increase in interest rates would decrease the Group's profit before tax by approximately £0.3m (2014: £0.2m).

notes to the group financial statements continued

28 Financial risk controls continued

Management of foreign exchange risk

The Group's shareholders' equity, earnings and cash flows are exposed to foreign exchange risks, due to the mismatch between the currencies in which it purchases stock and the final currency of sale to its customers.

It is Group policy to hedge identified significant foreign exchange exposure on its committed operating cash flows. This is done centrally based on forecast orders and sales.

The following table demonstrates the sensitivity to a 10% change in the US dollar and Euro rates against Sterling with all other variables remaining constant, of the Group's profit/(loss) before tax, due to changes in the fair value of monetary assets and liabilities.

	£ currency impact		US$ currency impact		Euro currency impact	
Profit before tax – (loss)/gain	**2015 £m**	2014 £m	**2015 £m**	2014 £m	**2015 £m**	2014 £m
10% appreciation	**–**	(0.7)	**1.0**	0.7	**(0.5)**	0.3
10% depreciation	**–**	0.8	**(1.0)**	(0.7)	**0.6**	(0.3)

Management of credit risk

Credit risk exists in relation to customers, banks and insurers. Exposure to credit risk is mitigated by maintaining credit control procedures across a wide customer base.

The Group is exposed to credit risk that is primarily attributable to its trade and other receivables. This is minimised by dealing with recognised creditworthy third parties who have been through a credit verification process. The maximum exposure to credit risk is limited to the carrying value of trade and other receivables.

As well as credit risk exposures inherent within the Group's outstanding receivables, the Group is exposed to counterparty credit risk arising from the placing of deposits and entering into derivative financial instrument contracts with banks and financial institutions.

The Group manages exposure to credit risk by entering into financial instrument contracts only with highly credit-rated authorised counterparties which are reviewed and approved annually by the Board.

Counterparties' positions are monitored on a regular basis to ensure that they are within the approved limits and that there are no significant concentrations of credit risks.

Management of liquidity risk

The Group manages its exposure to liquidity risk and ensures maximum flexibility in meeting changing business needs by managing the cash generation of its operations, combined with bank borrowings and access to long-term debt. In its funding strategy, the Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of overdrafts, bank loans and facilities.

At 31 March 2015, the Group had net cash of £26.5m (2014: £11.8m), excluding long term borrowings of £45.5m (2014: £9.5m). The Group had total working capital facilities available of £70.3m (2014: £29.8m) with a number of major UK and overseas banks, of which £70.0m (2014: £24.3m) were committed facilities. The Group had drawn £45.7m against total facilities at 31 March 2015. As part of entering into the committed facilities with a syndicate of three major banks, substantially all of the previous facilities of the Group were cancelled. The maturity of committed facilities is 17 July 2019. The facilities are subject to certain financial covenants which, following review, gave significant headroom at 31 March 2015.

Management of capital

The Group aims to maximise shareholder value by maintaining an appropriate debt/equity capital structure. It uses a number of mechanisms to manage debt/equity levels, as appropriate, in the light of economic and trading conditions, and the future capital investment requirements of the business. Capital is made up entirely of equity and is analysed in the statement of changes in equity. Trading capital is made up of net operating assets, which include tangible and intangible assets (excluding goodwill) plus working capital.

notes to the group financial statements continued

29 Financial assets and liabilities

Fair values

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements.

	Carrying amount 2015 £m	**Fair value 2015 £m**	Carrying amount 2014 £m	Fair value 2014 £m
Financial assets				
Cash at bank and in hand	**26.7**	**26.7**	18.6	18.6
Forward currency contracts	**0.6**	**0.6**	–	–
Financial liabilities at amortised cost				
Bank overdrafts and short-term borrowings	**(0.2)**	**(0.2)**	(6.8)	(6.8)
Non current interest-bearing loans and borrowings:				
Fixed and floating rate borrowings	**(45.5)**	**(45.5)**	(9.5)	(9.5)
Contingent consideration (including earn-outs)	**(1.1)**	**(1.1)**	(0.3)	(0.3)

The fair value of loans and borrowings has been calculated by discounting future cash flows where material at prevailing market interest rates.

Short term trade and other receivables, payables and provisions have been excluded from the above table as their book values approximate fair values.

At 31 March 2015, the Group held forward currency hedging contracts designated as hedges of sales and purchases for which the Group has firm commitments or which it considers to be highly probably forecast transactions. The forward currency contracts are being used to hedge the foreign currency risk of the firm commitments and the highly probable forecast transactions. The cash flow hedges have been assessed to be highly effective and an unrealised fair value gain of £0.6m is included in other comprehensive income. The fair value of the forward contracts at 31 March 2015 has been estimated using an independent forward pricing present value calculation (level 2).

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

All of the Group's financial instruments are classified as Level 1 and Level 2 with the exception of contingent consideration which is classified as Level 3. There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the year.

