acal plc

Annual Report and Accounts
for the year ended 31 March 2016

innovative electronics

acal

about acal

Acal designs, manufactures and distributes customer-specific electronic components and solutions to over 25,000 companies around the world, supplying customers in the transportation, medical, renewable energy, industrial, communications and defence sectors.

Acal's market proposition is unique. Working with selected technologies, the Group helps customers solve technical challenges and innovate by creating application specific product designs. No other company offers this capability on Acal's scale.

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 £120m in 2010 to £288m in 2016.

Acal has operating companies and manufacturing facilities in many European and Asian markets, including: the UK, Germany, France, the Nordic region, Benelux, Italy, Poland, Slovakia and Spain; Asia (China, India, Sri Lanka, South Korea and Thailand); and the US, Canada and South Africa.

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

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highlights of the year

- **Strong growth in profits and earnings per share**
  - Sales up 14% CER[1] and gross profit up 18% CER
  - Ongoing sales[2] up 3%
  - Underlying profit before tax[3] up 37% CER
  - Underlying earnings per share up 23% CER
- **Excellent progress made towards our target key performance and strategic indicators**
  - Underlying operating margin increased to 5.7% (2014/15: 4.9%)
  - Design & Manufacturing sales now 51%[4] of Group sales (2014/15: 37%)
  - International sales[5] increased to 17% of Group sales (2014/15: 12%)
  - Cross-selling accounts for 5% of Group revenues
  - Operating cash flow[6] at 100% of underlying operating profit
- **New customer contract wins support growth plans**
- **Acquisitions of Contour, Flux and Plitron further build capabilities and generate efficiencies**
- **Group well positioned for further growth**
  - Highest ever order book at £85m
  - Developing acquisition opportunities
- **Full year dividend up 6%**

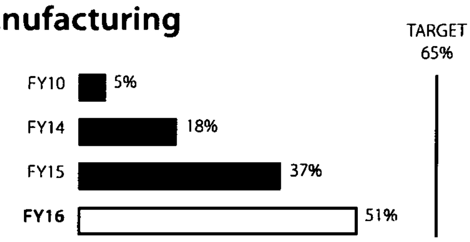
See inside back cover for the notes to the highlights and performance indictors.

key strategic indicators

increase share of Group revenue from Design & Manufacturing

51%[7]

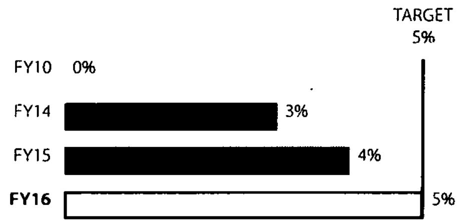
This was achieved through the acquisitions of Noratel and Foss last year, the acquisitions of Contour, Flux and Plitron this year, together with organic sales growth of 3%.



increase cross-selling[8]
as a proportion of Group revenue

5%

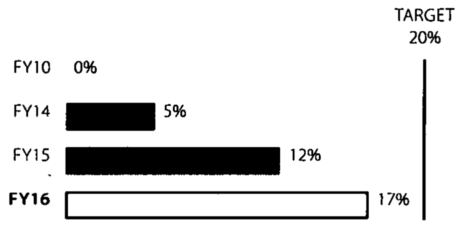
Cross-selling initiatives exist to accelerate organic sales growth and improve the efficiency of Group businesses.



build sales beyond Europe
as a proportion of Group revenue

17%

Growth in sales beyond Europe was achieved this year, principally through organic growth, together with the full year impact of last year's Noratel acquisition.



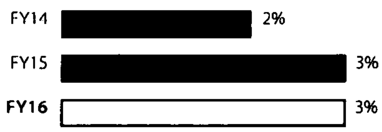
See inside back cover for the notes to the highlights and performance indictors.

key performance indicators

organic sales growth

3%[2]

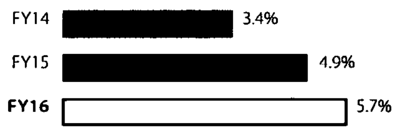
Ongoing sales growth was 3% for the year, with similar growth rates delivered in both Design & Manufacturing and Custom Distribution.



increase underlying operating margin

5.7%

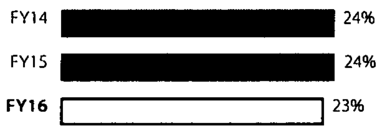
The underlying operating margin for the year increased to 5.7% due to further operating efficiencies achieved from our increasing scale, as well as from the positive effect of acquisitions.



attractive ROTCE[9]

23%

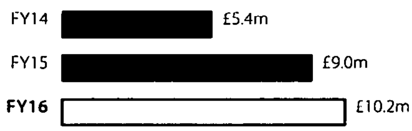
Over the last three years, ROTCE has averaged 23.3%. This ratio is slightly lower than last year due to the initial impact of acquisitions, which we expect to drive ratio growth over the medium term.



generate strong free cash flow

13%

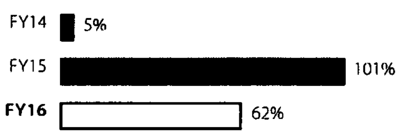
Free cash flow for the year was 70% of underlying profit before tax (up 13% on last year) and has averaged 77% in the last 3 years, compared to the 3 year average target of 75%.



generate long-term value for shareholders (3 year TSR)

62%

Over the last seven years, since the introduction of the current strategy, TSR growth has been 380%, well within the upper quartile when compared with the FTSE Small Cap Index. Similarly, over the last three years, TSR growth was 62%.



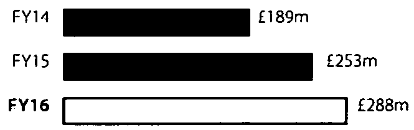
See inside back cover for the notes to the highlights and performance indictors.

other performance indicators

revenue growth (CER)

14%

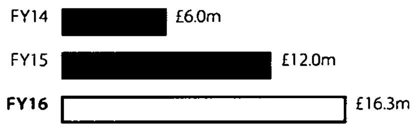
Group revenues increased by 14% CER to £287.7m.



operating profit growth (CER)

36%

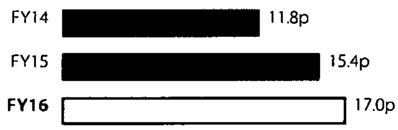
Underlying operating profit increased by 36% to £16.3m on sales growth of 14% CER. Underlying operating margins have almost doubled over the last two years.



earnings per share

10%

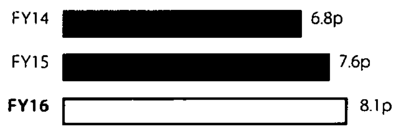
Underlying EPS grew by 10% from 15.4p to 17.0p (and by 23% CER), while over a seven year period underlying EPS has risen by 19.8p.



dividend per share

6%

The full year dividend has increased 6% to 8.05 pence per share with cover against underlying earnings of 2.05 times. Since 2010, the annual dividend per share has risen by 58%.

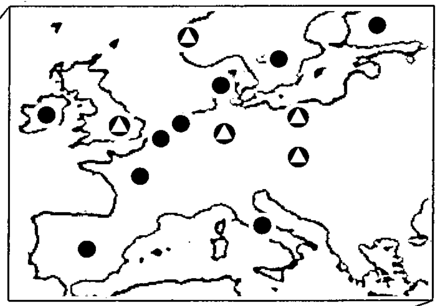


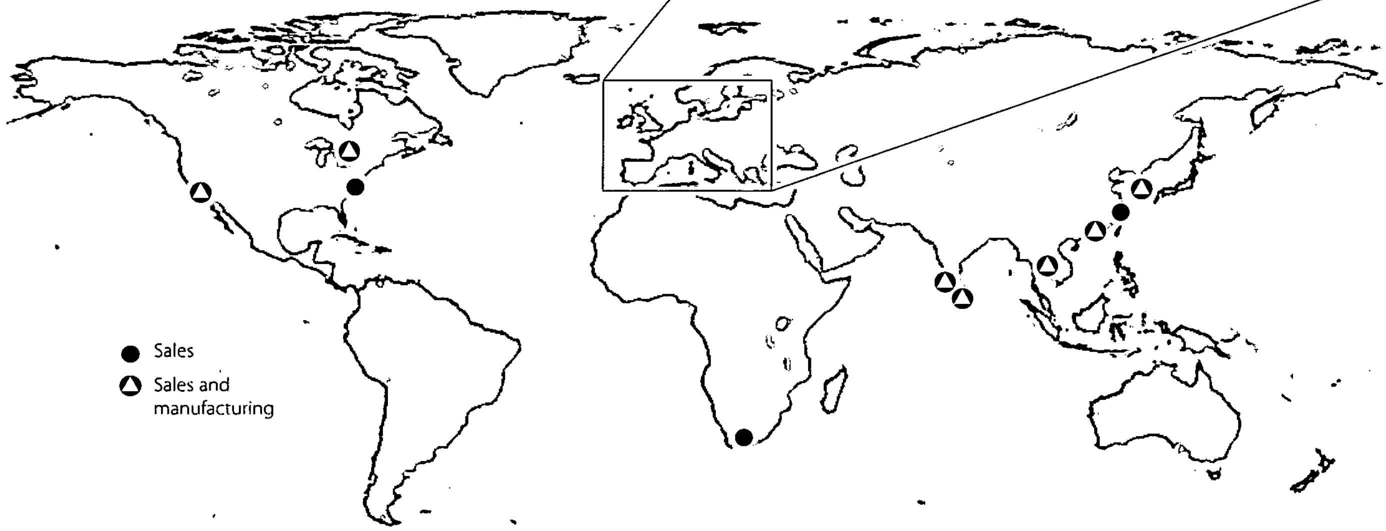
a diversified group

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

Operating 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.



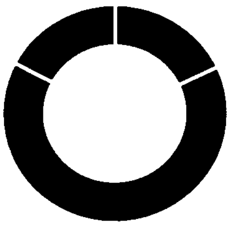


our sales

total 2016
£288m

total 2015
£271m

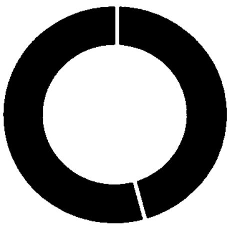
by country



- **UK 18%**
- **Rest of Europe 65%**
  - Nordic 22%
  - Germany 20%
  - France 9%
  - Benelux 6%
  - Italy 5%
  - Spain 3%
- **Rest of World 17%**

- 5% sales in Europe (ex UK): 4% ongoing growth
- 18% sales in UK: -7% ongoing growth
- 5% sales in USA: 13% organic growth
- 7% sales in Asia/Africa: 15% organic growth
- 5% sales in ROW: 5% organic growth
- Total group 3% ongoing growth

by industry sector



Higher growth markets 46%
- Industrial 23%
- Medical 12%
- Renewable 6%
- Transport 5%

Other markets 54%
- Automation 8%
- Automotive 6%
- Communications 14%
- Consumer 5%
- Distribution 6%
- Defence 7%
- Oil and gas 1%
- Research 1%
- Other 6%

- Our major markets:
  Medical
  Renewable energy
  Industrial connectivity
  Transportation
- Largest customer <5% of Group revenue
  Stable sales profile

our business model

Acal is a specialist electronics group supplying niche electronic products and operating 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, second, 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 506 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

contour electronics

foss

fl

HECTRONIC an acal group company

mtc

myrra

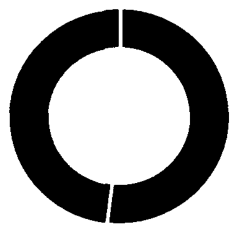
NORATEL

plitron

RSG.

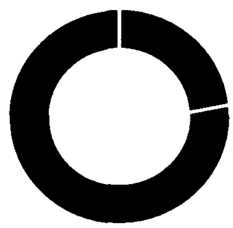
stortech an acal group company

sales
2016



custom distribution
52%
£150m
design & manufacturing
48%
£138m

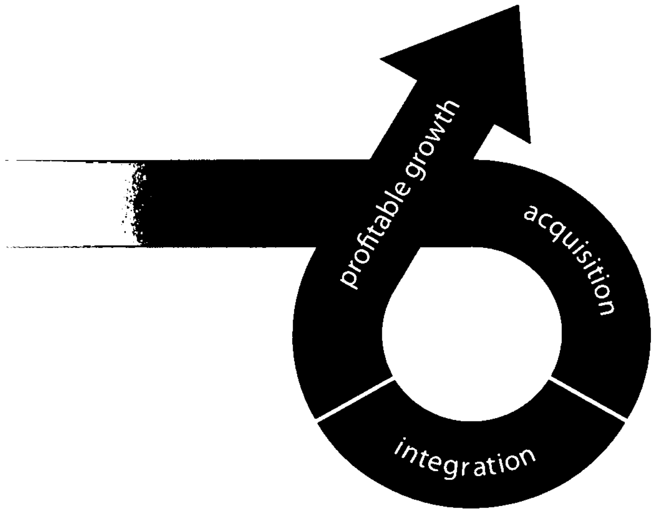
underlying operating profit*
2016



custom distribution
22%
£5m
design & manufacturing
78%
£17m

* before unallocated costs

investment case



Acal's corporate strategy

The Group is creating a leader in custom electronics, which will become increasingly global in nature, by focusing on markets with long term fundamental growth drivers where technology is essential, such as transportation, medical, renewable energy and industrial device connectivity.

Clear priorities that will further build a high quality, differentiated business:

Moving up the value chain

- Into Design & Manufacturing, with higher margin products
- Low ongoing investment requirements
- Generating strong and stable cash flows

Acquiring high quality Design & Manufacturing businesses with attractive growth prospects

- 'Platforms' – bigger and that establish a position (eg Noratel)
- 'Bolt-ons' – smaller and that integrate into existing businesses (eg Flux)
- Strong integration track record, achieving operating efficiencies
- Retaining entrepreneurial culture

Growing sales well ahead of GDP

- Focusing on higher growth markets with good long term prospects

Internationalising the business

- Building a position in North America

An interview with Georges Gener, President of the Myrra Group, on what joining the Acal Group has meant for Myrra.

Myrra, which can trace its origins back to 1949, is an international business engaged in the design and manufacture of magnetic electronic products, the majority of which are developed to meet specific customer requirements. Acal acquired Myrra in April 2013 as a further step in its strategy of growing its position in the specialist electronics market. Since acquisition, Myrra has enjoyed strong growth.

What has been the key to Myrra's success?
Myrra has developed product lines complementary to its international business and target markets so that it is well placed to meet customer needs in terms of technology, logistics and price.

"The high proportion of customised products it manufacturers is a key differentiator."

The high proportion of customised products it manufactures is a key differentiator. Export growth has been assisted and strengthened by the strategic positioning of production facilities in Poland and China to serve the important markets of Europe and Asia.

Why did you sell to Acal?
From the start of the acquisition discussions, Acal demonstrated a good understanding of Myrra's business strategy and growth potential. Confidence was soon gained that Myrra could continue to operate its commercial strategy within the Acal Group – important to its management and staff – yet benefit from Acal's geographic reach and industrial manufacturing customer base, thereby providing the opportunity to cross-sell products across geographic regions. In addition, it became apparent early on from Acal's professional behaviour that it was a serious and committed purchaser.

"Acal demonstrated a good understanding of Myrra's business strategy and growth potential."

What has Acal brought to Myrra?
Many things, but I would select a high level of motivation and encouragement to build upon our earlier successes as being very important to Myrra. By providing us with financial security in our role as a supplier to industry (which is so important to our customers) and with sales support from Acal BFi for Myrra products in European markets, we are able to seek out new business opportunities which were not available to us pre-acquisition.

What does the future hold for Myrra?
Before we joined the Acal Group, Myrra's growth prospects were limited, due to its size and structure. This has now changed, enabling us to develop further our growth potential, for example: in Germany and China; to design and manufacture more product lines; and, in the process, to become a major supplier to Acal BFi in Europe. We have set ourselves ambitious goals for the years ahead and will be driving the business hard to meet them.

"We have set ourselves ambitious goals for the years ahead."

chairman's statement

Richard Moon Chairman

The Group strategy, established in 2009, has created a highly differentiated, growth business in customised electronics that has delivered superior results and value for shareholders through the economic cycle. This year's strong results reflect this. With over 50% of revenues (annualised for acquisitions) and nearly 80% of profit contribution now being generated from the design and manufacture of own products, which generate much higher margins than distribution, operating margins have doubled over the last five years.

There are significant opportunities ahead which will enable the Group to continue this progress and further build a successful, differentiated business.

Strategy
The Group is creating a lead role in custom electronics which will become increasingly global in nature. We are focusing on markets with long term fundamental growth drivers where technology is essential, such as transportation, medical, renewable energy and industrial device connectivity. These markets grow ahead of GDP, are stable and have excellent long term prospects.

Around half of revenues in our Design & Manufacturing division are generated in these higher growth markets. We are investing in these areas and will continue to grow this position.

Group results
Group sales for the year increased by 6%, and by 14% at constant exchange rates ("CER"), to £287.7m, driven by acquisitions made over the last two years in the Design & Manufacturing division.