30 Trade and other payables

	2015 £m	2014 £m
Trade payables	**35.8**	27.0
Other payables	**12.6**	12.7
Accrued expenses and deferred income	**7.8**	6.0
	56.2	45.7

Trade payables are non-interest bearing and are settled taking into account local best practice. Other payables are non-interest bearing and are settled throughout the year. Accrued expenses are non-interest bearing and are settled throughout the year. Deferred income is recognised over the term of the underlying contract.

notes to the group financial statements continued

31 Share capital

Allotted, called up and fully paid	2015 Number	2015 £m	2014 Number	2014 £m
Ordinary shares of 5p each	**63,049,220**	**3.1**	31,332,127	1.6

On 5 June 2014, the Company announced a proposed 1 for 1 rights issue of 31,332,127 shares at 176 pence per share to raise approximately £55.1 million (before transaction costs). The rights issue shares went ex-rights on 24 June 2014 and were fully paid and commenced trading on 9 July 2014.

On 17 July 2014, the Company issued 384,966 shares ("Consideration Shares") to the management sellers of the Noratel Group in connection with the Noratel Group's acquisition. The fair value of the shares issued was £0.8m.

The total number of shares in issue following the rights issue and the issue of the Consideration Shares is 63,049,220 shares. All new shares carry the same rights as the existing ordinary shares.

The difference between the nominal value of the shares issued and the gross proceeds has been credited to the share premium account. The directly attributable transaction costs of £2.4m related to the issue of shares have been debited to the share premium account.

32 Commitments and contingencies

Operating lease commitments

The Group leases various buildings under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The Group also leases certain motor vehicles and items of machinery. These leases have an average life of between 3 and 5 years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2015 £m	2014 £m
Due within one year	**3.4**	2.6
Due after one year but not more than five years	**6.0**	4.7
Due after more than five years	**0.7**	0.8
	10.1	8.1

Future minimum sublease rentals expected to be received over the term of non-cancellable operating leases are £0.3m (2014: £0.4m).

notes to the group financial statements continued

33 Share-based payment plans

The Group operates various share-based payment plans. The various schemes are explained below and have been separated into two separate disclosures. The charge to the income statement in respect of each of these schemes is:

	2015 £m	2014 £m
a) Approved and Unapproved Executive Share Option Schemes	–	–
b) Acal plc long term incentive plan ("the LTIP")	0.6	0.6
	0.6	0.6

a) Approved and Unapproved Executive Share Option Schemes

The Group operates an approved and an unapproved executive share option scheme, the rules of which are similar in all material respects. The grant of options to Executive Directors and senior management is recommended by the Remuneration Committee on the basis of their contribution to the Group's success. The options vest after three years.

The exercise price of the options is equal to the closing mid-market price of the shares on the trading day previous to the date of the grant. Exercise of all options is subject to continued employment. The life of each option granted is seven years. There are no cash settlement alternatives.

Options are valued using the Black-Scholes option-pricing model. No non-market performance conditions were included in the fair value calculations.

The fair value per option granted and the assumptions used in the calculation are as follows:

Grant date	31 March 2014	8 August 2013*	2 July 2012*
Share price at grant date	£2.25	£1.80	£1.31
Exercise price	£2.25	£1.80	£1.31
Number of employees	2	3	2
Shares under option	18,196	21,723	24,814
Vesting period (years)	3	3	3
Expected volatility	35%	37%	39%
Option life (years)	7	7	7
Expected life (years)	3	3	3
Risk free rate of return	0.85%	0.68%	0.39%
Expected dividends expressed as a dividend yield	3.1%	4.0%	3.7%
Fair value	£0.44	£0.34	£0.27

The expected volatility is based on historical volatility over the previous five years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

The total charge for the year relating to the approved and unapproved share option schemes was £nil (2014: £nil).

* The share price, shares under option and fair value for prior periods has been restated to reflect the bonus element of the rights issue. Refer to note 36 for more details.

notes to the group financial statements continued

33 Share-based payment plans continued

Outstanding share options

A summary of the options over ordinary shares that have been granted under various Group share option schemes and remain outstanding is given below:

31 March 2015

Outstanding at 1 April 2014	Rights issue	Expired during the year	Forfeited during the year	Granted during the year	Outstanding at 31 March 2015	Exercise price (pence)	Exercise dates
53,500	–	(53,500)	–	–	–	387.25	2010-2014
41,034	15,423	–	–	–	56,457	148.00	2013-2020
5,342	2,008	–	(7,350)	–	–	223.00	2014-2021
18,035	6,779	–	–	–	24,814	131.00	2015-2022
29,014	10,905	–	–	–	39,919	201.00	2016-2024
–	–	–	–	21,397	21,397	218.00	2017-2024
146,925	**35,115**	**(53,500)**	**(7,350)**	**21,397**	**142,587**		

31 March 2014

Outstanding at 1 April 2013	Expired during the year	Forfeited during the year	Granted during the year	Outstanding at 31 March 2014	Exercise price (pence)	Exercise dates
29,500	(24,000)	(5,500)	–	–	367.50	2009-2013
60,000	–	(6,500)	–	53,500	387.25	2010-2014
41,034	–	–	–	41,034	204.00	2013-2020
5,342	–	–	–	5,342	307.00	2014-2021
18,035	–	–	–	18,035	180.75	2015-2022
–	–	–	29,014	29,014	275.72	2016-2024
153,911	**(24,000)**	**(12,000)**	**29,014**	**146,925**		

Changes in share options

A reconciliation of option movements over the year to 31 March 2015 is shown below:

	2015 Number	**2015** Weighted average exercise price	2014 Number	2014 Weighted average exercise price
Outstanding at 1 April	**146,925**	**£2.86**	153,911	£3.04
Expired	**(53,500)**	**£3.68**	(24,000)	£3.68
Rights issue	**35,115**	**–**	–	–
	128,540	**£1.79**	129,911	–
Granted	**21,397**	**£2.18**	29,014	£2.76
Forfeited	**(7,350)**	**£2.23**	(12,000)	£3.78
Outstanding at 31 March	**142,587**	**£1.70**	146,925	£2.86
Exercisable at 31 March	**56,457**	**£1.48**	94,534	£3.08

The weighted average remaining contractual life for the share options outstanding as at 31 March 2015 is 7.2 years (2014: 5.1 years).

The range of exercise prices for options outstanding at the end of the year was £1.31 to £2.18 (2014: £1.8075 to £3.8725).

notes to the group financial statements continued

33 Share-based payment plans continued

b) The LTIP

Since 2008, the Group has operated the LTIP as a replacement for the approved and unapproved executive share option scheme detailed above. The LTIP involves a conditional award of shares on a grant of a nil-cost option. The award of shares to Executive Directors and senior management is recommended by the Remuneration Committee on the basis of such factors as their contribution to the Group's success. The LTIPs are equity settled and there are no cash settled alternatives. The release of an award is dependent on the individual's continued employment for a three year holding period from the date of grant and the satisfaction by the Company of certain performance conditions.

For awards made in 2014 and 2015, the performance conditions are as follows:

- 50% of the award is based on the Company's comparative total shareholder return ("TSR") against a comparator group made up of the constituents of the FTSE Small Cap Index; and
- 50% of the award is based on the Company's absolute total shareholder return as measured against the Consumer Price Index ("CPI").

Awards are valued using the Monte Carlo Simulation and Discounted Share Price models. No non-market performance conditions were included in the fair value calculations. The 2015 awards were approved by the Remuneration Committee on 25 March 2015 and a valuation of these awards was carried out in the year ending 31 March 2015. The fair value per award granted and the assumptions used in the calculation are as follows:

Awards granted in the year ended 31 March 2015

Grant date	31 March 2015 TSR	31 March 2015 CPI
Share price at grant date	£2.60	£2.60
Exercise price	nil	nil
Number of employees	9	9
Shares under option	319,614	319,613
Vesting period (years)	3	3
Expected volatility	38.7%	38.7%
Option life (years)	10	10
Expected life (years)	5	5
Risk free rate of return	0.62%	0.62%
Expected dividend yield	0.36%	0.36%
Fair value	£1.57	£0.91

Awards granted in the year ended 31 March 2014

Grant date	31 March 2014 TSR	31 March 2014 CPI
Share price at grant date	£2.25	£2.25
Exercise price	nil	nil
Number of employees	6	6
Shares under option	239,291	239,290
Vesting period (years)	3	3
Expected volatility	35%	35%
Option life (years)	10	10
Expected life (years)	5	5
Risk free rate of return	1.80%	1.80%
Expected dividend yield	3.10%	3.10%
Fair value	£1.24	£1.08

The expected volatility is based on historical volatility over a term commensurate with the expected life of each award. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life.

The total charge for the year relating to the LTIP schemes was £0.6m (2014: £0.6m).

The share price, shares under option and fair value for prior periods has been restated to reflect the bonus element of the rights issue. Refer to note 36 for more details.

notes to the group financial statements continued

33 Share-based payment plans continued

Outstanding LTIP

A summary of the awards that have been granted under the LTIP and remain outstanding is given below:

31 March 2015

Outstanding at 1 April 2014	Granted during the year	Rights issue during the year	Forfeited during the year	Exercised during the year	Outstanding at 31 March 2015	Exercise dates
584,777	–	219,810	–	–	804,587	2012-2019
325,155	–	122,222	–	–	447,377	2013-2020
197,653	–	74,295	–	–	271,948	2014-2021
515,212	–	193,662	–	–	708,874	2015-2022
501,896	–	188,652	–	–	690,548	2016-2023
347,835	–	130,746	–	–	478,581	2017-2024
–	646,832	2,858	–	–	649,690	2018-2025
2,472,528	**646,832**	**932,245**	**–**	**–**	**4,051,605**	

31 March 2014

Outstanding at 1 April 2013	Granted during the year	Expired during the year	Forfeited during the year	Exercised during the year	Outstanding at 31 March 2014	Exercise dates
584,777	–	–	–	–	584,777	2012-2019
402,490	–	–	(41,086)	(36,249)	325,155	2013-2020
553,913	–	–	(356,260)	–	197,653	2014-2021
515,212	–	–	–	–	515,212	2015-2022
501,896	–	–	–	–	501,896	2016-2023
–	347,835	–	–	–	347,835	2017-2024
2,558,288	**347,835**	**–**	**(397,346)**	**(36,249)**	**2,472,528**	

The weighted average remaining contractual life for the share options outstanding as at 31 March 2015 is 6.9 years (2014: 7.3 years).