Underlying operating profit, which excludes acquisition-related costs, exceptionals and IAS19 pension cost, increased by £2.9m to £16.3m (up 22%) and by £4.3m CER (up 36%). Underlying profit before tax increased by £2.7m to £14.5m (up 23%) and by £3.9m CER (up 37%).

Underlying operating margin increased by 0.8ppts to 5.7%, reflecting our focus on higher margin products and solutions.

Underlying earnings per share for the year increased by 10% to 17.0p (up from 15.4p last year) and increased by 23% CER.

On a reported basis, profit before tax for the year was £9.4m, an increase of £5.1m over last year, with fully diluted earnings per share of 10.9p, 6.1p higher than last year.

Net debt at 31 March 2016 was £38.1m (FY 2014/15: £19.0m), with a Group gearing ratio of 1.7 times (defined as net debt divided by underlying EBITDA, adjusted for a full year's inclusion from acquisitions) compared with our target gearing range of 1.5 to 2.0 times. The increase in net debt over last year reflects the acquisitions made during the year.

chairman's statement continued

Acquisitions
In the second half of the year, the Group made three acquisitions, Flux A/S ("Flux") based in Denmark, Contour Holdings Limited ("Contour") based in the UK and Plitron Manufacturing Inc. ("Plitron"), based in Canada. Flux and Plitron are both designers and manufacturers of customised magnetic components, while Contour is a designer and manufacturer of custom cabling assemblies and connectors. The total initial consideration for these three acquisitions of £22m was funded by the issue of £3.0m of new equity with the balance coming from our long term debt facility. All three businesses have performed well since joining the Group, in line with our expectations.

We are delighted to welcome their employees into the Group.

Dividend
The Board is recommending an increase in the final dividend per share of 6% to 5.72 pence per share, giving a full year dividend per share of 8.05 pence, representing an increase of 6% for the year and a cover against underlying earnings of 2.05 times. Since 2010, the annual dividend per share has risen by 58%. The final dividend is payable on 29 July 2016 to shareholders registered on 10 June 2016.

The Board's policy is to maintain a progressive dividend, together with a long term dividend cover of between 2 to 3 times underlying earnings.

Board changes
On 1 November 2015, Tracey Graham and Malcolm Diamond MBE joined the Board as Non-Executive Directors. Both bring significant experience of international manufacturing businesses and we are delighted to welcome them to the Group.

Tracey is a Non-Executive Director of Ibstock plc, Royal London Mutual Building Society and Link Scheme Limited, and was previously the Chief Executive of Talaris Limited from 2008 to 2010 and Managing Director of De La Rue Cash Systems from 2005 to 2008.

Malcolm is Executive Chairman of Trifast Plc and Non-Executive Chairman of Flowtech Fluidpower PLC, and was previously the Chief Executive of Trifast Plc from 1984 to 2002 and Senior Non-Executive Director of Dechra Pharmaceuticals Plc from 2000 to 2010.

Employees
The Group consists of 3,800 employees in 23 countries around the world. The Board believes that, by adopting a decentralised operating environment within an established framework, 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 goals.

Summary
Acal continues to build a business that is differentiated, successful and ambitious. The Group's focus on the design, manufacture and supply of differentiated electronics products and solutions will not only enable it to continue to increase operating margins, but also positions Acal as a leader and a consolidator in the fragmented customised electronics industry.

Richard Moon
Chairman
1 June 2016

operating review

Nick Jefferies Group Chief Executive

Overview

Group revenues increased by 14% CER to £287.7m, with ongoing sales growing by 3% CER organically. Gross profit was up 18% CER driven by stronger gross margins. Underlying operating profit increased to £16.3m (from £12.0m CER last year), representing a 5.7% operating margin, with underlying EPS increasing by 10% (and by 23% CER). At the year end, the Group order book was £85m, the highest level since the Group's strategy was launched in 2009.

Currency headwinds have been considerable this year, particularly from a net weakening of Euro and Nordic currencies, which had a 6% adverse translational impact on reported revenue and an 8% adverse impact on operating profits. Our active Group hedging policy has minimised transactional effects and contributed to the continuing stable development of Group profitability.

We made three further acquisitions during the year into our Design & Manufacturing division, which, together with our organic growth, has lifted annualised revenues in that division to over 50% of Group revenues, delivering nearly 80% of the Group's profit contribution.

Growth strategy

Acal supplies essential technologies to growth markets which are driven by the increasing requirement for electronics and technology. We estimate our market to be worth £12bn globally, of which Europe accounts for approximately £4bn, North America £6bn and Asia £2bn.

Our focus markets are ultimately driven by long term global trends, such as a growing middle class population, a growing older affluent population, a growing need for green sources of energy and a reducing cost of technology through its widespread adoption. Influenced by global population growth, a United Nations study is predicting over 30% growth by 2050; and for global GDP growth, the World Bank is forecasting 3% annual growth out to 2030 (4.5% in the developing world and 2% in the emerging world); such growth leads to four key macro trends that are the demand drivers for our business and underpin our 'GDP plus' organic growth rates:

1 Growth in travel
Road, rail, air, automotive and electric vehicle transportation is expected to continue both its rapid growth in carrying capacity and its use of technology. As an example, in the automotive sector, electronics content is forecast to grow by 8% per annum to 2019 (source: Gartner, PWC).
2 Growth in medical spending
Driven by the increasingly affluent ageing population which accounts for the majority of healthcare spending in developed economies, along with the increasing use of technology in diagnosing, monitoring and controlling medical conditions, the medical semiconductor market, a proxy for the medical electronics market, is forecast to grow by 12% per annum between 2012 and 2018 (Source: IC Insights).
3 A shift to renewable energy
In 2015, the International Energy Authority predicted that renewable energy will be the largest source of global power generation by 2030, provided primarily by three technologies; hydro, wind and solar. Wind power generation is expected to account for 50% of the incremental power generated over this period.
4 Growth in device connectivity
New technologies are creating new markets and applications. For example, the emergence of affordable wireless electronics has enabled the smart utility meter market to become a commercial reality and, additionally, the internet of things is leading to a boom in the connectivity of devices across a wide range of applications. As an example, Gartner & PWC are forecasting demand for industrial semiconductors to grow by 9.7% CAGR 2014 – 2019.

By focusing on the above markets the Group will continue to build a high quality, differentiated business.

The Group's strategy can be summarised as follows:

1 Moving up the electronics value chain into the design and manufacture of our own products. This generates better returns, from higher margin products (see Key Strategic Indicator ('KSI') 1 below).
2 Growing sales organically and well ahead of GDP by focusing on higher growth markets with above average growth prospects (see KSI 2 below).
3 Acquiring high quality D&M businesses with attractive growth prospects. This will involve both larger 'platform' acquisitions which have already established a market position and smaller 'bolt-on' acquisitions which will integrate into our existing businesses (see KSI 1, 2 & 3 below).
4 Developing sales internationally by further expansion into North America, both by following existing customers' international needs and by developing local market sales (see KSI 3 below).

Performance

The Group's principal objective is to deliver consistent growth in total shareholder return (TSR), over the short and long term, driven by consistent growth in underlying earnings per share (EPS).

Over the last seven years, since the introduction of the current strategy, TSR growth has been 380%, well within the upper quartile when compared with the FTSE Small Cap Index. Similarly, over the last three years, TSR growth was 62%, again within the upper quartile compared to the FTSE Small Cap Index (see KPI 5 below).

The Group's aim is to continue this upper quartile performance through consistently delivering organic sales growth with robust margins, supplemented by the acquisition of high quality businesses with similar growth prospects.

medical

The medical sector is a major market for the Group. Our involvement covers the design, manufacture and supply of devices and equipment, which are safe, reliable and engineered to exacting standards.

operating review continued

Key Strategic and Performance indicators

Three Key Strategic Indicators measure the progress of the Group on achieving its key strategic objectives, while five Key Performance Indicators measure the financial performance of the business. The targets set out below were established in November 2014.

Key Strategic Indicators ('KSIs')

	FY2010	FY2014	FY2015	FY2016	Mid term target*
1 Increase share of Group revenue from Design & Manufacturing[1]	5%	18%	37%	51%[2]	65%
2 Increase cross-selling[1]	0%	2.7%	4%	5%	4-5%
3 Build sales beyond Europe[1]	0%	5%	12%	17%	20%

1 As a proportion of Group revenue
2 Annualised for acquisitions
* Mid-term target refers to a three to five year period.

1 Revenues from the Design & Manufacturing division increased to 51% (annualised for acquisitions) as a proportion of total Group revenue, compared with 37% last year. This was achieved through the acquisitions of Noratel and Foss last year, the acquisitions of Contour, Flux and Plitron this year, together with organic sales growth of 3%. The mid-term target is 65%.
2 Cross-selling initiatives exist to accelerate organic sales growth and improve the efficiency of Group businesses. In the year, cross-selling generated £14.2m of business representing 4.9% of Group revenues. The mid-term target is for these initiatives to generate 4-5% of Group sales after factoring in the initial dilutive effect on this ratio of future acquisitions. Cross-selling revenue grew by £4.0m CER in the year.
3 Growth in sales beyond Europe was achieved this year, principally through organic growth, together with the full year impact of last year's Noratel acquisition. Overall, sales beyond Europe were £48.7m and represented 17% of Group sales (up from 12% last year). Key regions expressed as a percentage of Group sales are North America (4.5%), Asia (6%), Eastern Europe (5%) and Africa (1.5%). The mid-term target is 20%.

Key Performance Indicators ('KPIs')

	FY2014	FY2015	FY2016	Average	3 year target (H1 2018)
1 Organic sales growth	2%	3%	3%[1]	3%	Well ahead of GDP
2 Increase underlying operating margin	3.4%	4.9%	5.7%	n/a	7%
3 Attractive ROTCE[2]	24%	24%	23%	23.3%	>25%
4 Generate strong free cash flow[2]	86%	76%	70%	77%	>75% PBT
5 Generate long term value for shareholders: 3 year TSR (percentile vs FTSE Small Cap Index)	+5% Top 71st	+101% Top 20th	+62% Top 22nd	n/a	Upper quartile

1 Percentage of ongoing sales
2 Defined in Note 5 of the attached summary financial statements

1 Ongoing sales growth was 3% for the year, with similar growth rates delivered in both Design & Manufacturing and Custom Distribution (after excluding, as previously announced, two large one-off orders and a discontinued commodity supplier from last year in the Custom Distribution division). Weighted average GDP growth in the Eurozone and UK during the year was 1.6%. Our target is to achieve sales growth well ahead of GDP and we expect that, as economies pick up, our organic growth rates will pick up too, likely being a few percentage points ahead of GDP.
2 The underlying operating margin for the year increased to 5.7% (and was 5.9% for the second half), due to further operating efficiencies achieved from our increasing scale, as well as from the positive effect of acquisitions. We have increased our target from 6% to 7% and we will keep this under review.
3 Return on trading capital employed ('ROTCE') was 23% for the year, compared with a three year target for ROTCE to be greater than 25%. Over the last three years, ROTCE has averaged 23.3%. This ratio is slightly lower than last year due to the initial impact of acquisitions, which we expect to drive ratio growth over the medium term.
4 Free cash flow as a percentage of underlying profit before tax ('PBT') was 70%, with a three year target being for free cash flow to exceed 75% of underlying PBT over that period. Over the last three years, the free cash flow ratio has averaged 77%. Operating cash flow for the year was £16.3m and 100% of operating profit compared to a 3 year target of 85%. Details of the free cash flow and operating cash flow calculations are given in the Cash Flow section within the Finance Review.
5 A core objective of the Group 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 10% from 15.4p to 17.0p (and by 23% CER), while over a seven year period underlying EPS has risen by 19.8p from a loss per share of 2.8p in FY 2008/09. TSR has increased by 62% over the last three years. This was in the top 22nd percentile of FTSE Small Cap Index constituents and in line with our upper quartile target.

Divisional results

Divisional performances for the year ended 31 March 2016 are set out and reviewed below.

For the last two years, Group results, while strong, were significantly impacted by the strength of Sterling. Some 72% of sales and 90% of underlying operating profit were generated in either Euro or Nordic currencies which have depreciated by 7% and 9% respectively against Sterling this year (and by 13% and 20% in the last two years).

Design & Manufacturing

The Design & Manufacturing division ("D&M") manufactures custom electronic products which are uniquely designed or modified from a standard product for a specific customer requirement. The products are manufactured at one of Acal's in-house manufacturing facilities or, in a few cases, by third party contractors. The division now has ten businesses which are aligned with the Group's core technology areas, namely Flux, Myrra, Noratel, Plitron and RSG (within Power and Magnetics); Foss (within Communication and Sensors); Contour, MTC and Stortech (within Electromechanical and Shielding); and Hectronic (within Embedded Systems). The division's principal manufacturing facilities are in China, India, Poland and Sri Lanka.

Divisional revenue increased by 50% to £137.6m CER, driven by last year's acquisitions of Noratel and Foss, this year's acquisitions of Contour, Flux and Plitron, together with organic growth of 3%. Underlying operating profit of £16.5m was £6.1m higher than last

renewable energy

Specialist power and magnetics capabilities enable the Group to meet the specific requirements of manufacturers engaged in the wind turbine generator market.

operating review continued

Divisional results	Revenue £m	2015/16 Underlying operating profit[1] £m	Margin %	Revenue £m	2014/15 Underlying operating profit[1] £m	Margin %	CER	Organic	Ongoing[2]
Design & Manufacturing	**137.6**	**16.5**	**12.0%**	92.0	10.4	11.3%	**50%**	**3%**	**3%**
Custom Distribution	**150.1**	**4.7**	**3.1%**	160.9	6.3	3.9%	**(7%)**	**(7%)**	**3%**
Unallocated costs	**–**	**(4.9)**	**–**	–	(4.7)	–	**–**	**–**	**–**
Total CER[3]	**287.7**	**16.3**	**5.7%**	252.9	12.0	4.7%	**14%**	**(2%)**	**3%**
Reported FX rate[4]	**–**	**–**	**–**	18.2	1.4	0.2%			
Total reported	**287.7**	**16.3**	**5.7%**	271.1	13.4	4.9%			

1 Underlying operating profit excludes exceptional items, earn-out accruals, amortisation of acquired intangibles and IAS19 pension costs (see Finance Review).
2 Ongoing sales exclude large, non-repeating orders from last year within Custom Distribution and sales of its final major non-specialist, low margin supplier, which was discontinued last year.
3 Revenue and operating profit at CER with last year's results translated at this year's average exchange rate.
4 The difference between the reported results last year and the results at CER.

year at CER (up 59%) with an underlying operating margin of 12.0%, up 0.7ppts over last year. Divisional revenue was 48% of Group revenue (51% when annualised for acquisitions) generating 78% of the Group's profit contribution, a strong increase on last year (37% of Group revenue generating 63% of Group profit contribution). This represents further good progress towards the mid-term divisional targets for Design & Manufacturing, being 65% of Group revenue with underlying operating margins in excess of 10%.

A number of new large customer contracts were won during the second half of the year, which are expected to support the Group's medium-term growth plans, with revenue starting as early as the end of FY 2016/17. Whilst absolute timing and demand volumes are generally linked to macro economic conditions, it is nevertheless encouraging to have secured these contracts, which will help drive longer-term organic growth.

During the 2014/15 financial year, the Group made two important acquisitions: Noratel, a global designer and manufacturer of electromagnetic products, acquired in July 2014, and Foss, a designer and manufacturer of fibre optic cables and support products, acquired in January 2015. Both businesses have performed well since acquisition, generating good levels of organic sales and profit growth since last year. Noratel's North American business was returned to profitability in the second half of last year as planned and continued to deliver strong levels of organic growth this year. Foss has also performed well, with strong organic growth driven by demand for greater communication bandwidth in Norway and Eastern Europe.

During the second half of this year, the Group made three further acquisitions, Flux, Contour and Plitron, all of which were funded primarily from the Group's existing debt facilities. Each acquisition should benefit from the access they now have to Acal's broad customer base and international reach, creating new revenue opportunities from cross-selling across the Group. All three companies have performed well since joining Acal, in line with our expectations.

Flux

In November 2015, the Group acquired Flux, a Danish designer and manufacturer of customised magnetic components for use across a range of industrial, high reliability and space grade applications. Flux builds on Acal's growing custom magnetics capabilities following the previous acquisitions of Noratel and Myrra. It has manufacturing facilities in Denmark and Thailand, and is working closely with Myrra to achieve efficiencies in production.

Flux was acquired for a cash consideration of DKK 28m (£2.7m). Flux's revenue for its year ended 31 December 2014 (its final year before acquisition) was DKK 89m (£8.5m), generating a pre-tax profit of DKK 7.2m (£0.7m).

Contour

In January 2016, the Group acquired Contour, a UK-based designer and manufacturer of custom cabling assemblies and connectors for use in industrial and medical applications. Engineering and low volume production is located at Contour's UK facility in Hampshire, with higher volume production undertaken through partners in Asia. The addition of Contour to Acal's custom cabling capability more than doubled the Group's revenue in this technology area.