The range of exercise prices for options outstanding at the end of the year was nil (2014: nil).

34 Pensions

Defined contribution schemes

The Group makes payments to various defined contribution pension schemes, the assets of which are held in separately administered funds. In the United Kingdom, the relevant scheme is the Acal Group Employee Pension Scheme ('the Acal scheme'). Contributions by both employees and Group companies are held in externally invested trustee-administered funds.

The Group contributes a specified percentage of earnings for members of the Acal scheme, and thereafter has no further obligations in relation to the Acal scheme. At the year end, 188 employees were active members of the Acal scheme (2014: 171). The total cost charged to the consolidated income statement in relation to the UK based Acal scheme was £795,000 (2014: £808,000). Employer contributions in respect of other UK based schemes and overseas pension schemes were £10,000 (2014: £10,000) and £1,552,000 (2014: £1,057,000) respectively. Total contributions payable in the next financial year are expected to be at rates broadly similar to those in 2014/15 but based on actual salary levels in 2015/16.

Defined benefit schemes

The acquisition of the Sedgemoor Group in June 1999 brought with it certain defined benefit pension schemes, the principal one of which was the Sedgemoor Group Pension Fund (together 'the Sedgemoor Scheme'). The Sedgemoor Scheme is funded by the Company, provides retirement benefits based on final pensionable salary and its assets are held in a separate trustee-administered fund.

Following the acquisition of the Sedgemoor Group, the Sedgemoor Scheme was closed to new members. Shortly thereafter, employees were given the opportunity to join the Acal Scheme and future service benefits ceased to accrue to members under the Sedgemoor Scheme.

Contributions to the Sedgemoor Scheme are determined in accordance with the advice of independent, professionally qualified actuaries and are set based upon funding valuations carried out every three years.

notes to the group financial statements continued

34 Pensions continued

Based upon the results of the triennial funding valuation at 31 March 2012, the Sedgemoor Scheme's Trustees agreed with Sedgemoor Limited on behalf of the participating employers to continue the participating employers' contributions under the deficit recovery plan agreed at the previous valuation at 31 March 2009. This required contributions of £1.5m over the year to 31 March 2015, with future contributions of £1.5m p.a. increasing by 3% each April payable over the period to 31 March 2022.

The estimated amount of employer contributions expected to be paid to the Sedgemoor Scheme during 2015/16 is £1.6m (2014/15: £1.5m).

The results of the triennial funding valuation as at 31 March 2012 were updated to the accounting date by an independent qualified actuary in accordance with IAS 19.

The main actuarial assumptions used are set out as follows:

	2015	2014
Rate of increase of salaries	**n/a**	n/a
Rate of increase of pensions in payment	**2.3%**	2.5%
Discount rate	**3.1%**	4.3%
Inflation assumption – RPI	**2.9%**	3.3%
Inflation assumption – CPI	**1.9%**	2.3%

The discount rate is based on the yields on AA grade sterling corporate bonds at the reporting date.

Pensioner mortality assumptions are based on the 'S1NA' table, with improvement rates in line with the CMI 2012 core projections based on each member's actual date of birth with a long-term annual rate of improvement of 1.25% for males and females.

The weighted average duration of the defined benefit obligation at 31 March 2015 was 14 years (2014: 15 years).

Virtually all the assets of the Sedgemoor Scheme have quoted prices in an active market. Remeasurements are recognised immediately through other comprehensive income.

The charges recognised in the consolidated income statement in respect of defined benefit schemes are as follows:

	2015 £m	2014 £m
Pension administration costs (recognised in administrative expenses)	**0.2**	0.2
Net interest cost on pension scheme deficit (recognised in finance cost)	**0.2**	0.2
Total	**0.4**	0.4

The charges recognised in the consolidated statement of comprehensive income are as follows:

Re-measurement gains/(losses)	**2015 £m**	2014 £m
Return on plan assets (excluding amounts included in net interest expense)	**2.7**	(0.6)
Actuarial changes arising from changes in financial assumptions	**(4.9)**	0.2
Actuarial changes arisng from changes in demographic assumptions	**–**	(0.6)
Deferred tax movement on funding surplus under IAS 19 valuation	**0.2**	(0.1)
Actuarial losses recorded in the consolidated statement of comprehensive income	**(2.0)**	(1.1)

notes to the group financial statements continued

34 Pensions continued

The fair value of assets and expected rates of return used to determine the amounts recognised in the consolidated statement of financial position are as follows:

	2015 £m	2014 £m
Equities	**4.9**	4.7
Bonds	**17.1**	15.1
Property	**2.1**	1.8
Absolute Return Fund	**5.3**	4.8
Diversified Growth Fund	**5.0**	4.7
Cash	**0.3**	0.3
Fair value of scheme assets	**34.7**	31.4
Present value of funded defined benefit obligations	**(42.1)**	(37.9)
Liability recognised in the consolidated statement of financial position	**(7.4)**	(6.5)

Included in the pension liability of £7.4m (2014: £6.5m) is deferred tax of £0.6m (2014: £0.8m) in relation to a funding surplus under IAS 19 based on the agreed funding plan. Excluding deferred tax liability, the pension liability at the year end was £6.8m (2014: £5.7m).