Contour was acquired for an initial consideration of £17.5m (£14.5m in cash and £3.0m in new ordinary shares). Additionally, contingent consideration of £1.0m is payable in April 2019, subject to certain conditions, and earn-out consideration of up to £6.0m will be payable after July 2019, subject to Contour achieving certain growth targets. Contour's revenue for its year ended 30 June 2015 was £10.7m, generating an underlying profit before tax of £1.8m.

Plitron

In February 2016, the Group acquired Plitron, a Canadian designer and manufacturer of custom toroidal transformers for transportation, medical and industrial applications. Plitron has a well established track record of supplying high quality, custom-engineered magnetic products in North America.

Plitron was acquired for a cash consideration of C$4.0m (£1.8m). Plitron's revenue for its year ended 31 May 2015 was C$8.2m (£4.0m).

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 Design & Manufacturing division. A high degree of technical knowledge is required during the sales process, with

transportation

The Group serves the transportation sector by working closely with customers to provide solutions bespoke to their needs, using products sourced from Group suppliers or other Group companies.

operating review continued

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 and Vertec.

Acal BFi supplies industrial markets and accounts for the majority of Custom Distribution revenue. It uses products from a range of complementary suppliers (including Acal's own Design & Manufacturing businesses) and supplies over 20,000 customers in five technology areas: Communications & Sensors, Power & Magnetics, Electromechanical & Shielding, Embedded Systems and Photonics & Imaging. The business operates across Europe, with centralised warehousing, purchasing, finance, customer contact management and IT systems. Vertec supplies exclusively-sourced medical imaging and radiotherapy products into medical and healthcare markets in the UK and South Africa.

Divisional revenue of £150.1m (52% of Group revenue) was 7% below last year at CER. As expected, the organic growth rate was impacted by two large non-repeating orders from the prior year and the discontinuation from the end of the last financial year of Acal BFi's final major non-specialist, low margin supplier, in line with the Group's strategy. Excluding this revenue, ongoing divisional sales grew by 3%, with continental Europe growing by 7% driven by strong growth in Germany and Italy.

In the UK, where market conditions continued to be soft, ongoing sales were down 8%. Following its restructure, sales in the UK business have now stabilised, with the priority being on growing and converting the pipeline of new projects into orders. The final element of this restructuring was the appointment of a new UK managing director at the end of this year. The UK electronics market was weaker than expected in both electronic distribution and manufacturing: the International Distribution of Electronics Association (IDEA) reported UK electronics distribution sales were down 6% at the end of 2015, while the Manufacturing of Computer, Electronic & Optical goods index declined overall by 7% in the same period.

Underlying operating profit of £4.7m was down £1.6m CER on last year, reflecting the impact of the large orders and discontinued supplier mentioned above. Underlying operating margin was 3.1% compared with our mid-term target of 5%.

Cross-selling

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

1 D&M cross-selling: this is selling between Group (sister) companies. Programmes are underway to develop sales with the customers of other Group companies. This initiative, which started three years ago, generated sales of £3.0m this year, an increase of £2.0m year-on-year.
2 Acal BFi cross-selling: this involves increasing the range of Acal BFi products from different technology areas being sold to existing Acal BFi customers. This initiative, launched five years ago, generated total sales of £11.2m this year, of which £2.8m were new sales in the year and £8.4m were recurring sales from projects designed in previous years. This compares with £10.2m last year.

In total, £14.2m of business was generated from these cross-selling initiatives. This represents 4.9% of Group revenue and is £3.0m higher than last year (£4.0m CER).

Acquisitions

The Group sees the opportunity for significant value creation by acquiring complementary, high quality Design & Manufacturing businesses. Customised electronics is a fragmented market in which Acal is seen by vendors as an attractive acquirer. The Group enables companies to further develop within the Acal network, providing them with new organic growth opportunities whilst retaining their entrepreneurial culture. There are broadly two categories of acquisition. A 'platform' acquisition is larger and creates a new position in a market technology and/or geography. A 'bolt-on' acquisition is smaller and expands the position of an existing business, by being integrated into it. Both categories are being developed.

Following acquisition, new Design & Manufacturing businesses operate to a pre-agreed business plan, supported by the Group's governance, controls and centralised treasury function, whilst retaining their commercial capability and branding. These businesses gain access to a much wider range of similar customers via both the Custom Distribution network and other Group Design & Manufacturing business. Financial incentives are in place internally which encourage cross-selling activities.

Newly acquired businesses can realise a number of benefits by being part of the Acal Group, becoming positively differentiated from their competitors, and generating new sales opportunities.

By joining Acal, being a much larger group, major customer exposure is diluted, often a limiting factor for major customers when engaging with smaller suppliers. Additionally, the secure financial position of Acal provides customers with greater comfort of supply.

Outlook

Acal has delivered another strong set of results this year, demonstrating the strength of its well-established growth strategy.

Whilst challenging trading conditions are likely to continue in the first half of the year, we expect an improvement in the second half in line with our expectations for the full year. We have £20m of funding available for acquisitions and will continue to take advantage of opportunities that will enhance growth and shareholder value.

We are building a highly differentiated, international electronics business, supplying essential technologies to growth markets, and are confident of making further progress in the year ahead.

Nick Jefferies
Group Chief Executive
1 June 2016

industrial

Hi-reliability products are designed and made to the most demanding standards. Group involvement in this sector is through subsidiaries like Flux A|S, the world's leading manufacturer of magnetic components for space applications.

finance review

Simon Gibbins Group Finance Director

Revenue

Group revenue for the year increased by 14% CER and by 6% at reported rates (the difference reflecting the impact of Sterling's strength since last year). While organic revenue reduced by 2%, ongoing sales (sales excluding two large, non-repeating orders from last year in Custom Distribution and sales from its final major non-specialist, low margin supplier discontinued last year) increased by 3%.

Gross profit

Gross profit for the year increased by 18% CER over last year. This growth rate is higher than the corresponding revenue growth rate of 14%, reflecting further improvements in gross margin, which increased by 1.1ppts to 32.2%. Growth has been achieved both organically and through acquisition. This is the Group's highest annual gross margin, since our strategy was introduced in 2009. The strategy has delivered an increase of 6.3ppts in the last seven years, and is a key indicator of the increasingly differentiated nature of the business.

Underlying operating costs

Group underlying operating costs were up 15% CER reflecting the inclusion of the cost bases of companies acquired since last year, as well as the annualisation effect of last year's acquisitions. Organic underlying operating costs for the Group were at the same level as last year with increased investment in the Design & Manufacturing division and related central costs being offset by a 5% reduction in operating costs in Custom Distribution, mainly due to the restructuring of the UK business.

Group operating profit and margin

Group underlying operating profit for the year was £16.3m, an increase of £2.9m (+22%) on last year, delivering a Group underlying operating margin of 5.7%, up 0.8ppts on last year. At CER, the increase in underlying operating profit was £4.3m (+36%), with the underlying operating margin up 1.0ppt.

Reported Group operating profit for the year (after accounting for the underlying adjustments discussed below) was £11.4m, an increase of £5.3m on last year.

	£m	**£m**	**£m**	£m	£m	£m
		2015/16			2014/15	
	Operating profit	**Finance cost**	**Profit before tax**	Operating profit	Finance cost	Profit before tax
Underlying	**16.3**	**(1.8)**	**14.5**	13.4	(1.6)	11.8
Underlying adjustments						
Exceptional items	**(1.2)**	**–**	**(1.2)**	(4.2)	–	(4.2)
Earn-out accruals	**(0.6)**	**–**	**(0.6)**	(0.8)	–	(0.8)
Amortisation of acquired intangibles	**(2.8)**	**–**	**(2.8)**	(2.1)	–	(2.1)
IAS 19 pension cost	**(0.3)**	**(0.2)**	**(0.5)**	(0.2)	(0.2)	(0.4)
Reported	**11.4**	**(2.0)**	**9.4**	6.1	(1.8)	4.3

Translation impact of foreign exchange

During the year, over 80% of revenues were generated in non-Sterling currencies of which around 50% were in Euro and 22% in Nordic currencies. 90% of underlying operating profit was generated in Euro and Nordic currencies. The average Sterling rate of exchange for the year strengthened 7% against the Euro compared with the average rate for last year (rising from 1.275 to 1.367) and strengthened 9% against Nordic currencies on average; together, this negatively affected reported sales for this year by around 6% and underlying operating profit by around 8%. As the following table illustrates, had this year's exchange rates been the same as the average rates in the prior year, revenue would have been higher by £17.2m and underlying operating profit higher by £1.3m.

finance review continued

	FY 2015/16 Revenue £m	FY 2015/16 Underlying operating profit £m
Revenue (FY 15 rates)	**304.9**	**17.6**
Translation impact	**(17.2)**	**(1.3)**
Reported revenue (FY 16 rates)	**287.7**	**16.3**
Translation impact	**(6%)**	**(8%)**

Conversely, the prior year's revenue and underlying operating profit, restated at this year's average exchange rates, would have been lower by £18.2m and £1.4m respectively (see the divisional results table in the Chief Executive's Review).

Through its centralised treasury function, the Group continues to hedge its material transactional exposures from the time of order through to payment using forward contracts, thereby minimising the impact of exchange rates on gross margin.

Underlying adjustments
Underlying adjustments for the period comprise earn-out accruals of £0.6m (FY 2014/15: £0.8m), other exceptional items of £1.2m (FY 2014/15: £4.2m), the amortisation of acquired intangibles of £2.8m (FY 2014/15: £2.1m) and IAS19 legacy pension costs of £0.5m (FY 2014/15: £0.4m).

Exceptional items (excluding earn-outs) for the year were £1.2m. Of this, £1.0m were costs related to the acquisition and integration of Flux, Contour and Plitron during the year and £0.2m were costs relating to the finalisation of the restructure of Acal BFi UK.

The £0.7m increase in the amortisation charge since last year relates to the amortisation of intangibles identified as part of the acquisitions of Noratel and Foss last year and the acquisitions of Flux, Contour and Plitron this year.

The IAS 19 pension administration cost increased by £0.1m in the year following an increase in the Pension Protection Fund levy payable to The Pensions Regulator.

Net financing costs
Net financing costs for the year were £2.0m (FY 2014/15: £1.8m), being an underlying finance cost of £1.8m and an IAS 19 pension finance cost of £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. Finance costs for the year were up £0.2m to £1.8m due to the debt funding of acquisitions this year, together with a full year's finance charge in respect of last year's acquisitions.

The IAS19 pension finance cost of £0.2m was in line with last year's charge.

Underlying tax rate
The underlying effective tax rate for the year of 22% was 2ppts higher than last year (FY 2014/15: 20%), principally because the underlying tax rates of the businesses acquired in the last two years are higher than that of the Acal Group prior to the acquisitions. Some growth in future rates is expected as the full effects of acquisitions annualise and existing tax losses are utilised.

The overall tax rate was 1ppts higher at 23%, reflecting the impact of non-tax deductibility of exceptional acquisition costs.

Profit before tax and earnings per share
Underlying profit before tax for the year was £14.5m, an increase of £2.7m (+23%) compared with last year and an increase of 37% CER. With the higher underlying tax rate and the increased weighted average number of shares (up 10% on last year following the full annualised effect of the rights issue in July 2014 and the issue of 1.08 million shares (valued at £3.0m) forming part of the consideration for the acquisition of Contour), underlying diluted earnings per share for the year was 17.0 pence, up 10% on last year and up 23% CER.

After the underlying adjustments discussed above, reported profit before tax was £9.4m, up £5.1m from last year, with reported fully diluted earnings per share of 10.9 pence, up 6.1 pence on last year.

£m/p	FY 2015/16 PBT	FY 2015/16 EPS	FY 2014/15 PBT	FY 2014/15 EPS
Underlying	**14.5**	**17.0p**	11.8	15.4p
Underlying adjustments				
Exceptional items	**(1.2)**	–	(4.2)	–
Earn-out accruals	**(0.6)**	–	(0.8)	–
Amortisation of acquired intangibles	**(2.8)**	–	(2.1)	–
IAS 19 pension cost	**(0.5)**	–	(0.4)	–
Reported	**9.4**	**10.9p**	4.3	4.8p

Working capital and ROTCE
Working capital of £53.2m at 31 March 2016 (FY 2014/15: £43.8m) was 17% of final quarter annualised sales (FY 2014/15: 14%). This ratio is higher than last year due to the increasing size of the more profitable Design & Manufacturing division (with working capital of 21% as a percentage of sales, compared to 12% in Custom Distribution, primarily because of higher inventory requirements). In the year, Design & Manufacturing accounted for 48% of sales (51% when annualised for acquisitions), compared with 37% last year. The increase in working capital of £9.4m (+21%) over last year relates mainly to acquisitions in the year and movements in exchange rates, with organic growth in working capital limited to 3%.

finance review continued

Group trade debtors and trade creditors outstanding at 31 March 2016 were both slightly higher than last year at 56 days (up 3 days) and 62 days (up 2 days) respectively, mainly due to the impact of acquisitions during the year (Flux, Contour and Plitron). Group inventory turns were lower at 5.4 times (down 0.5 turns) due to the acquired businesses being manufacturers, which carry higher levels of inventory than Custom Distribution.

ROTCE (return on trading capital employed, as defined in note 5 to the attached summary financial statements) for the year was 23%. This ratio is slightly lower than last year (FY 2014/15: 24%) due to the initial impact of acquisitions, which should help drive ratio growth over the medium term. Our three year target is to achieve a ROTCE of at least 25%.

Cash flow

The Group had net debt of £38.1m at 31 March 2016 compared with £19.0m at the end of last year. The movement primarily relates to the debt funding of acquisitions during the year, partially offset by strong free cash flow.

£m	FY 2015/16	FY 2014/15
Net (debt)/cash at 1April	**(19.0)**	2.3
Free cash flow (table below)	**10.2**	9.0
Acquisitions/disposals (inc earn-outs/costs)	**(20.8)**	(74.2)
Exceptional payments	**(1.4)**	(2.1)
Customer prepayment	**-**	(3.2)
Net equity proceeds	**-**	52.7
Legacy pension	**(1.6)**	(1.6)
Dividends	**(4.9)**	(3.6)
Cash flow from discontinued operations	**-**	(0.2)
Foreign exchange impact	**(0.6)**	1.9
Net debt at 31 March	**(38.1)**	(19.0)

Acquisition costs of £20.8m include the cost of acquiring Flux in November 2015 for £2.7m, Contour in January 2016 for a £14.5m initial cash payment and Plitron in February 2016 for £1.8m, together with related acquisition costs.

Exceptional cash payments in the year totalled £1.4m and related mainly to the cash cost of Acal BFi restructuring costs which were accrued for last year. Last year saw the reversal of a significant customer prepayment of £3.2m which had been received in two instalments (FY 2012/13: £2.6m and FY 2013/14: £0.6m) but was only invoiced last year.

The increase in the dividend cash payment by £1.3m to £4.9m reflects the increase in dividend per share (increased by 12% last year) and the increased number of shares following the rights issue in July 2014. The Group will continue to review the level of future dividend increases in relation to its policy of long term dividend cover of 2 to 3 times.

Operating cash flow and free cash flow for the year (see definitions in note 5 to the financial statements), compared with last year, are shown below:

£m	FY 2015/16	FY 2014/15
Underlying profit before tax	**14.5**	11.8
Finance cost	**1.8**	1.6
Non cash items[1]	**3.5**	3.4
Underlying EBITDA	**19.8**	16.8
Working capital	**(1.2)**	(0.5)
Capital expenditure	**(2.3)**	(2.4)
Operating cash flow	**16.3**	13.9
Interest	**(1.8)**	(1.6)
Taxation	**(4.3)**	(3.3)
Free cash flow	**10.2**	9.0
Free cash flow %	**70%**	76%

1 Key non-cash items are depreciation, amortisation and share-based payments

Underlying EBITDA of £19.8m was 18% higher than last year. £1.2m was invested into working capital, principally to support growth in the Design & Manufacturing division during the year. Capital expenditure of £2.3m was similar to last year.

Operating cash flow of £16.3m was £2.4m higher than last year and represents 100% of underlying operating profit. This compares favourably to our three year average target of 85%.

The increase in tax cash payments by £1.0m to £4.3m reflects the higher profitability of the Group.

Free cash flow for the year (after finance costs and taxation) of £10.2m was £1.2m higher than last year and represented 70% of underlying profit before tax.

finance review continued

Banking facilities

During the second half of the year, the Group extended its five year syndicated banking facility to £90m through the exercise of its £20m accordion facility. The syndicated facility was set up in June 2014 and is available both for acquisitions and for working capital purposes. Average net debt was £43m across the final quarter of the year.

With net debt at 31 March 2016 of £38.1m, the Group's gearing ratio was 1.7 times (defined as net debt divided by underlying EBITDA, adjusted for a full year's inclusion from acquisitions) compared with our target gearing range of 1.5 to 2.0 times.

Balance sheet

Net assets of £101.9m at 31 March 2016 were £9.2m higher than at the end of the last financial year (31 March 2015: £92.7m). The increase primarily relates to the net profit after tax for the year of £7.2m, net equity funding of £3.0m and translation gains on currency net assets of £3.4m, partly offset by dividends paid of £4.9m. The movement in net assets is summarised below:

£m	FY 2015/16
Net assets at 1 April 2015	**92.7**
Net profit after tax	**7.2**
Dividend paid	**(4.9)**
Net equity funding	**3.0**
Current net assets – FX translation impact	**3.4**
Gain on defined benefit scheme	**0.5**
Changes in fair value of cash flow hedges	**(0.7)**
Share based payments (including tax)	**0.7**
Net assets at 31 March 2016	**101.9**

Risks and uncertainties

The principal risks faced by the Group will be covered in more detail in the Group's Annual Report, due to be published later this month. These risks include but are not limited to: the economic environment, particularly within Europe; the risk of the UK leaving Europe; the performance of acquired companies; major business disruption; exposure to adverse foreign currency movements; technological change; regulatory environment; cyber security; international trade risk; obligations in respect of a legacy defined benefit pension scheme; loss of key personnel; and operational risks.

Acal's risk management processes cover identification, impact assessment, likely occurrence and mitigating actions. Some level of risk, however, will always be present. The Group is well positioned to manage such risks and uncertainties, if they arise, given its strong balance sheet and committed banking facility of £90m at the end of the year.

Simon Gibbins
Group Finance Director
1 June 2016

viability statement

In accordance with the revised UK Corporate Governance Code, the Directors have assessed the prospects of the Group over a period significantly longer than 12 months from the approval of the financial statements. The Board has concluded that the most relevant time period for this review should be the three year period ending 31 March 2019 which coincides with the rolling annual long range plan.

The long range plan, which includes the budget for the year ending 31 March 2017, is built up by each operating company, applying assumed growth rates. It considers the Group's cash flows, cash and financial covenant headroom under existing borrowing facilities, and other key financial ratios over the period. The plan is subject to sensitivity analysis, which involves flexing a number of the underlying main assumptions, both individually and in conjunction, together with mitigating actions that the Directors would consider undertaking.

The Strategic Report on pages 2 to 28 sets out the key details of the Group's financial performance, capital management, business environment and principal risks and uncertainties. The financial risk management section of the consolidated financial statements, starting on page 63, sets out the principal financial risks the Group is exposed to, including foreign exchange, interest rate, credit and liquidity risk, together with the Group's policies for monitoring, managing and mitigating its exposures to these risks.

Based on this assessment, the Board believes that, taking into account the Group's current position, having regard to the available committed borrowing facilities available to the Company, and subject to the principal risks and uncertainties faced by the business as documented on pages 25 and 26 of the Strategic Report, the Group will be able to continue in operation and to meet its liabilities as they fall due for the three year period of their assessment.

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

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 in sales.
- Equity and debt raising conditions may become more challenging which could affect on the Group's ability to raise funds for value-adding acquisitions, a core part of the Group's stated strategy.

Brexit
The UK government has committed to holding a 'remain/leave' referendum on EU membership which will be held on 23 June 2016. The possible withdrawal of the UK from the EU would have political, legal and economic ramifications for both the UK and the EU.

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.

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 in providing a very high quality of service to its customers, which can be adversely damaged by the loss of major customers.

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.

Mitigating action

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;
- £90m committed credit facility, thereby increasing the Group's long term committed headroom.

Brexit
- The directors believe that a vote to leave would be negative for the UK and European economies in which the Group operates. It is unclear, what effect this would have on the Group's business, although any impact would be likely to be negative, perhaps neutral, but not positive.

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
- Reducing Group dependency on any single customer, with the largest customer now less than 4% of Group revenues;
- Careful monitoring of key accounts by senior management;
- Robust customer quality management systems;
- Long-term customer relationships.

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;
- Maintaining long-term supplier relationships;
- Strong customer relationships which support and enhance relationships with suppliers

principal risks and uncertainties continued

Risks and uncertainties	Mitigating action
Technological change The inability to develop technology to meet technological changes resulting in lost sales.	Technological change • Diversified business, both Manufacturing and Distribution; • Custom Distribution division is highly diversified into a number of differentiated technology units; • Focus on established technologies with low capital requirements.
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.
Cyber security Attacks from computer viruses and/or hackers could result in business disruption, financial loss and access to confidential data.	Cyber security • Central IT security guidance policy ; • Best of breed anti-virus and anti-spam software and specialised target threat protection services; • Secure private networking.
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 £90m 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.
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 33 to the Group financial statements) may be adversely affected by poor investment performance, changes in interest and inflation rates, improved mortality rates or 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; • Investment reviews are carried out at least every three years.
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 endeavours continuously 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 the 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 for 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

	2016 Male	**2016 Female**	2015 Male	2015 Female
Total gender split	**53%**	**47%**	55%	45%
Senior managers and executives	**75%**	**25%**	75%	25%
Directors	**71%**	**29%**	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 meeting adequately 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 everywhere. 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, which 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 manage effectively natural resources and energy, to minimise waste and to recycle, 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 2 to 28, has been approved by the Board.

On behalf of the Board

N J Jefferies
Chief Executive

S M Gibbins
Group Finance Director

1 June 2016

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Acal plc
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Surrey Research Park
Guildford
Surrey GU2 7AH

Telephone 01483 544500

Incorporated in England and Wales with registered number 2008246

auditor
Ernst & Young LLP

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

registrars
Equiniti Limited

stockbrokers
Peel Hunt LLP

financial calendar 2016/2017

Annual General Meeting	26 July 2016
results	
Interim report for the six months to 30 September 2016	Late November 2016
Preliminary announcement for the year to 31 March 2017	Early June 2017
Annual report 2017	Mid June 2017
dividend payments	
Final dividend for the year to 31 March 2016	29 July 2016
Interim dividend for the six months to 30 September 2016	Late January 2017
Final dividend for the year to 31 March 2017	Late July 2017

the board

Our experienced board focuses on strategic development, financial control and risk management

Richard Moon
Non-Executive Chairman

appointed
Richard joined the Board in September 2004 and became Chairman in April 2005.

skills and experience
Richard has acted as Non-Executive Chairman of publicly listed and private equity-backed companies for many years. During his executive career he was Chief Executive of Thales plc and, prior to that, a Director of Racal Electronics plc.

external appointments
Richard is Non-Executive Chairman of each of KeTech Enterprises Limited, PixelPin Limited and Seven Technologies Holdings Limited and is Chairman of Synergie Global Limited and Advetec Holdings Limited.

Nick Jefferies
Group Chief Executive

appointed
Nick joined Acal as Group Chief Executive in January 2009. Nick is also a member of the Group Executive Committee, see page 32.

skills and experience
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).

external appointments
None.

Simon Gibbins ACA
Group Finance Director

appointed
Simon was appointed as Group Finance Director in July 2010. Simon is also a member of the Group Executive Committee, see page 32.

skills and experience
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.

external appointments
None.

Richard Brooman MA FCA FCMI
Senior Non-Executive Director

appointed
Richard joined the Board as a Non-Executive Director in January 2013, became Chairman of the Audit Committee in July 2013 and was appointed Senior Non-Executive Director in December 2014.

skills and experience
A Chartered Accountant, Richard was Group Finance Director of Sherwood International plc and VCI plc during his executive career and he is a Director or Trustee of several businesses in the third sector.

external appointments
Richard is a Non-Executive Director at Hg Capital Trust plc and Invesco Perpetual UK Smaller Companies Investment Trust plc. He is also a Non-Executive Director of Camden & Islington NHS Foundation Trust.

the board continued

Henrietta Marsh MBA MA
Non-Executive Director

appointed
Henrietta was appointed a Non-Executive Director in May 2013 and became Chairman of the Remuneration Committee in October 2014.

skills and experience
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.

external appointments
Henrietta is a Non-Executive Director at Alternative Networks plc and at Electric Word plc.

Malcolm Diamond MBE
Non-Executive Director

appointed
Malcolm was appointed a Non-Executive Director in November 2015.

skills and experience
Formerly Chief Executive of Trifast Plc, among other previous appointments Malcolm was Senior Non-Executive Director of Dechra Pharmaceuticals Plc and a Non-Executive Director of Unicorn AIM VCT plc.

external appointments
Malcolm is Executive Chairman of Trifast Plc and Non-Executive Chairman of Flowtech Fluidpower PLC.

Tracey Graham
Non-Executive Director

appointed
Tracey joined the Board as a Non-Executive Director in November 2015.

skills and experience
During her executive career, Tracey was Chief Executive of Talaris Limited and Managing Director of De La Rue Cash Systems. Among other previous appointments, she was a Non-Executive Director at RPS Group PLC.

external appointments
Tracey is a Non-Executive Director at Ibstock plc, at Royal London Mutual Building Society and at Link Scheme Limited.

Committees

Audit committee
Richard Brooman (chairman)
Malcolm Diamond
Henrietta Marsh

Remuneration committee
Henrietta Marsh (chairman)
Richard Brooman
Tracey Graham
Richard Moon

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

the group executive committee

Our group executive committee focuses on delivering results and driving growth

Nick Jefferies
Group Chief Executive

For biography see page 30.

Simon Gibbins ACA
Group Finance Director

For biography see page 30.

Gary Shillinglaw FCIS
Group Company Secretary

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

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

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.

Paul Webster
Group Product Management and Operations Director

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 2016.

Principal activities of the Group
Acal is a leading international 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, Electromechanical, Imaging & Photonics, Embedded Computers & Displays, and Power & Magnetics. The Group's businesses comprise AcalBFi, Contour, Flux, Foss, Hectronic, MTC, Myrra, Noratel, Plitron, 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, South Korea and Thailand), the US, Canada and South Africa.

Financial results and dividends
Information contained in the Strategic Report includes the Operating Review, the Finance Review and the Viability Statement .

The results of the Group for the year to 31 March 2016 are set out in detail in the consolidated income statement on page 72. The key strategic and performance indicators of the business are set out in the Strategic Report.

The Directors recommend a final dividend of 5.72p per share (2015: 5.4p) payable on 29 July 2016 to shareholders registered at the close of business on 10 June 2016. The final dividend, together with the interim dividend of 2.33p per share (2015: 2.2p), makes a total dividend for the year of 8.05p per ordinary share (2015: 7.6p). The total dividends on ordinary shares have a cash cost of £5.2m (2015: £4.9m).

Directors
The Directors of the Company are set out in the Board Report on Corporate Governance on pages 36 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 61.

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 27 and 28.

Greenhouse gas emissions
This section includes our mandatory reporting of greenhouse gas emissions pursuant to the Companies Act 2006 (Strategic Report and Directors' Report Regulations 2013) ("the Regulations").

We have selected a reporting period of 1 January 2015 to 31 December 2015 to enable accurate data to be collated and compiled into the table below for inclusion in this annual report and accounts.

We report our emissions data using an operational control approach to define our organisational boundary which meets the definitional requirements of the Regulations in respect of those emissions for which we are responsible. This includes all subsidiaries 100% owned by Acal plc. We have reported on all material emission sources for which we deem ourselves responsible. We have excluded Flux A/S from this reporting year, which was acquired on 6 November 2015, to allow this business sufficient time to adopt our reporting guidelines. Emissions of the recently acquired companies Contour Electronics and Plitron are not included as the acquisitions completed after 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 and understanding our carbon footprint, this information will help us to identify potential cost savings, going forward.

The 24% increase in carbon emissions per £m of Group revenue compared to the prior year is attributed largely to the full year impact of the major acquisition of the Noratel Group in the course of 2014, which has sizeable manufacturing facilities in Poland, Sri Lanka, India and China.

directors' report continued

Our most significant emissions arise from the use of electricity (77% of the total emissions), which comprises nearly all our Scope 2 emissions. 74% (2015: 76%) of our Scope 1 emissions arise from transport fuel, the remainder arising mainly from the use of gas and oil for heating.

Where available, emissions are calculated using the latest Defra conversion factors available at https://www.gov.uk/measuring-and-reporting-environmental-impacts-guidance-for-businesses. We use appropriate local factors where Defra does not publish factors.

Greenhouse gas emissions for the period from 1 January 2015 to 31 December 2015 (tonnes of CO2 equivalent)

	YE 31/12/15	YE /31/12/14
Scope 1 emissions	**1,709**	1,589
Scope 2 emissions	**5,959**	4,231
Total gross emissions	**7,668**	5,820
Total carbon emissions per £m of Group revenue	**26.6**	21.5

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 2016, the Company's issued share capital consisted of 64,212,568 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.

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.

Directors' interests in the share capital of the Company are shown in the table on page 52. Substantial shareholder interests, of which the Company has been notified, are shown below.

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

82,928 new ordinary shares shares were issued during the year under the Group's long-term incentive schemes.

Substantial shareholdings

As at 31 March 2016, 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)	11,701,600	18.2
Aberdeen Group	8,928,529	13.9
Unicorn Asset Management (UK)	4,943,650	7.7
Legal & General Investment Management Ltd (UK)	4,219,426	6.6
BlackRock Inc	3,216,380	5.0
AXA Investment Managers UK	2,608,848	4.0
River & Mercantile Asset Management	2,590,000	4.0
J O Hambro Capital Management	2,333,692	3.6
Mr & Mrs J Curry	2,225,000	3.5

directors' report continued

As at 1 June 2016, the Company has been notified of the following changes to the major shareholdings shown above:

Hargreave Hale Investment Management (UK)	11,792,100	18.4
Aberdeen Group	8,819,247	13.8
BlackRock Inc	3,214,228	5.0
AXA Investment Managers UK	2,719,848	4.2
J O Hambro Capital Management	2,500,857	3.9
Mr & Mrs J Curry	2,150,000	3.4
Franklin Templeton Investments	2,019,237	3.1

Acquisition of company's own shares
At the end of the financial year, the Directors had authority to purchase through the market up to 6,421,256 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 2016 Annual General Meeting or on 25 October 2016. 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 27 to the group financial statements on pages 107 and 108.

Going concern
The Group's business activities, together with factors which may adversely impact its future development, performance and position, and its viability statement are included in the Strategic Report on pages 2 to 28. 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 25 and 26 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 36. 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
1 June 2016

2 Chancellor Court
Occam Road
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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 Report 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 2016.

As disclosed in the Directors' Report on page 33, 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.

Tracey Graham and Malcolm Diamond were appointed as Non-Executive Directors, with effect from 1 November 2015, following a formal, rigorous and transparent procedure leading to their appointments.

Nick Salmon stepped down as a Non-Executive Director with effect from 30 June 2015.

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 constructively management proposals where appropriate and carefully monitor management performance and reporting throughout the year. Constructive challenge is accepted by the Board as an essential aspect of good governance.

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 nine meetings of the full Board during the year to 31 March 2016, with all Directors attending all meetings, with the exception of one meeting which Simon Gibbins was unable to attend and one meeting which Malcolm Diamond was unable to attend. All Directors attended the meetings of all Committees on which they served, with the exception of one Nomination Committee meeting each which Richard Moon, Richard Brooman and Henrietta Marsh did not attend because of their personal interest in the subject matter being discussed.

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, five 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:
- has held an executive position within the Company or the Group;
- has, or has had, within the recent past, 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 Company'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 appointment to the Board, other than Richard Moon who has served on the Board since September 2004 and as Non-Executive Chairman since April 2005.

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.

board report on corporate governance continued

The Chairman meets with the Non-Executive Directors, without Executive Directors present, as and when required but at least once each year. 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 consultation with the other Non-Executive Directors, while taking into account the views of the 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. The process for making Board appointments is fully described in the Nomination Committee report set out on pages 42 and 43 of this annual report and accounts.

All new Directors receive induction training on joining the Board and are expected regularly to update and refresh their skills and knowledge, with the Company providing the necessary resources, as required. The induction programme includes meeting with the Group's senior management and visits to key locations, as well as a comprehensive briefing pack.

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

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 Ketech Enterprises Limited, PixelPin Limited and Seven Technologies Holdings Limited and Chairman of Synergie Global Limited and Advetec Holdings Limited. The Committee has concluded that these Chairmanships do not preclude him from fulfilling his obligations as Chairman of Acal.

The Nomination Committee met formally six 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).

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, who is responsible for advising the Board, through the Chairman, on all governance matters. His responsibilities also include ensuring good information flows within the Board and its Committees, and between senior management and the Non-Executive Directors. The appointment or removal of the Company Secretary is a matter for the Board as a whole.

Performance evaluation
During the year, the Board undertook a formal and rigorous annual evaluation of 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 on the basis of a detailed questionnaire. 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 2015 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 has led to monthly reporting on health & safety matters by all businesses across the Group, thereby better informing the Board of accidents and "near misses" in the workplace, of any discernible trends in accidents occuring and of the preventative action being taken. As a result of the 2016 evaluation, individual Directors will continue to undertake personal development in order to maintain an updated level of skills and knowledge in areas such as corporate governance and financial reporting.

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 elections of Tracey Graham and Malcolm Diamond, being Directors appointed since the previous Annual General Meeting, and for the re-elections of Richard Brooman, Henrietta Marsh and Richard Moon (who has held office with the Company for a continuous period of more than nine years). 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.