Changes in the present value of the defined benefit obligation are as follows:

	2015 £m	2014 £m
Opening defined benefit obligation	**37.9**	37.9
Net interest cost	**1.5**	1.5
Actuarial changes arising from changes in financial assumptions	**4.9**	(0.2)
Actuarial changes arisng from changes in demographic assumptions	**–**	0.6
Deferred tax movement on funding surplus under IAS 19 valuation	**(0.2)**	0.1
Benefits paid	**(2.0)**	(2.0)
Closing defined benefit obligations	**42.1**	37.9

Changes in the fair value of the scheme assets are as follows:

	2015 £m	2013 £m
Opening fair value of scheme assets	**31.4**	31.4
Interest on scheme assets	**1.3**	1.3
Actual return on plan assets less interest on plan assets	**2.7**	(0.6)
Pension administration costs	**(0.2)**	(0.2)
Contributions	**1.5**	1.5
Benefits paid	**(2.0)**	(2.0)
Closing fair value of scheme assets	**34.7**	31.4

Sensitivities

The sensitivity of the 2015 pension liabilities to changes in assumptions are as follows:

Assumption	Change in assumption	Impact on scheme deficict £m
Discount rate	Decrease by 0.5%	(2.9)
Inflation	Increase by 0.5%	(1.2)
Life expectancy	Increase by 1 year	(1.5)

notes to the group financial statements continued

35 Related party disclosures

As at 31 March 2015 the Group's principal subsidiaries are set out below:

Name and nature of business	Country of incorporation and registration	Type of share
Custom distribution		
Acal BFi UK Ltd	England	Ordinary Shares
Acal Central Procurement Ltd	England	Ordinary Shares
Vertec Scientific Ltd	England	Ordinary Shares
Vertec Scientific SA (pty) Ltd	South Africa	Ordinary Shares
Acal BFi France SAS	France	Ordinary Shares
Acal BFi Belgium NV/SA	Belgium	Ordinary Shares
Acal BFi Germany GmbH	Germany	Ordinary Shares
Acal BFi Nordic AB	Sweden	Ordinary Shares
Acal BFi Netherlands BV	Netherlands	Ordinary Shares
Acal BFi Italia Srl	Italy	Ordinary Shares
Acal BFi Iberia SL	Spain	Ordinary Shares
Design & Manufacturing		
Myrra SAS	France	Ordinary Shares
Myrra Poland Sp	Poland	Ordinary Shares
Zhongshan Myrra Electronic Co Ltd	China	Ordinary Shares
Noratel AS	Norway	Ordinary Shares
Noratel UK Ltd	England	Ordinary Shares
Noratel Denmark AS	Denmark	Ordinary Shares
Noratel Finland OY	Finland	Ordinary Shares
Noratel Netherlands BV	Netherlands	Ordinary Shares
Foshan Noratel Electric Co Ltd	China	Ordinary Shares
Noratel Germany AG	Germany	Ordinary Shares
Noratel India Power Components Pvt Ltd	India	Ordinary Shares
Noratel Sp	Poland	Ordinary Shares
Noratel Spain SL	Spain	Ordinary Shares
Noratel International Pvt Ltd	Sri Lanka	Ordinary Shares
Noratel Sweden AB	Sweden	Ordinary Shares
Noratel North America Inc	USA	Ordinary Shares
Noratel Power Engineering Inc	USA	Ordinary Shares
Foss AS	Norway	Ordinary Shares
Optocon Technologies sro	Slovakia	Ordinary Shares
Hectronic AB	Sweden	Ordinary Shares
RSG Electronic Components GmbH	Germany	Ordinary Shares
MTC Micro Tech Components GmbH	Germany	Ordinary Shares
EMC Innovation Limited	South Korea	Ordinary Shares
Stortech Electronics Ltd	England	Ordinary Shares
Management services		
Acal Management Services Ltd	England	Ordinary Shares

All subsidiaries operate in their country of incorporation. All material subsidiaries have a 31 March year end and the shares carry the same voting rights as their effective interest. With the exception of Acal Management Services Limited which is 100% owned by Acal plc, all subsidiaries are owned 100% by subsidiary undertakings.

notes to the group financial statements continued

35 Related party disclosures continued

Related parties

Remuneration of key management personnel

The remuneration of the Directors, who are key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Further information about the remuneration of individual Directors is provided in the Directors' Remuneration report on pages 44 to 59.

	2015 £m	2014 £m
Short term employee benefits	**1.2**	1.1
Share-based payments	**0.2**	0.4
	1.4	1.5

Associate Undertakings

For details of the Group's investments in associates see note 20.

Terms and conditions of transactions with related parties

All transactions with related parties were on an arm's length basis. Outstanding balances at year end are unsecured and settlement occurs in cash.

Transactions with other related parties

Details of transactions with Directors are detailed in the Remuneration report on pages 44 to 59.

On 2 June 2014, the Company completed the disposal of its enterprise services business (the "Enterprise Business"), which was the last remaining business within its Supply Chain Division. The disposal involved the sale of the Group's UK subsidiary, Acal Enterprise Solutions Limited ("AES"), to Agilita Holdings Limited, in which the current management team of AES are participating, for a cash consideration of £6.0m, of which £0.3m will be deferred, at the purchasers' option, until no later than 31 December 2014. Refer to note 13 for details. The transaction received shareholder approval on 2 June 2014.

36 Restatement of prior period earnings per share and dividends per share

On 5 June 2014, the Company announced a proposed 1 for 1 rights issue of 31,332,127 shares at 176 pence per share to raise approximately £55.1m (before transaction costs). The rights issue shares went ex-rights on 24 June 2014 and were fully paid and commenced trading on 9 July 2014. As a result of the rights issue, the prior period number of shares (basic and diluted) have been restated to reflect the bonus element of the rights issue representing an increase of 1.3759. A reconciliation between the reported and restated earnings per share from continuing operations and dividend per share for the year ended 31 March 2014 is set out below:

	2014 £m
Underlying profit after tax	**5.4**
Profit after tax	**3.7**

	Reported No	**Restated No**
Weighted average number of shares		
– basic	31,314,052	**43,084,582**
– diluted	33,367,581	**45,910,005**
Underlying earnings per share		
– basic	17.2p	**12.5p**
– diluted	16.2p	**11.8p**
Earnings per share		
– basic	11.8p	**8.6p**
– diluted	11.1p	**8.1p**
Dividend per share	9.3p	**6.8p**

notes to the group financial statements continued

37 Events after the reporting date

Dividend

A final dividend of 5.4p per share (2014: 5.0p), amounting to a dividend of £3.4m (2014: £2.1m) and bringing the total dividend for the year to 7.6p (2014: 6.8p), was declared by the Board on 27 May 2015. The Acal plc financial statements do not reflect this dividend.

38 Exchange rates

The profit and loss accounts of overseas subsidiaries are translated into sterling at average rates of exchange for the period and consolidated statements of financial position are translated at period end rates. The main currencies are the US dollar and the Euro. Details of the exchange rates used are as follows:

	Year to 31 March 2015		Year to 31 March 2014	
	Closing rate	**Average rate**	Closing rate	Average rate
US dollar	**1.4793**	**1.6135**	1.6648	1.5904
Euro	**1.3750**	**1.2751**	1.2074	1.1862

Acal plc

company financial statements
for the year ended 31 March 2015

company balance sheet

at 31 March 2015

	notes	**2015 £m**	2014 £m
Fixed assets			
Investments	4	**157.3**	73.5
Current assets			
Debtors	5	**1.1**	7.2
Cash at bank and in hand		**2.3**	1.3
Total current assets		**3.4**	8.5
Creditors: Amounts falling due within one year	6	**(20.9)**	(18.6)
Net current liabilities		**(17.5)**	(10.1)
Net assets		**139.8**	63.4
Capital and reserves			
Share capital	7	**3.1**	1.6
Share premium	8	**92.7**	40.7
Merger reserve	8	**3.0**	3.0
Profit and loss account	8	**41.0**	18.1
Shareholders' funds	8	**139.8**	63.4

These financial statements were approved by the Board of Directors on 2 June 2015 and signed on its behalf by:

N J Jefferies
Chief Executive

S M Gibbins
Group Finance Director

notes to the company financial statements

for the year ended 31 March 2015

1 Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards.

2 Summary of significant accounting policies

Going concern

The Group's business activities, together with factors which may adversely impact its future development, performance and position, are set out in the Strategic Report on pages 1 to 27. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review section of the Strategic Report on pages 20 to 23.

The Group has significant financial resources, well established distribution contracts with a number of suppliers and a broad and stable customer base. As a consequence, the Directors believe that the Group is well placed to manage its principal risks and uncertainties as disclosed on pages 24 and 25 of the Strategic Report.

The Group's forecasts and projections, taking account of the sensitivity analysis of changes in trading performance, show that the Group is well placed to operate within the level of its current committed facilities for the foreseeable future.

After making due enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Cash flow statement

Under FRS1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that the Company is included in the Group, which publishes consolidated financial statements.

Income recognition

Dividend income is recognised when the Company's right to receive payment is established.

Fixed asset investments

Investments in subsidiary and associate undertakings are stated initially at cost, being the fair value of the consideration given and including directly attributable transaction costs. The carrying values are reviewed for impairment if events or changes in circumstances indicate that the carrying values may not be recoverable.