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.

board report on corporate governance continued

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 Company's financial year, which, in their opinion, provides a fair, balanced and understandable assessment of the Group's financial performance and position. The Directors also issue a Trading Update twice in each financial year and a Full Year Trading Update..

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 32. During the year to 31 March 2016, there were ten 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. As mentioned above, at the half year, an Interim Report is published and two Trading Updates and a Full Year Trading Update are issued in each financial year.

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 and the Chairman of each Board Committee will normally attend 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.

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. 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 21 clear 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
1 June 2016

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 Malcolm Diamond and Henrietta Marsh. The Group Chief Executive and the Group Finance Director attend meetings, although no Executive Director has a right of attendance. The other members of the Board are 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 pages 30 and 31 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 2016 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.

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

audit committee report continued

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, inventory, 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.

Revenue recognition

A review of the appropriateness of the accounting for revenue at the year-end.

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;
- an ongoing review of regulatory compliance;
- 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.

audit committee report continued

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.

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.

Internal Audit
The Group's finance department includes a separate Internal Audit function. This is led by the Group Risk Manager who is part of the Group management team and reports both to the Group Financial Controller and to the Chair of the Audit Committee.

A programme of internal audit activities has been completed during the year. The scope of work carried out by internal audit generally focuses on the internal financial controls and risk management procedures operating within each business. Work is outsourced to external advisors where appropriate.

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
1 June 2016

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 Directors, 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 Richard Brooman, Henrietta Marsh and Nick Jefferies as Committee members.

Key duties

The Committee's key duties are:

- to review the structure, size and composition (including the skills, knowledge and experience) of the Board and to recommend changes;
- to consider succession planning for the Directors and the right balance of skills, knowledge, experience and diversity on the Board;
- to identify and nominate candidates to fill Board vacancies, having previously prepared a description of the role and capabilities required for a particular appointment;
- to review the leadership needs of the organisation, both executive and non-executive;
- to make recommendations to the Board on the re-appointment of any Non-Executive Director at the conclusion of their specified term of office and on appointments to the Audit and Remuneration Committees; and
- to review, as part of the annual assessment exercise, the time commitment of the Non-Executive Directors to the role and to their external appointments.

Appointment of directors

The Committee's principal role is to make recommendations to the 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, knowledge and experience and has due regard for diversity. 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, the Committee will consult appropriate executive search or other organisations with databases of candidates 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.

Diversity

The Board is committed to a culture which attracts and retains talented people to deliver outstanding performance and further enhance the success of the Group. While the Board has no set objectives in relation to diversity, it is mindful of its responsibilities in this regard when making new appointments to the Board and in relation to Board succession and management and development. The appointment of Tracey Graham as a Non-Executive Director confirms the progress being made on gender diversity.

Succession planning

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.

nomination committee report continued

At the Board Meeting held in November 2015, the Board reviewed succession planning for (i) the Executive Directors, (ii) the members of the Group Executive Committee and (iii) other senior managers. The review covered 38 senior managers across the Group's businesses and addressed, in particular:

- both emergency and longer term succession planning;
- the evolution of the Group and the identification of future leaders;
- the development of "rising stars" within the Group; and
- the impact of acquisitions on the organisation structure.

What the Committee did in the year under review
During the year, the Committee met formally on six occasions with all Committee members attending all meetings, with the exception of one meeting each which Richard Moon, Richard Brooman and Henrietta Marsh did not attend because of their personal interest in the subject matter being discussed. The main focus of its work included the following:

- reviewing the composition and structure of the Board and the Committees and, as a result, searching for and finding two additional Non-Executive Directors, Tracey Graham and Malcolm Diamond;
- recommending to the Board the appointments, which were duly approved, of Tracey Graham and Malcolm Diamond as additional Non-Executive Directors and their appointments as members of the Remuneration Committee and the Audit Committee, respectively.
- 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.

Advisers
In the year under review, the Committee received external advice from Norman Broadbent, executive search consultants, in relation to the appointments of Tracey Graham and Malcolm Diamond. A thorough appointment process, as described above, was conducted and excellent formal references were received. Norman Broadbent has no other connection with the Company.

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
1 June 2016

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.

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 2017. These are followed by the directors' remuneration policy, which was approved by shareholders at the 2015 AGM on 29 July 2015 and the annual report on remuneration, which will be subject to an advisory shareholder vote at the forthcoming Annual General Meeting.

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

Dear Shareholder,

On behalf of the Board, it is my pleasure to present the Directors' Remuneration Report (the "Report") for the year ended 31 March 2016.

The Company's remuneration philosophy for Executive Directors and other senior executives is to 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.

At the 2015 AGM, 79.2% of the votes cast (excluding withheld votes) were in favour of the Directors' Remuneration Policy ("the Policy"). During the period up to the AGM, the Remuneration Committee ("the Committee") discussed the Policy extensively with those shareholders who voted in favour as well as those who voted against or abstained from voting on the Policy. The Committee valued highly the feedback it received from shareholders and representative bodies and has in this year's Report endeavoured to address concerns and, where possible, provide greater clarity. Specifically, the Committee has:

1 Included a statement on current dilution relating to equity incentives and the limits by which we abide;
2 Introduced executive shareholding guidelines in the Policy;
3 Disclosed the targets for financial EBIT and Simplified Working Capital ('SWC') for the year under review;
4 Clarified that any bonus for good leavers would be pro-rata for time in employment in the financial year of leaving.

We have also made some changes to both the Policy and Report to improve readability. As the changes to the Policy (as summarised on page 56) are either to improve its readability, or its administration, or are to the benefit of shareholders, we will not be re-submitting the Policy to a binding vote at the 2016 AGM.

Business performance and the Executive Directors' remuneration outcomes for the year ended 31 March 2016
As shown in the financial highlights section on page 2 of this annual report and accounts, business performance was strong during the year, with our key financial metrics showing good growth. Underlying EBIT rose from £13.4m to £16.3m and underlying PBT from £11.8m to £14.5m. Both of these benefitted from the acquisitions of Noratel in 2014 as well as other smaller aquisitions and underlying diluted earnings per share also rose by 10% from 15.4p to 17.0p. Share price appreciation has been held back in common with that of many industrial companies, but the proposed dividend for the year has been increased by 6% to 8.05p per share.

As discussed in last year's report, significant adjustments to the Group Chief Executive's and Group Finance Director's salaries were made in 2015. These one-off increases reflected the growth in size and complexity of the business over the past six years, during which time the Executive Directors' salaries had lagged increasingly behind. Further details of the Group Chief Executive's remuneration, compared with Group turnover and EBIT over this period, are shown on page 53.

For the year ending 31 March 2016, in light of the performance described above, the Committee has decided to award annual bonus payments of 59.5% and 48.1% of maximum to the Group Chief Executive and Group Finance Director, respectively. This compares with awards of 59% for both Executive Directors for last year. Further details are shown on page 49 of this Report.

LTIP awards granted to the Group Chief Executive and Group Finance Director on 28 March 2013 were dependent on the Company's Total Shareholder Return ('TSR') relative to the FTSE Small Cap (50%) and absolute performance as measured against CPI (50%) from 28 March 2013 to 28 March 2016. As described in more detail on page 50, the Company's TSR over this time period has been 62% which is 60 percentage points above CPI growth over the last three years and also positions the Company in the top quartile amongst the constituents of the FTSE Small Cap. This excellent long-term performance led to the 2013 LTIP awards vesting in full.

Remuneration for the year ending 31 March 2017
The Committee has decided to increase salaries of the Group Chief Executive and Group Finance Director by 1% and 5% respectively, effective from 1 April, 2016. The 5% increase for the Group Finance Director consists of an increase linked to executive salary inflation of 1% and a one-off 4% increase in pension contribution in lieu of increasing pension to market levels. The 4% increase has been calculated roughly to match the effect of a market pension contribution on the target remuneration package. In light of the 2015 Budget pension changes, the Committee has also decided to pay a cash allowance, in lieu of pension, to the Executive Directors. The cash allowances are

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

equivalent to 15% of salary for Nick Jefferies and 6.5% for Simon Gibbins, minus the employer's NI contribution to ensure that it is of neutral cost to the Company. In addition, the Committee has decided to increase each Executive Director's salary by a further 1%, contingent on achieving the Group EBIT budget for the year ending 31 March 2017.

The maximum bonus opportunity for Executive Directors will remain at prior year levels of 100% of salary with 65% of the bonus dependent on EBIT, 15% on Simplified Working Capital ("SWC") and the remaining 20% on personal objectives. The EBIT and SWC ranges for the year under review have been set out on page 49.

On 31 March 2016, the Committee made LTIP awards of 125% and 90% of salary to Nick Jefferies and Simon Gibbins, respectively (compared with 150% and 125%, respectively, in the previous year). Vesting of these awards is linked 50% to relative TSR and 50% to absolute TSR. Please see page 50 for further details.

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. Based on recent shareholder feedback and reflections on the vote on the Policy at the 2015 AGM, we have made minor revisions to the Policy to address concerns, provide clarification and improve readability. We welcome any further feedback that shareholders wish to give. We intend to review the Policy within the next two years, when we will consider emerging market and corporate governance trends.

We look forward to your presence at the Annual General Meeting on 26 July 2016, where there will be an advisory vote on the Report.

Henrietta Marsh
Chairman of the Remuneration Committee
1 June 2016

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 ended 31 March 2016 are also shown.

Corporate performance for the year

	FY2016	Changes vs FY2015	FY2015	Changes vs FY2014
Underlying profit before tax	**£14.5m**	+23%	**£11.8m**	+87%
Underlying diluted earnings per share	**17.0p**	+10%	**15.4p**	+31%
Full year dividend per share	**8.05p**	+6%	**7.60p**	+12%
Share price (as at 31 March 2016)	**243.25p**	−6.4%	**260.00p**	+13%

Remuneration outcomes for the Executive Directors for the year ended 31 March 2016

	Nick Jefferies £000		Simon Gibbins £000	
Salary FY2016	425		250	
Bonus (as % of salary)	253	60%	120	48%
Taxable benefits	11		11	
Pension benefits/allowance	64		18	
Value of LTIP vesting[1]	568		263	
Single figure of total remuneration	1,321		662	

1 Closing share price of 245.25p as of 28 March 2016.

Key features of Executive Directors' remuneration packages for the year ending 31 March 2017

Nick Jefferies
Salary of £429,250 p.a. with an additional £4,250 p.a. payable in March 2017, conditional upon the achievement of the Group EBIT budget for the year ending 31 March 2017; annual maximum bonus opportunity of 100% of salary (up to 60% of salary for target performance); LTIP award of 125% of salary vesting in full after three years (subject to satisfying performance conditions), but not exercisable until after five years, with dividend equivalents accruing from the vesting date until the exercise date; pension allowance of 15% of salary; car allowance and family medical insurance.

Simon Gibbins
Salary of £262,500 p.a. with an additional £2,500 p.a. payable in March 2017, conditional upon the achievement of the Group EBIT budget for the year ending 31 March 2017; annual maximum bonus opportunity of 100% of salary (up to 50% of salary for target performance); LTIP award of 90% of salary vesting in full after three years (subject to satisfying performance conditions), but not exercisable until after five years, with dividend equivalents accruing 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 2017 are shown on page 60.

directors' remuneration report continued
annual report on remuneration

Introduction

The following section is required by legislation and explains how the Policy was implemented during the year ended 31 March 2016.

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 for Executive Directors

The table below sets out the single total figure of remuneration received by each Executive Director for the year ended 31 March 2016 and the prior year:

		Salary £000	Benefits[1] £000	Bonus[2] £000	LTIP[3] £000	Pension[4] £000	Total
Nick Jefferies	**FY16**	**425**	**11**	**253**	**568**	**64**	**1,321**
	FY15	330	11	194	688	23	1,246
Simon Gibbins	**FY16**	**250**	**11**	**120**	**263**	**18**	**662**
	FY15	212	11	124	319	14	680

1 Taxable benefits comprise car allowance (£9,000 each), and family medical insurance. The benefits cost the Company £10,746 in total for each of Nick Jefferies and Simon Gibbins.

2 For performance in the year under review, a bonus of 60% and 48% of salary is payable to Nick Jefferies and Simon Gibbins, respectively. Further details can be found on page 49.

3 100% of 2013 LTIP award granted to Nick Jefferies and Simon Gibbins vested on 28 March 2016 at a share price of 245.25p. Further details can be found on page 50.

4 Pension in the year under review for Nick Jefferies was paid as cash in lieu of pension and was equal to 15% of salary (minus employer NI contributions).

Single total figure of remuneration for Non-Executive Directors

	Basic Fee		Committe Chair Fees		SID Fee		Total	
	FY16 £	FY15 £	**FY16 £**	FY15 £	**FY16 £**	FY15 £	**FY16 £**	FY15 £
Richard Moon[1]	**112,000**	104,000	**–**	–	**–**	–	**112,000**	104,000
Richard Brooman[2]	**35,000**	32,000	**4,333**	3,000	**4,667**	1,000	**44,000**	36,000
Henrietta Marsh[2]	**35,000**	32,000	**4,333**	1,500	**–**	–	**39,333**	33,500
Nick Salmon[3]	**11,250**	3,750	**–**	–	**–**	–	**11,250**	3,750
Graham Williams[4]	**–**	24,000	**–**	2,250	**–**	1,500	**–**	27,750
Tracey Graham[5]	**14,583**	–	**–**	–	**–**	–	**14,583**	–
Malcolm Diamond[5]	**14,583**	–	**–**	–	**–**	–	**14,583**	–

1 Fees are paid to Synergie Global Limited, of which Richard Moon is Chairman and a shareholder. There is a basic fee, which was increased to £110,000 p.a. from 1 August 2015, following a benchmarking exercise, and a car allowance of £6,000 p.a.

2 Following benchmarking exercises, the basic fee for a Non-Executive Director was increased from £32,000 p.a. to £35,000 p.a. with effect from 1 April 2015; Committee Chair fee was increased from £3,000 p.a. to £5,000 p.a. with effect from 1 August 2015; and Senior Independent Director's fee was increased from £2,000 p.a. to £6,000 p.a. with effect from 1 August 2015.

3 Appointed as a Director with effect from 1 March 2015 on a basic fee of £45,000 p.a. and stepped down from the Board on 30 June 2015.

4 Resigned as a Director with effect from 31 December 2014.

5 Appointed as a Director with effect from 1 November 2015.

directors' remuneration report continued
annual report on remuneration

Incentive outcomes for Executive Directors for the year ended 31 March 2016

Annual bonus in respect of performance for the year

The maximum bonus opportunity for the year under review was 100% of salary for both the Group Chief Executive and the Group Finance Director. Annual bonuses for the year under review were based on a combination of financial and non-financial performance, with targets set against the annual budget at the start of the year. Financial performance for the year under review was measured against a combination of Group EBIT performance and Simplified Working Capital (SWC), weighted 65% and 15% respectively, with the remaining 20% based on specific individual objectives and Committee discretion as to the overall contribution.

Further details, including the targets set and performance against each of the metrics, are provided in the tables below:

Nick Jefferies

	Weighting	75% Budget	90% Budget	Budget	110% Budget	125% Budget	Actual
Group EBIT (£m)	**65%**	**£12.45m**	**£14.95m**	**£16.60m**	**£18.26m**	**£20.75m**	**£16.30m**
Vesting[1] (% of max)		10%	22%	30%	44%	65%	28.8%
SWC	**15%**	**24.20%**	**22.94%**	**22.10%**	**21.26%**	**20.00%**	**21.80%**
Vesting[1] (% of max)		0%	6%	10%	12%	15%	10.7%
Individual objectives	20%						20.0%
Overall							59.5%

Simon Gibbins

	Weighting	75% Budget	90% Budget	Budget	110% Budget	125% Budget	Actual
Group EBIT (£m)	**65%**	**£12.45m**	**£14.95m**	**£16.60m**	**£18.26m**	**£20.75m**	**£16.30m**
Vesting[1] (% of max)			0%	20%	40%	65%	16.9%
SWC	**15%**	**24.20%**	**22.94%**	**22.10%**	**21.26%**	**20.00%**	**21.80%**
Vesting[1] (% of max)			0%	10%	15%	15%	11.8%
Individual objectives	20%						19.4%
Overall							48.1%

1 Vesting between the points is on a straight-line basis.

Each Executive Director was given a number of individual 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 and value enhancing acquisitions (Nick Jefferies); team development and ensuring the adequacy of group equity and debt funding to meet expansion plans (Simon Gibbins). The Committee decided to award Nick Jefferies 20% and Simon Gibbins19.4% out of the available 20% for their achievement of these personal objectives and the Committee's discretion. This means that, in total for the year under review, Nick Jefferies received a bonus of 59.5% of his salary and Simon Gibbins received a bonus 48.1% of his salary.

The differing EBIT and SWC ranges determining bonus outcomes for Nick Jefferies and Simon Gibbins in the year ended 31 March 2016 reflected the circumstances described in last year's Report. During the year, the Committee reviewed the annual bonus structure for the year ending 31 March 2017 and decided to harmonise these ranges going forward. The ranges for EBIT and SWC will therefore be +/- 15% of budget for both Nick Jefferies and Simon Gibbins. Detail on actual targets will be disclosed in next year's Report.

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2013 LTIP vesting
LTIP Awards were granted on 28 March 2013 to Nick Jefferies and Simon Gibbins with vesting dependent on relative TSR performance against a comparator group made up of constituents of the FTSE Small Cap Index (50%) and absolute TSR as measured against the CPI (50%) from 28 March 2013 to 28 March 2016. The specific targets are as follows:

Relative TSR ranking against the FTSE Small Cap (50% weighting)

Relative TSR ranking against peers	% of award vesting
Upper quartile (or above)	100%
Between median and upper quartile	Straight-line vesting between 25% and 100%
Below median performance	0%

Absolute TSR performance (50% weighting)

Absolute TSR performance	% of award vesting
Equal to or above CPI +20%	100%
Between CPI + 10% p.a. and CPI +20%	Straight-line vesting between 25% and 100%
Below CPI +10%	0%

The TSR is measured by Orient Capital Limited and makes a standard TERP adjustment for the discounted rights issue in June 2014. ACAL's TSR performance was 62% from 28 March 2013 to 28 March 2016. Acal's TSR rank was therefore at the 78th percentile against the FTSE Small Cap and 60ppts above CPI. This meant that 100% of both the relative TSR and absolute TSR elements of the award vested. The resulting values of the awards (which vested on 28 March 2016) for the Executive Directors are as follows:

Director	Interests held[1]	Vesting %	Interest vesting[1]	Vesting date	Share price at vesting[2]	Value at vesting
Nick Jefferies	233,696	100%	233,696	28 March 2016	245.25p	£573,139
Simon Gibbins	108,318	100%	108,318	28 March 2016	245.25p	£265,650

1 The number of shares granted under the plan was adjusted in 2014 for the Company's rights issue. Adjustments were calculated using the recommended HMRC formula.
2 Closing share price at of 28 March 2016.

Share awards made during the year
223,567 and 98,437 shares were granted on 31 March 2016 to Nick Jefferies and Simon Gibbins respectively. The following table contains details of these awards.

Director	Face value as % of Salary	Face value	Number of shares	Threshold vesting (% of face value)	Maximum vesting (% of face value)	End of performance period
Nick Jefferies	125%	£536,562	223,567	25%	100%	31 March 2019
Simon Gibbins	90%	£236,250	98,437			31 March 2019

The face value of these awards has been calculated using the closing share price as of 30 March 2016.

Vesting of these awards is subject to the same performance TSR conditions as the 2013 LTIP awards. Performance will be measured over three years from date of grant (i.e. from 31 March 2016 to 31 March 2019). Vested shares will be also subject to an additional 2-year holding period.

Pension arrangements
The Company does not operate a defined benefit pension scheme. Pension contributions/cash allowances for the Executive Directors are set out in the policy table on pages 56 and 57 of this Report.

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annual report on remuneration

Executive share option schemes ("the Option Schemes")

The performance criteria for the Option Schemes are set out on page 58. Movements in the Executive Directors' holdings of options under the Option Schemes during the year under review are shown below.

	Number held at 31.03.16	Granted	Movements during the year Vested	Exercised	Lapsed	Number held at 31.03.15[1]	Gain on vesting date £000[2]	When exercisable
Nick Jefferies	18,819	–	–	–	–	18,819	7	Sep 2013 to Sep 2020
Simon Gibbins	–	–	–	–	–	–	n/a	n/a

1 The number of shares granted under the plan was adjusted in 2014 for the Company's rights issue. Adjustments were calculated using the recommended HMRC formula.

2 These shares, which are in the form of executive share options, vested on 1 September 2013 at a share price of 187.98p and became exercisable from that date. The share price on grant was 148.00p, producing a gain of £6,583 on the vesting date (the exercise price was zero).

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

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

Movements in the Executive Directors' holdings of nil-cost options under the LTIPs during the year are shown below. The performance criteria for the LTIPs are set out in the policy table on pages 56 and 57. The figures below include adjustments made to holdings during the year ended 31 March 2015 for the Company's rights issue in June 2014.

	Number held at 31.03.16	Granted	Movements during the year Vested	Exercised	Lapsed	Number held at 31.03.15	Vested but not exercised	Share value at 31.03.16 £	When exercisable
Nick Jefferies	804,587(v)[1]	–	–	–	–	804,587	804,587	1,973,249	Mar 2012 to Mar 2019
	340,105(v)[2]	–	–	–	–	340,105	340,105	834,107	Mar 2013 to Mar 2020
	264,593(v)[3]	–		–	–	264,593	264,593	648,914	Mar 2015 to Mar 2022
	233,696(v)[4]	–	233,696	–	–	233,696	233,696	568,466	Mar 2016 to Mar 2023
	183,081(nv)	–	–	–	–	183,081	–	449,006	Mar 2019 to Mar 2024
	245,192(nv)	–	–	–	–	245,192	–	601,333	Mar 2020 to Mar 2025
	223,567(nv)	223,567	–	–	–	–	–	548,298	Mar 2021 to Mar 2026
Simon Gibbins	192,431(v)[5]	–	–	–	–	192,431	192,431	471,937	Jul 2013 to Jul 2020
	122,638(v)[6]	–	–	–	–	122,638	122,638	300,769	Mar 2015 to Mar 2022
	108,318(v)[7]	–	108,318	–	–	108,318	108,318	263,484	Mar 2016 to Mar 2023
	84,683(nv)	–	–	–	–	84,683	–	207,685	Mar 2019 to Mar 2024
	120,192(nv)	–	–	–	–	120,192	–	294,770	Mar 2020 to Mar 2025
	98,437(nv)	98,437	–	–	–	–	–	241,416	Mar 2021 to Mar 2026

(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.

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 (18,819 adjusted) shares are held under the 2010 Company Share Option Plan (see "Executive share options schemes ("the Option Schemes")" above). The shares were adjusted to 340,105 as reported above.

3 The award, in the form of a nil-cost option over 264,593 shares (as adjusted) in the Company, was made to Nick Jefferies 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 The award, in the form of a nil-cost option over 233,696 shares (as adjusted) in the Company, was made to Nick Jefferies on 31 March 2013. 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 2016.

5 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.

6 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.

7 The award, in the form of a nil-cost option over 108,318 shares in the Company, was made to Simon Gibbins on 31 March 2013. 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 2016.

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

directors' remuneration report continued
annual report on remuneration

Directors' interests
The interests of the Directors, who held office as at 31 March 2016 (including family interests) in ordinary shares (fully paid, 5p) of the Company, were as follows:

	Shares held at 31 March 2016					
	Unencumbered shares	Nil cost options vested but not exercised	Shares/nil-cost options vested but subject to additional holding period	Shares/nil cost options subject to performance conditions	*Unencumbered shares held at 31 March 2015*	*Value of current shareholding (% of salary)*
Nick Jefferies	73,796	1,642,981	–	651,840	73,796	973%
Simon Gibbins	28,730	423,387	–	303,312	28,730	419%
Richard Moon	67,600	–	–	–	67,600	–
Richard Brooman	8,000	–	–	–	8,000	–
Henrietta Marsh	10,000	–	–	–	10,000	–
Tracey Graham	–	–	–	–	–	–
Malcolm Diamond	10,000	–	–	–	–	–

The interests of the Directors in the shares of the Company at 1 June 2016 are unchanged from those at 31 March 2016. The values of current shareholdings for Nick Jefferies and Simon Gibbins have been valued using the share price as of 31 March 2016 of 243.25p. Both Executive Directors, during the year under review, agreed to build up/maintain a shareholding of at least 200% of salary, including LTIPs where performance conditions no longer apply, within 5 years. Both Directors have met the current shareholding requirements.

Dilution
The Company's share schemes are funded through a combination of shares purchased in the market and new-issue shares, as appropriate. The Company monitors the number of shares issued under the schemes and their impact on dilution limits.

As of 31 March 2016, around 3.7m shares (5.8 % in the last 10 years) have been, or may be, issued to settle awards made in the last 10 years in connection with all share schemes and executive share schemes respectively. The Company is committed to remaining within The Investment Association's 10% dilution limit.

Payments for loss of office
There were no payments for loss of office during the year.

Payments to past Executive Directors
There were no payments to past Executive Directors during the year.

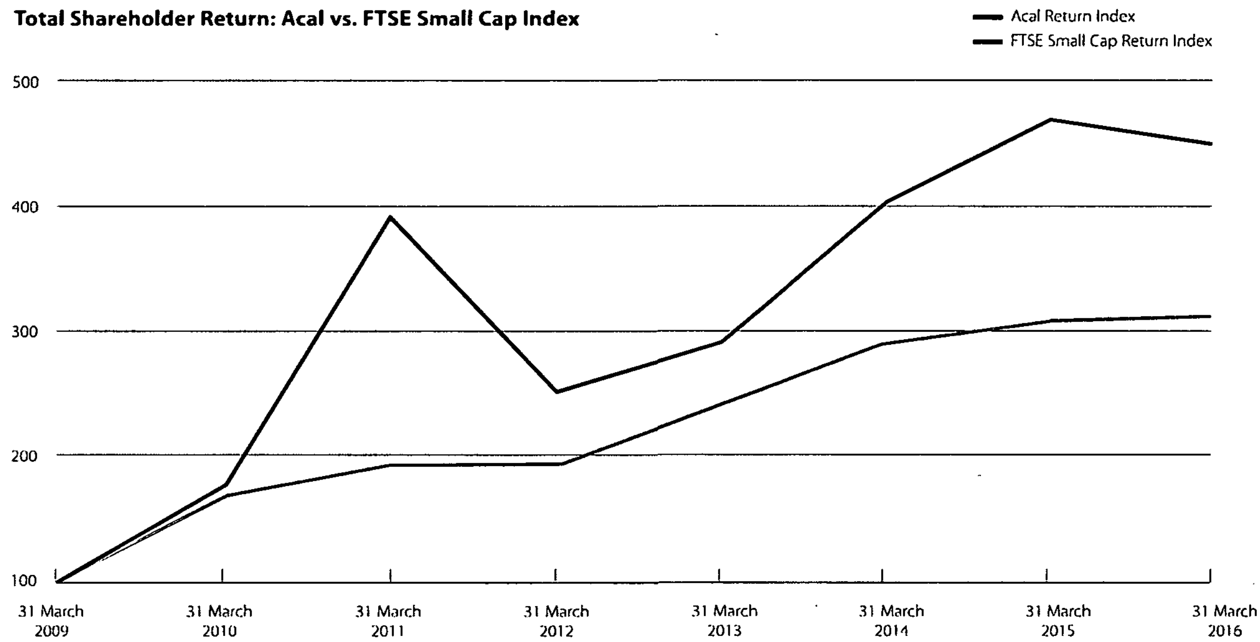
This represents the end of the audited section of the Report.

Pay for performance
The graph below shows Total Shareholder Return (TSR), 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 2016 in a holding of the Company's shares, compared with the corresponding TSR in a hypothetical holding of £100 invested in the FTSE Small Cap Index. This index has been chosen because it is considered to be a reasonable comparator in terms of the Company's size and its share liquidity. The accompanying table details the Group Chief Executive's single figure remuneration and actual variable pay outcomes over the same period.

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

directors' remuneration report continued
annual report on remuneration

Total Shareholder Return: Acal vs. FTSE Small Cap Index



Group Chief Executive remuneration

	2009[1]	2010	2011	2012	2013	2014	2015	2016
Single figure of total remuneration (£000s)	132	289	590	1,613	999	572	1,246	1,326
Salary (£000s)	70	259	280	297	320	320	330	425
Bonus outcome (% of maximum)	–	–	100	10	20	55	59	60
Vested LTIPs and share options (% of maximum)	–	–	–	94	88	9	100	100
Turnover (£m)	165	120	210	207	177	212	271	288
EBIT (£m)	0	(2)	6	7	5	7	13	16

1 Nick Jefferies joined the Company in January 2009.

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 the Group (annualised for acquisitions in both years).

	2016 £000	2015 £000	% change
Group Chief Executive			
Salary	425.0	330.0	+28.8%
Benefits	11.0	11.0	0.0%
Bonus	253.0	194.0	+30.4%
Single figure total	1,326.0	1,246.0	+6.4%
Average per employee			
Salary	13.9	13.4	+3.7%
Benefits	0.6	0.6	0.0%
Bonus	0.8	1.0	-20.0%

directors' remuneration report continued
annual report on remuneration

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.

	2016 £m	2015 £m	% change
Remuneration paid to or receivable by all employees	61.8	56.2	+10%
Distributions to shareholders by way of dividends (net of share issues)	4.9	3.6	+36%

Statement of implementation of the remuneration policy in the financial year ending 31 March 2017

The Company intends to implement the Policy in the financial year ended 31 March 2017 in the way described in the 'remuneration at a glance' section and policy table for the Executive Directors on pages 47, 56 and 57.

With effect from 1 April 2016, the fees of the Non-Executive Directors, including the additional fees payable, will be as follows:

Richard Moon	£112,000 p.a.
Richard Brooman	£47,500 p.a.
Malcolm Diamond	£36,500 p.a.
Tracey Graham	£36,500 p.a.
Henrietta Marsh	£41,500 p.a.

The basic fee for a Non-Executive Director is £36,500 p.a. In addition, the Committee Chair fee is £5,000 p.a. and the Senior Non-Executive Director fee is £6,000 p.a.

In relation to the provision of Richard Moon's services as Non-Executive Chairman, Synergie Global Limited will continue to receive a car allowance of £6,000 p.a.

Composition and role of the Remuneration Committee

The Committee operated throughout the year under review, in accordance with the provisions of the UK Corporate Governance Code. As of 31 March 2016, the Remuneration Committee comprised four members:

Henrietta Marsh (Chairman)
Richard Brooman
Tracey Graham
Richard Moon

The Committee is responsible for considering and making recommendations to the Board on the remuneration of the Executive Directors. In doing so, it reports to the Board on how it has discharged its responsibilities and operates within agreed terms of reference. The full terms of reference for the Committee are available on the Company's website or on request from the Group Company Secretary

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

During the year under review, the Committee held eight formal meetings. The key activities in the 2016 financial year were as follows:

- Reviewed and approved the Executive Directors' performance against financial and non-financial objectives for the year ended 31 March 2016 and the 2013 LTIP targets; determined bonuses payable and approved LTIP vesting;
- Determined salary increases for Executive Directors and the GEC for the year ending 31 March 2017;
- Reviewed and approved pension arrangements for Executive Directors for the year ending 31 March 2017;
- Reviewed and approved the annual bonus structure for Executive Directors and the GEC for the year ending 31 March 2017;
- Appointed Kepler, a brand of Mercer, as the Committee's independent adviser following a competitive tender process;
- Consulted with shareholders on executive remuneration arrangements.

directors' remuneration report continued
annual report on remuneration

Advisers

During the year, the Committee received independent advice on executive remuneration from MM&K Limited (until 30 September 2015) and Kepler, a brand of Mercer, (from 1 October 2015). Kepler was appointed as independent advisers to the Committee following a formal tender process. Kepler and MM&K Limited are both signatories to the Remuneration Consultants' Code of Conduct. Other than in relation to advice on remuneration, neither Kepler, (nor its parent, Mercer) nor MM&K Limited provide other services to the Company. The fees paid to Kepler and MM&K for advice during the year ended 31 March 2016 were £20,000 and £27,000 respectively.

Shareholder voting

2015 AGM resolutions	For		Against		Witheld[2]
Approval of the Annual Report on Remuneration	33,230,177	99.1%	302,591	0.9%	6,152,723
Approval of the Directors' Remuneration Policy	27,124,675	79.2%	7,144,963	20.8%	5,415,853

1 Includes votes at the Chairman's discretion.
2 A vote "withheld" is not a vote in law, and is not counted in the calculation of the proportion of votes for and against the resolution.

The Committee has noted the 79.2% vote for the Director's Remuneration Policy.

During the period up to the AGM, the Committee discussed the Policy extensively with those shareholders who voted in favour as well as those who voted against or abstained from voting on the Policy. The Committee valued highly the feedback it received from shareholders and representative bodies and has endeavoured in this year's Report to address concerns and, where possible, provide greater clarity . Specifically, the Committee has:

1. Included a statement on current dilution relating to equity incentives and the limits by which we abide;
2. Introduced executive shareholding guidelines in the Policy;
3. Disclosed the targets for financial EBIT and Simplified Working Capital ('SWC') for the year under review;
4. Clarified that any bonus for good leavers would be pro-rated for time in employment in the financial year of leaving.

We have also made some changes to both the Policy and Report to improve readability.

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 approved our Policy through a binding vote at the AGM on 29 July 2015. The Remuneration Policy has been implemented from that date. The minor changes which have been made to the Remuneration Policy are as follows:

- Inclusion of a statement that the Company has agreed to provide greater flexibility by offering salary in lieu of pension contributions in light of the 2015 Budget pension changes;
- Clarification that good leavers will receive a bonus pro-rata for time in employment in the financial year;
- Introduction of the executive shareholding guidelines in the Policy table;
- Inclusion of a section which summarises any differences to the Policy for other employees of Acal;
- Relocation of the Non-Executive Director fees payable in a given year from the Policy section to the Report section.