Financial assets

Investments are initially recognised at cost, being the fair value of the consideration given and including directly attributable transaction costs associated with the investment.

At each balance sheet date, the Company reviews the carrying value of its assets to determine whether there is any indication that the assets have suffered an impairment loss. If any such indication exists or when annual testing for an asset is required, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Dividends

Dividends are recognised when they meet the criteria for recognition as a liability. In relation to final dividends, this is when approved by the shareholders in general meeting, and in relation to interim dividends, when paid.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, in accordance with the effective interest rate method.

Share-based payment schemes

In preparing the financial statements, the Company has also applied FRS 20 'Share-based payments'. Although the Company does not incur a charge under this standard, the issuance by the Company to its subsidiaries of a grant over the Company's options represents additional capital contributions by the Company in its subsidiaries. The additional capital contribution is based on the fair value of the grant issued, allocated over the underlying grant's vesting period.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred at the balance sheet date. Deferred tax assets are regarded as recoverable and recognised in the financial statements when, on the basis of available evidence, it is more likely than not that there will be suitable taxable profits from which the future reversal of the timing differences can be deducted. Deferred tax assets and liabilities are not discounted.

notes to the company financial statements continued

3 Profit of the parent company

The profit of the parent company for the financial year was £25.9m (2014: £2.3m loss). By virtue of section 408(3) of the Companies Act 2006, the Company is exempt from presenting a separate profit and loss account.

4 Fixed asset investments

	Subsidiary undertakings £m
At 1 April 2013	79.8
Impairment	(6.9)
Share-based payments	0.6
At 31 March 2014	73.5
Impairment	(6.0)
Investment in subsidiaries	89.2
Share-based payments	0.6
At 31 March 2015	**157.3**

The only principal investments held directly by the Company are in Acal Management Services Limited and Acal Nordic Holdings Limited. Details of indirect holdings in other principal subsidiary and associate undertakings are provided in notes 35 and 20 respectively of the Group Financial Statements.

In 2015 the investment in Acal Supply Chain Holdings Ltd was impaired by £6.0m (£6.9m) following the comparison of the recoverable amount of the investment with its carrying value. Acal Supply Chain Holdings Ltd was the holding company of Acal Enterprise Solutions Limited before its disposal during the year.

The investment in subsidiaries in the year relates to the acquisitions of the Noratel Group and Foss. Further information on these acquisitions is provided in note 11 of the Group Financial Statements.

5 Debtors

	2015 £m	2014 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	**0.8**	6.7
Corporation tax	**0.1**	0.3
Deferred tax	**0.1**	0.1
Prepayments	**0.1**	0.1
	1.1	7.2

The deferred tax asset comprises temporary timing differences.

6 Creditors

	2015 £m	2014 £m
Amounts falling due within one year:		
Bank loans and overdrafts	–	0.8
Amounts owed to subsidiary undertakings	**20.0**	16.8
Other creditors	**0.2**	0.5
Accruals and deferred income	**0.7**	0.5
	20.9	18.6

notes to the company financial statements continued

7 Share capital

Alloted, called up and fully paid	2015 Number	2015 £m	2014 Number	2014 £m
Ordinary shares of 5p each	**63,049,220**	**3.1**	31,332,127	1.6

On 5 June 2014, the Company announced a proposed 1 for 1 rights issue of 31,332,127 shares at 176 pence per share to raise approximately £55.1 million (before transaction costs). The rights issue shares went ex-rights on 24 June 2014 and were fully paid and commenced trading on 9 July 2014.

On 17 July 2014, the Company issued 384,966 shares ("Consideration Shares") to the management sellers of the Noratel Group in connection with the Noratel Group's acquisition. The fair value of the shares issued was £0.8m.

The total number of shares in issue following the rights issue and the issue of the Consideration Shares is 63,049,220 shares. All new shares carry the same rights as the existing ordinary shares.

The difference between the nominal value of the shares issued and the gross proceeds has been credited to the share premium account. The directly attributable transaction costs of £2.4m related to the issue of shares have been debited to the share premium account.

At 31 March 2015, there were outstanding options for employees of subsidiaries to purchase up to 4,194,192 (2014: 3,586,808) ordinary shares of 5p each between 2014 and 2024, at prices ranging from nil per share to £2.18 per share. The prior year number of shares has been restated to reflect the bonus element of the rights issue. See note 36 of the Group Financial Statements for details. During the year to 31 March 2015, no options were exercised by employees under the terms of the various share option schemes (2014: 36,249).