We have also re-worded the base salary, pension, annual bonus and long-term incentive plan sections of the Remuneration Policy table; re-worded and included the 'Remuneration Policy discretion' section as a note to the Remuneration Policy table to improve readability; and updated the Policy with data for the year ending 31 March 2017, where relevant.

Policy table for Executive Directors – key elements of remuneration

	Purpose and link to strategy	Operation
Base salary	To attract and retain quality staff.	Salaries are reviewed annually and normally fixed for 12 months, effective 1 April. The outcome is influenced by: • role, experience and performance; • average change in broader workforce pay; • total organisational salary budgets. Salaries are also benchmarked against companies of a comparable 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. Executive Directors may take a cash allowance in lieu of pension contributions.
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.	Targets (financial and non-financial) are determined and reviewed by the Committee annually and are selected to be relevant to the year in question. Actual bonus payable is determined by the Committee after the financial year-end, based on performance against these targets. Financial objectives are updated to reflect acquisitions, disposals and currency movements during the year. Clawback applies to both paid and unpaid bonus 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, there will be a further two-year holding period. Dividend equivalents will be paid on vested awards in this period. 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 applies to both vested and unvested awards in the event of material misstatement of information or misconduct.

directors' remuneration report continued
directors' remuneration policy

The 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 2 to 28 of this annual report and accounts, and with the long-term interests of its shareholders.

When setting the Policy, the Committee:
- considers market practice in terms of the structure and levels of executive remuneration;
- takes account of pay and employment conditions elsewhere in the Group;
- 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 take these matters into account when adjudicating bonuses and LTIP outcomes;
- enters into open dialogue, and consults with key shareholders, when looking to make material changes to the Policy.

The Committee believes that the Policy, described more fully in the following Policy table, enables the Company to recruit high quality staff in new and higher technology areas and to retain its most able people.

Opportunity	Performance metrics
Any increase will ordinarily be (in % terms of salary) in line with those across the wider workforce. However, salary increases may be higher, in exceptional circumstances, such as the need to retain a critical executive, or an increase in the scope of the executive's role (including promotion to a more senior role) and/or in the size of the Group.	Not applicable
None	Not applicable
Pension allowance: Group Chief Executive – 15.0% of salary Group Finance Director – 6.5% of salary	Not applicable
Award for achievement of budgeted financial and non-financial objectives: Group Chief Executive – 60% of salary Group Finance Director – 50% of salary Maximum opportunity of 100% of salary for significant over-achievement of budgeted financial objectives.	Performance metrics reflect strategic goals and milestones. For the year ending 31 March 2017 the metrics are: Group EBIT: up to 65% of salary for over-budget performance. Simplified Working Capital: up to 15% of salary for over-budget performance. Non-financial objectives: up to 20% of salary.
Maximum opportunity: 150% of salary	Performance metrics reflect strategic goals and milestones. 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, For the financial year ending 31 March 2017 the conditions are: · 50% of the award is based on relative total shareholder return · 50% of the award is based on absolute total shareholder return in excess of CPI · At threshold performance, up to 25% of the award vests

directors' remuneration report continued
directors' remuneration policy

Policy table for Executive Directors – key elements of remuneration continued

	Purpose and link to strategy	Operation
Share-holding guidelines	To align Executive Director's interests with those of shareholders through build up and retention of a personal shareholding.	Shares held which are no longer subject to performance conditions will count towards the requirement. Executive Directors will have 5 years from appointment to accumulate the required shareholding requirement. In the case of existing Executive Directors, the shareholding requirement has already been met.

Notes to Policy table

Annual Bonus and Share Incentive Schemes

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.

In relation to the annual bonus plan, the Committee retains discretion to determine:
- the participants;
- the timing of the payment;
- the determination of the bonus payment;
- the treatment on a change of control;
- the treatment of leavers, based on the rules of the plan and individual circumstances;
- the potential adjustments of performance measures and weightings, and targets for the annual bonus plan, from year to year;
- the review of performance targets if certain events occur (e.g. acquisitions and disposals).

For the share option schemes and the LTIPs, the Committee has the discretion (and is not limited) to determine:
- the participants;
- the timing of the grant of an award;
- the size of an award;
- vesting levels;
- discretion required, when dealing with a change of control or restructuring of the Group;
- the treatment of leavers, based on the rules of the particular plan and individual circumstances;
- potential adjustments if certain events occur (e.g. rights issues, corporate restructuring events and special dividends); and
- the annual review of performance measures and weightings, and targets for the share option schemes and LTIPs for each award.

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 will be explained in the Report 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 page 51 of this annual report and accounts. Awards which have yet to vest remain eligible to vest, based on their original award terms.

Further detail on share incentive schemes

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.

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.

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.

directors' remuneration report continued
directors' remuneration policy

Opportunity	Performance metrics
Executives will be required to hold shares with a value equivalent to 200% of salary.	Not applicable

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% 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 currently operates a defined contribution (money purchase) pension scheme. In accordance with best practice, no fluctuating payments made to the Executive Directors and to the other members 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 by the Company. At the time, this arrangement (which was approved by HMRC) was viewed to be both beneficial to the employee and the Company. However, 2015 Budget pension changes have meant that this arrangement is no longer beneficial for those earning above £210,000 p.a. wishing to make a contribution of over £10,000 into the Scheme. Therefore, the Company has agreed to provide greater flexibility by offering a cash allowance in lieu of pension contributions.

Comparison with remuneration policy for other employees
The Company's approach to salary reviews is consistent throughout the Company with consideration given to responsibility, experience, performance, salary levels in comparable organisations and the Company's ability to pay.

Differing bonus arrangements (which are discretionary) operate elsewhere in the organisation and, subject to role, employees are entitled to benefits such as healthcare, car allowance (or Company-funded vehicle), life assurance and critical illness cover.

Fees for Non-Executive Directors
Fees for the Non-Executive Directors are determined on behalf of the Board by the Non-Executive Directors' Remuneration Committee, while fees for the Chairman are determined by the Committee. When determining fees, due regard is given to fees paid to Non-Executive Directors in other similarly-sized UK quoted companies, the time commitment and the responsibilities of the roles. Non-Executive Directors cannot participate in any of the Company's share incentive schemes. As disclosed on page 54 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.

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

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.

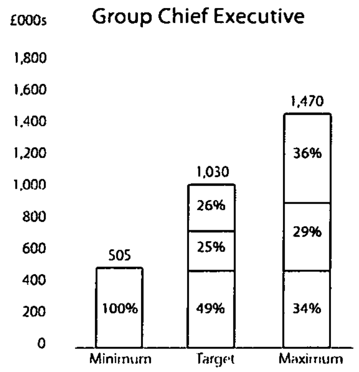
directors' remuneration report continued
directors' remuneration policy

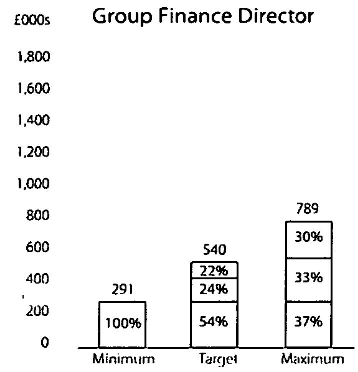
External appointments

The Executive Directors are entitled to accept one appointment 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.

Illustrations of the application of the Executive Directors' remuneration policy

The bar charts below illustrate some possible outcomes of the application of the Policy for the year ending 31 March 2017.





1. Minimum in the bar charts above is fixed remuneration only (i.e. salary, pension and benefits).
2. Target assumes that 50% of the Long-Term Incentive Plan (LTIP) award (coloured grey) granted in the year ended 31 March 2016 vests (125% of salary for the Group Chief Executive and 90% of salary for the Group Finance Director) and bonuses have been earned at the target levels (60% of salary for the Group Chief Executive and 50% of salary for the Group Finance Director; coloured pale blue) as stated in the policy table on pages 56 and 57.
3. Maximum assumes that the maximum LTIP award vests (125% and 90% of salary for the Group Chief Executive Officer and Group Finance Director; coloured grey) and the maximum bonus (100% of salary; coloured pale blue) have been earned as stated in the policy table on pages 56 and 57.

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 a cash allowance in lieu of a pension contribution), 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.

The approach for each component will be to set each in line with the remuneration policy for Executive Directors, except that the approach in respect of compensation for forfeited 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 appointment 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. In January 2015, he committed to stay with Acal for at least the following three years. Simon Gibbins also 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 Global Limited for the provision of the services of Richard Moon dated 31 March 2005 (as amended), which expires on 31 July 2017 and which may be terminated earlier;
b. with Richard Brooman for his services dated 7 December 2012 (as amended), which expires on 31 December 2016 and which may be terminated earlier;

directors' remuneration report continued
directors' remuneration policy

c with Henrietta Marsh for her services dated 22 April 2013 (as amended), which expires on 30 April 2017 and which may be terminated earlier.
d with Tracey Graham for her services dated 23 October 2015, which expires on 31 October 2016 and which may be terminated earlier; and
e with Malcolm Diamond for his services dated 23 October 2015, which expires on 31 October 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.

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.

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 and the cost to the Company of providing all other benefits (excluding pension allowance) 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 LTIP awards on termination will be in accordance with the plan rules 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 monthly amount, in aggregate (excluding the pension payment), may be reduced by half of one month's basic salary in excess of the pre-agreed rate.

If identified as a 'good leaver', for the purposes of the bonus plan, the bonus payout will be subject to time pro-rating to reflect the time period in employment as well as the achievement of targets to that date.

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-rata 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. This is under exceptional circumstances only.

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 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 remuneration received by the Executive Directors and the creation of shareholder value.

As mentioned on page 57 of this annual report and accounts, when setting the 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 practice, and take these into account. It seeks the views of key shareholders on matters of remuneration in which it believes they may be interested.

directors' responsibilities statement

The Directors are responsible for preparing the annual report and financial statements in accordance with the 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 2016 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 2016

report of the auditor

Independent auditor's report to the members of Acal plc

Our opinion on the financial statements

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 2016 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 (IFRSs) as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101 "Reduced Disclosure Framework"; 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 Annual Report and Accounts of Acal plc for the year ended 31 March 2016, which comprise the following:

In respect of the Group financial statements:

The consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes 1 to 36.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and IFRSs as adopted by the European Union.

In respect of the Parent Company financial statements:

The company balance sheet, company statement of changes in equity and the related notes 1 to 9.

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), including FRS 101 "Reduced Disclosure Framework".

Overview of our audit approach

We have identified the following risks of material misstatement	• Inappropriate revenue recognition
	• The risk of management override arising from:
	  • the recognition and valuation of judgmental provisions; and
	  • the presentation of recurring items as exceptional

The scope of our audit	• We performed an audit of the complete financial information of eleven components and audit procedures on specific balances of a further 36 components.
	• The components where we performed full or specific audit procedures accounted for:
	  • 100% of normalised pre-tax earnings (statutory pre-tax earnings adjusted for non-recurring exceptional items) of profit-making entities;
	  • 95% of normalised pre-tax earnings of loss making entities;
	  • 100% of revenue; and
	  • 99% of total assets.

Materiality applied in performing our procedures	• Final Group materiality is £515k (FY 15: £458k), which represents 5% of normalised pre-tax earnings.

Our assessment of risks of material misstatement

We identified the risks of material misstatement described below as those that had the greatest effect on our overall audit strategy, the allocation of resources in the audit and the direction of the efforts of the audit team. In addressing these risks, we have performed the procedures below, which were designed in the context of the financial statements as a whole and consequently, we do not express an opinion on these individual areas.

report of the auditor continued

<table>
<tr><td colspan="2">Inappropriate revenue recognition

During the year the Group recognised revenue of £287.7m (FY 15: £271.1m).</td><td>Our judgment on the risk profile of the Group:
The risk profile has remained stable</td></tr>
<tr><td colspan="3">We determined that there is a risk of material misstatement associated with revenue recognition as revenue is the most significant item in the consolidated income statement and impacts the majority of the key performance indicators, and key strategic indicators set-out in the Chief Executive Officer's operating review. Revenue substantially arises from the sale of goods, which was the focus of our audit procedures.</td></tr>
<tr><td>Summary of the nature of the risk

The risk of inappropriate revenue recognition arises from the following:
• recognition of revenue in the wrong period;
• revenue not being recognised in line with IFRS; and
• Manipulation of year-end revenue through management override.</td><td>Our planned procedures in response to the risk identified included the following:

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.

Our procedures included the following:

• We developed an understanding of the sales cycle and obtained details of transactions occurring immediately prior to, and following the reporting date. We selected a sample of transactions for testing and obtained the terms specific to the transaction. We developed an expectation of the correct period in which revenue should be recognised and compared our expectation to the actual period of recognition.

• We 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.

Instructions to perform the above were issued to all 47 full and specific scope locations, which covered 100% of consolidated revenue.</td><td>Our conclusion to the audit committee

We identified a number of instances where revenue was recognised in the wrong period. However, the financial effect was not material in the context of consolidated revenue or the consolidated financial statements as a whole.

We concluded revenue recognition was materially appropriate.</td></tr>
<tr><td colspan="3">Supporting references in the Annual Report and Accounts:
The Audit Committee Report (pages 39-41);
Accounting policies (pages 77-83); and
Note 4 of the Consolidated Financial Statements (page 84)</td></tr>
</table>

report of the auditor continued

<table>
<tr><td>Management override arising from the recognition and valuation of judgmental provisions
Total provisions of £6.5m (FY 15: £6.1m) are included on the Group statement of financial position.</td><td colspan="2">Our judgment on the risk profile of the Group:
The risk profile has remained stable</td></tr>
<tr><td colspan="3">The Group's trading operations principally comprise non-complex transactions, which involve limited judgment. We determined that certain provisions (as set-out below) contain a risk of material misstatement as this is the principal area of judgment in the Group's statement of financial position.</td></tr>
<tr><td>Summary of the nature of the risk

We identified risk to be present in the following:
a Judgmental sales related accruals;
b Transfer pricing provisions;
c Other judgmental provisions such as warranty, restructuring, onerous contracts and dilapidation provisions; and
d Provisions for uncertain tax positions.</td><td>Our planned procedures in response to the risk identified included the following:

• Reviewing unusual journal entries at the subsidiary and Group levels with specific emphasis on the release of provisions, particularly those arising from the numerous business combinations the Group has entered into during recent years;
• In respect of sales related accruals (including warranties), we reviewed specific customer agreements to determine whether unrecorded performance obligations existed;
• We audited the completeness of uncertain tax provisions, and transfer pricing provisions with the assistance of our tax specialist;
• We obtained third party evidence used to calculate material severance obligations and involved our international teams in the relevant jurisdictions to support the audit of these;
• We reviewed judgments made in recording dilapidation provisions and compared these to the terms of underlying rental agreements;
• We reviewed the performance of individual locations to determine whether an onerous lease could exist;
• We reviewed the historical accuracy of provisions by challenging the basis underlying each provision. We also examined the utilisation or release of previously recorded provisions; and
• We assessed the adequacy of the Group's disclosures set out in note 26 to the financial statements.

Instructions to perform the above were issued to all 47 full and specific scope locations.</td><td>Our conclusion to the audit committee

We considered the best estimate of the exposure identified by management and whether provisions were within an acceptable range.

We concluded the basis for recognising provisions, and the release of provisions were appropriate.</td></tr>
<tr><td colspan="3">Supporting references in the Annual Report and Accounts:
The Audit Committee Report (pages 39-41);
Accounting policies (pages 77-83); and
Note 26 of the Consolidated Financial Statements (pages 106-107)</td></tr>
</table>

report of the auditor continued

<table>
<tr><td colspan="2">Management override arising from the presentation of recurring items as exceptional
£1.8m (FY 15: £5.0m) of costs incurred in the year are classified as exceptional.</td><td>Our judgment on the risk profile of the Group:
The risk profile has remained stable</td></tr>
<tr><td colspan="3">We determined that exceptional items contain a risk of material misstatement as adjusted performance measures are regularly referred to by management in describing the Group's performance. The principal area of judgment in the adjusted measures relates to exceptional costs.</td></tr>
<tr><td>Summary of the nature of the risk</td><td>Our planned procedures in response to the risk identified included the following:</td><td>Our conclusion to the audit committee</td></tr>
<tr><td>Costs could inappropriately be presented as exceptional to enhance underlying earnings</td><td>We obtained a breakdown of exceptional items and determined whether the underlying event was 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 Chief Executive Officer's operating review.

We placed emphasis on acquisition related costs and electronics restructuring costs, which has been classified as exceptional for a number of years.

We verified whether the supporting disclosure in the Annual Report is consistent with the costs being reported as exceptional.