8 Reconciliation of shareholders' funds and movements on reserves

	Share capital £m	Share premium £m	Other reserve £m	Merger reserve £m	Profit and loss account £m	Total £m
At 1 April 2013	**1.6**	**40.7**	**5.5**	**3.0**	**17.0**	**67.8**
Loss for the year	–	–	–	–	(2.3)	(2.3)
Share-based payments	–	–	–	–	0.6	0.6
Dividends	–	–	–	–	(2.7)	(2.7)
Transfer of other reserve	–	–	(5.5)	–	5.5	–
At 31 March 2014	**1.6**	**40.7**	**–**	**3.0**	**18.1**	**63.4**
Profit for the year	–	–	–	–	25.9	25.9
Share-based payments	–	–	–	–	0.6	0.6
Dividends	–	–	–	–	(3.6)	(3.6)
Shares issued (note 7)	1.5	54.4	–	–	–	55.9
Share issue costs (note 7)	–	(2.4)	–	–	–	(2.4)
At 31 March 2015	**3.1**	**92.7**	**–**	**3.0**	**41.0**	**139.8**

notes to the company financial statements continued

9 Related parties

The Company has taken advantage of the exemption available under FRS 8 not to disclose transactions with other wholly owned subsidiaries of the Company, as the Group financial statements in which the Company is included are publicly available.

The Company has given guarantees and offset arrangements to support bank facilities made available to subsidiary undertakings.

10 Share-based payments

For detailed disclosures of share-based payments granted to the employees of subsidiaries refer to note 33 of the Group Financial Statements.

five year record

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Group income statement – continuing operations					
Revenue	**271.1**	211.6	177.4	207.1	210.5
Gross profit	**84.4**	63.0	54.4	62.2	60.3
Underlying operating profit	**13.4**	7.1	5.5	6.8	6.2
Underlying profit before tax	**11.8**	6.3	5.0	5.9	6.0
Profit before tax	**4.3**	4.2	0.7	2.1	1.9
Profit for the year from continuing operations	**2.9**	3.7	2.1	1.8	1.9
(Loss)/profit for the year from discontinued operations	**–**	(2.4)	(4.0)	0.3	(0.2)
Profit/(loss) for the year	**2.9**	1.3	(1.9)	2.1	1.7
Earnings per share – continuing operations					
Underlying diluted earnings per share	**15.4p**	11.8p	9.8p	12.3p	11.3p
Fully diluted earnings per share	**4.8p**	8.1p	5.2p	4.4p	4.7p
Dividend per share	**7.6p**	6.8p	6.2p	5.8p	5.4p
Group statement of financial position					
Net (debt)/cash	**(19.0)**	1.8	11.8	6.3	6.7
Non-current assets	**88.6**	33.1	30.9	32.5	27.7
Net assets	**92.7**	48.5	51.5	49.1	51.3

Prior years have been restated on a continuing basis. Prior year earnings per share and dividend per share have been restated to reflect the bonus element of the rights issue (note 36).

principal locations

group head office

country	company	location
United Kingdom	Acal plc	Guildford

custom distribution division

country	company	location
United Kingdom	Acal BFi UK Ltd	Wokingham, Bracknell, Milton Keynes
	Acal BFi Central Procurement UK Ltd	Wokingham
	Vertec Scientific Ltd	Silchester
Belgium	Acal BFi Belgium NV/SA	Brussels
Denmark	Acal BFi Nordic AB	Copenhagen
Finland	Acal BFi Nordic AB	Helsinki
France	Acal BFi France SAS	Evry
Germany	Acal BFi Germany GmbH	Dietzenbach, Munich
Ireland	Acal BFi UK Ltd	Maynooth
Italy	Acal BFi Italia Srl	Milan
Netherlands	Acal BFi Netherlands BV	Eindhoven
Norway	Acal BFi Nordic AB	Honefoss
South Africa	Vertec Scientific SA (pty) Ltd	Johannesburg
Spain	Acal BFi Iberia SL	Madrid
Sweden	Acal BFi Nordic AB	Stockholm, Uppsala

design & manufacturing division

country	company	location
United Kingdom	Stortech Electronics Ltd	Harlow
	Noratel UK Ltd	Nantwich
China	Foshan Noratel Electric Co Ltd	Foshan City
	Zhongshan Myrra Electronic Co Ltd	Zhongshan, Shanghai
Denmark	Noratel Denmark AS	Brondby
Finland	Noratel Finland OY	Salo
France	Myrra SAS	Bussy-Saint-Georges
Germany	MTC Micro Tech Components GmbH	Dillingen
	Noratel Germany AG	Grafenau, Bremen
	RSG Electronic Components GmbH	Offenbach
India	Noratel India Power Components Pvt Ltd	Kerala
Netherlands	Noratel Netherlands BV	Nieuwegein
Norway	Foss AS	Drammen
	Noratel AS	Hokksund
Poland	Myrra Poland Sp	Kaluszyn
	Noratel Sp	Szczecinska
Slovakia	Optocon Technologies sro	Bratislava
South Korea	EMC Innovation Ltd	Cheongcheon-Dong
Spain	Noratel Spain SL	Marbella
Sri Lanka	Noratel International Pvt Ltd	Katunayake
Sweden	Hectronic AB	Uppsala
	Noratel Sweden AB	Laxa, Vaxjo
USA	Noratel North America Inc	Charlotte
	Noratel Power Engineering Inc	Carson

Further details of the Group's locations can be found on the Acal plc website

www.acalplc.co.uk

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