The audit of judgments made in classifying costs as exceptional was performed by the Group team.</td><td>We concluded the presentation of items as exceptional is appropriate, as they are either significant to the understanding of the results of the Group, or the completion of prior year restructuring programmes.</td></tr>
<tr><td colspan="3">Supporting references in the Annual Report and Accounts:
The Audit Committee Report (pages 39-41);
Accounting policies (pages 77-83); and
Note 6 of the Consolidated Financial Statements (page 87)</td></tr>
</table>

Our FY 15 audit report also included a risk of material misstatement in relation to the accounting for acquisitions, primarily as a result of the acquisition of Noratel, which was a significant acquisition for the Group. We determined that exposure to this risk decreased in FY 16 as there were no acquisitions of similar scale or complexity. We also reported the risk arising from judgmental current tax provisions as a separate item in FY 15, and have merged this into the risk of management override in FY 16. The risk in both years related to management override.

The scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the Group. Taken together, these enable us to form an opinion on the consolidated financial statements. In allocating a scope to individual components we took into account size, the country risk profile, the organisation of the Group and effectiveness of Group-wide controls, changes in the business environment and other factors such as recent internal audit results and the perception of fraud in the relevant location.

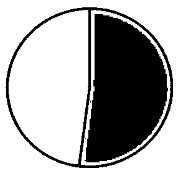
The Group has a diverse complex structure, which includes 82 components spread across 22 locations. In line with the Group's operating model the individual components typically operate in a decentralised manner. In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we selected 47 components covering entities within the United Kingdom, Germany, France, Poland, Norway, Sweden, India, Sri Lanka, China, South Africa, Thailand, Italy Spain, Belgium, Netherlands, Hong Kong, Finland, the United States of America, Denmark, Slovakia and Canada, which represent the principal business units within the Group.

report of the auditor continued

Of the 47 components selected, we performed an audit of the complete financial information of eleven components ("full scope components"), which were selected based on their size or risk characteristics. For the remaining 36 components ("specific scope components"), we performed audit procedures on specific accounts that we determined had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

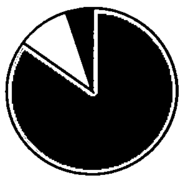
The graphs and table below summarise the reporting components and the extent of audit procedures:

Normalised pre-tax earnings: profit making entities



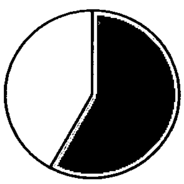
- ⊙ 52% full scope components
- ○ 48% specific scope components
- ● 0% other procedures

Normalised pre-tax earnings: loss making entities



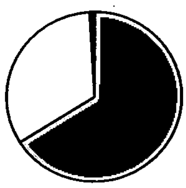
- ⊙ 85% full scope components
- ○ 10% specific scope components
- ● 5% other procedures

Revenue



- ⊙ 58% full scope components
- ○ 42% specific scope components
- ● 0% other procedures

Total assets



- ⊙ 66% full scope components
- ○ 33% specific scope components
- ● 1% other procedures

Changes to our scoping at component level arose due to differing contributions of components to the Group's results, these primarily related to FY 15 acquisitions, which contributed a full year of earnings to the Group in FY 16.

Components not audited by EY global network firms were isolated to China, which comprises 13% (FY 15: 3%) of normalised pre-tax earnings of profit making entities and 6% (FY 15: 1%) of group revenue. Additional supervisory and review procedures were performed by our local EY global network firm, who subsequently provided us as a Group team with a summary of their findings. A planning briefing was held with all parties including the non-EY global network firm prior to the work commencing.

The audit scope of specific scope components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. We also instructed 5 locations in countries with higher exposure to fraud and corruption risk to perform specified procedures over certain aspects of cash payments, and with respect to certain types of transactions relating to hospitality, gifts, entertainment and charitable donations.

Of the remaining 35 components, none is individually greater than 0.6% of the relevant reporting measure above. For these components, we performed other procedures, including analytical procedures, testing of entity level controls at Group level and review of the Group financial statement close process to respond to any potential risks of material misstatement to the Group financial statements.

Involvement with component teams

In establishing our overall approach to the Group audit, we determined the nature of work that needed to be undertaken at each of the components by us, as the Group team, or by component auditors from other EY global network firms operating under our instruction. Of the eleven full scope components, audit procedures were performed on four components directly by the Group team. For the 36 specific scope components, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

report of the auditor continued

The Group audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor or a suitably senior member of the Group team physically participates in the closing meeting of most full scope components. During the current year's audit cycle, visits were undertaken by the Group audit team to the component teams in Germany, France, Italy, Poland, Norway and Sweden. These visits involved discussing with the component team issues arising from their work, meeting with local management, attending closing meetings and reviewing key audit working papers on areas that carry a risk of material misstatement to the Group.

We held a planning meeting, which all international teams were required to attend and held a closing briefing with all specific scope locations to discuss the findings of their procedures, specifically focusing on areas of material misstatement. We also issued detailed reporting instructions to component teams setting out our expectation of procedures to be performed, including those on areas of potential material misstatement. The above, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion. The key measures applied are illustrated and explained below:

	FY 16 £	FY 15 £	Explanatory narrative
Materiality	515k	458k	A
Performance materiality	386k	229k	B
Reporting threshold	26k	23k	C

A Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

Our calculation of materiality is summarised below:

	£000's
Statutory pre-tax earnings	9,359
Add back: Non-recurring acquisition costs	946
Normalised pre-tax earnings	**10,305**
Normalised pre-tax earnings x 5%	515

At planning, we determined materiality for the Group to be £615k (2015: £458k), which is 5% of normalised pre-tax earnings. We calculated planning materiality based on forecasted results of the Group. During our year-end procedures we updated materiality based on actual results. Final materiality was £515k.

FY 15 materiality was £458k. Whilst there has been no change to the basis of calculating materiality, the amount has increased due to FY 16 including a full year of earnings from the Noratel group, which was a significant acquisition in FY 15.

Based on the operations of the Group, we believe that normalised pre-tax earnings is the most relevant performance measure for management and users of the financial statements.

B Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement at planning was that performance materiality was 75% (FY 15: 50%) of materiality, calculated at £461k (FY 15: £229k). Final performance materiality was £386k. During FY 15, we used a lower multiple to reach performance materiality due to the magnitude of the Noratel acquisition, which we were still developing our understanding of. In moving to 75%, we also factored in our experience of the wider Group FY 15 audit, including that of Noratel and our expectation of audit differences. The increase in performance materiality also partially arose from higher normalised earnings.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £75k to £280k (2015: £46k to £130k).

report of the auditor continued

C Reporting threshold
An amount below which identified misstatements are considered as being clearly trivial.

At planning, we agreed with the Audit Committee that we would report all uncorrected audit differences in excess of £31k (FY 15: £23k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We updated the reporting threshold to £26k. There was an increase in our reporting threshold due to higher normalised earnings, as explained in the previous two sub-sections.

We evaluated any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion and concluded the impact of unadjusted audit differences to be immaterial.

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 and Accounts 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.

Respective responsibilities of directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 62, 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.

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.

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 62 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

ISAs (UK and Ireland) reporting	We are required to report to you if, in our opinion, financial and non-financial 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 • otherwise misleading. In particular, we are required to report whether we have identified any inconsistencies between our knowledge acquired in the course of performing the audit and the directors' statement that they consider the annual report and accounts taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the entity's performance, business model and strategy; and whether the annual report appropriately addresses those matters that we communicated to the audit committee that we consider should have been disclosed.	We have no exceptions to report.

report of the auditor continued

Companies Act 2006 reporting	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.	We have no exceptions to report.
Listing Rules review requirements	We are required to review: • the directors' statement in relation to going concern, which is set-out on page 35; and the longer-term viability, which is set out on page 24; and • the part of the Corporate Governance Statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review.	We have no exceptions to report.

Statement on the Directors' Assessment of the Principal Risks that would threaten the solvency or liquidity of the entity

ISAs (UK and Ireland) reporting	We are required to give a statement as to whether we have anything material to add or to draw attention to in relation to: • the directors' confirmation in the annual report that they have carried out a robust assessment of the principal risks facing the entity, including those that would threaten its business model, future performance, solvency or liquidity; • the disclosures in the annual report that describe those risks and explain how they are being managed or mitigated; • the directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and • the directors' explanation in the annual report as to how they have assessed the prospects of the entity, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.	We have nothing material to add or to draw attention to.

Steven Dobson (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
1 June 2016

Notes:
1 The maintenance and integrity of the Acal plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site; and
2 Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

consolidated income statement

for the year ended 31 March 2016

	notes	2016 £m	2015 £m
Revenue	4	**287.7**	271.1
Cost of sales		**(195.1)**	(186.7)
Gross profit		**92.6**	84.4
Selling and distribution costs		**(43.4)**	(44.0)
Administrative expenses (including exceptional items)		**(37.8)**	(34.3)
Operating profit	7	**11.4**	6.1
Finance revenue	9	**0.3**	0.1
Finance costs	9	**(2.3)**	(1.9)
Profit before tax		**9.4**	4.3
Tax expense	10	**(2.2)**	(1.4)
Profit for the year		**7.2**	2.9
Earnings per share	14		
Basic		**11.4p**	5.0p
Diluted		**10.9p**	4.8p

supplementary income statement information

Underlying performance measure	notes	2016 £m	2015 £m
Operating profit	7	**11.4**	6.1
Add back: Exceptional items	6	**1.8**	5.0
Amortisation of acquired intangible assets	18	**2.8**	2.1
IAS 19 pension administrative charge	33	**0.3**	0.2
Underlying operating profit		**16.3**	13.4
Profit before tax		**9.4**	4.3
Add back: Exceptional items	6	**1.8**	5.0
Amortisation of acquired intangible assets	18	**2.8**	2.1
Total IAS 19 pension charge	33	**0.5**	0.4
Underlying profit before tax		**14.5**	11.8
Underlying earnings per share	14		
Basic		**17.9p**	16.3p
Diluted		**17.0p**	15.4p

consolidated statement of comprehensive income

for the year ended 31 March 2016

	notes	2016 £m	2015 £m
Profit for the year		**7.2**	2.9
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss:			
Actuarial gain/(loss) on defined benefit pension scheme	33	**0.7**	(2.0)
Deferred tax (charge)/credit relating to the defined benefit pension scheme	10	**(0.2)**	0.4
		0.5	(1.6)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign subsidiaries		**3.4**	(8.0)
Effective portion of changes in fair value of cash flow hedges		**(0.7)**	0.6
		2.7	(7.4)
Other comprehensive profit/(loss) for the year, net of tax		**3.2**	(9.0)
Total comprehensive profit/(loss) for the year, net of tax		**10.4**	(6.1)

consolidated statement of financial position

at 31 March 2016

	notes	2016 £m	2015 £m
Non-current assets			
Property, plant and equipment	15	**14.7**	13.8
Intangible assets – goodwill	16	**63.6**	51.6
Intangible assets – other	18	**24.6**	18.3
Deferred tax assets	10	**5.5**	4.9
		108.4	88.6
Current assets			
Inventories	20	**42.9**	39.8
Trade and other receivables	21	**65.5**	60.2
Other financial assets	28	**–**	0.6
Cash and cash equivalents	22	**19.9**	26.7
		128.3	127.3
Total assets		**236.7**	215.9
Current liabilities			
Trade and other payables	29	**(55.2)**	(56.2)
Other financial liabilities	23	**(0.8)**	(0.2)
Current tax liabilities		**(2.7)**	(2.3)
Provisions	26	**(3.0)**	(3.4)
		(61.7)	(62.1)
Non-current liabilities			
Other financial liabilities	23	**(57.2)**	(45.5)
Pension liability	33	**(5.6)**	(7.4)
Provisions	26	**(3.5)**	(2.7)
Deferred tax liabilities	10	**(6.8)**	(5.5)
		(73.1)	(61.1)
Total liabilities		**(134.8)**	(123.2)
Net assets		**101.9**	92.7
Equity			
Share capital	30	**3.2**	3.1
Share premium		**95.6**	92.7
Merger reserve		**3.0**	3.0
Currency translation reserve		**(4.4)**	(7.8)
Retained earnings		**4.5**	1.7
Total equity		**101.9**	92.7

These financial statements were approved by the Board of Directors on 1 June 2016 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 2016

	Attributable to equity holders of the Company					
	Share capital £m	Share premium £m	Merger reserve £m	Currency translation reserve £m	Retained earnings £m	Total equity £m
At 1 April 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 30)	1.5	54.4	–	–	–	55.9
Share issue costs (note 30)	–	(2.4)	–	–	–	(2.4)
Share-based payments including tax	–	–	–	–	0.4	0.4
Dividends (note 13)	–	–	–	–	(3.6)	(3.6)
At 31 March 2015	**3.1**	**92.7**	**3.0**	**(7.8)**	**1.7**	**92.7**
Profit for the year	–	–	–	–	7.2	7.2
Other comprehensive income	–	–	–	3.4	(0.2)	3.2
Total comprehensive income	–	–	–	3.4	7.0	10.4
Shares issued (note 30)	0.1	2.9	–	–	–	3.0
Share-based payments including tax	–	–	–	–	0.7	0.7
Dividends (note 13)	–	–	–	–	(4.9)	(4.9)
At 31 March 2016	**3.2**	**95.6**	**3.0**	**(4.4)**	**4.5**	**101.9**

On 14 January 2016, the Company issued 1,080,420 shares ("Consideration Shares") to the shareholders of Contour Holdings Limited and its affiliate Contour Electronics Asia Limited (together defined as "Contour") in connection with the acquisition of Contour. The fair value of the shares issued was £3.0m.

The difference between the nominal value of the shares issued and the gross proceeds was credited to the share premium account. See notes 11 and 30 to the financial statements.

During the year to 31 March 2016, 82,928 share options were exercised by employees under the terms of the various share option schemes (2015: nil). Details are given in note 32 to the Group financial statements.

consolidated statement of cash flows

for the year ended 31 March 2016

	notes	2016 £m	2015 £m
Net cash flows from operating activities	25	**8.2**	1.6
Investing activities			
Acquisition of shares in subsidiaries (net of cash/(debt) acquired)	11	**(19.9)**	(42.7)
Proceeds from the disposal of business (net of disposal costs)	12	**–**	5.3
Purchases of property, plant and equipment		**(1.6)**	(2.2)
Purchase of intangible assets – software		**(0.7)**	(0.3)
Proceeds from the disposal of property, plant and equipment		**0.1**	0.1
Interest received	9	**0.3**	0.1
Net cash used in investing activities		**(21.8)**	(39.7)
Financing activities			
Net proceeds from issue of shares	30	**–**	52.7
Proceeds from borrowings		**9.9**	56.2
Repayment of borrowings		**–**	(51.2)
Dividends paid	13	**(4.9)**	(3.6)
Net cash from financing activities		**5.0**	54.1
Net (decrease)/increase in cash and cash equivalents[1]		**(8.6)**	16.0
Cash and cash equivalents at 1 April		**26.6**	11.9
Effect of exchange rate fluctuations		**1.2**	(1.3)
Cash and cash equivalents at 31 March		**19.2**	26.6
Reconciliation to cash and cash equivalents in the consolidated statement of financial position			
Cash and cash equivalents shown above		**19.2**	26.6
Add back: bank overdrafts	23	**0.7**	0.1
Cash and cash equivalents presented in current assets in the consolidated statement of financial position	22	**19.9**	26.7

1 Further information on the consolidated statement of cash flows is provided in notes 24 and 25.

notes to the group financial statements

for the year ended 31 March 2016

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 2016 were authorised for issue by the Board of Directors on 1 June 2016. 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 2016. 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 28. 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 25 and 26 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 excluding exceptional items, amortisation of acquired intangible assets and the IAS19 pension administration charge relating to the Group's legacy defined benefit pension scheme.

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 before tax excluding exceptional items, amortisation of acquired intangible assets and the total 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 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.

Organic basis
Reference to 'organic' basis included in the Chairman's statement, Chief Executive's Operating review and Finance review of the Strategic Report means at constant exchange rates ("CER"), including the matching pre-acquisition periods of the Noratel Group and Foss Group, which were acquired last year, and of Flux A/S, Contour and Plitron Inc, which were acquired this year.

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 acquired 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 dispatched 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

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 17).

The recognition and quantification of provisions

Judgement 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 26 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. Note 11 provides details of contingent consideration and earn-outs arising from business combinations.

Fair value of assets acquired in a business combination

Judgements 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 2016 are set out in note 33.

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. Note 10 provides details of taxation.

Current assets

In the course of normal trading activities, judgement 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 Financial Statements	1 January 2016
IAS 16	Amendments: Property, Plant & Equipment	1 January 2016
IAS 38	Amendments: Intangible Assets	1 January 2016
IFRS 9	Financial Instruments: Classification and measurement	1 January 2018*
IFRS 15	Revenue from Contracts with Customers	1 January 2018*
IFRS 16	Leases	1 January 2019*

*Not yet endorsed by the European Union

A full impact assessment of the new standards will be carried out in due course.

4 Revenue

Group revenue is analysed below:	**2016 £m**	2015 £m
Sale of goods	**283.0**	266.2
Rendering of services	**4.7**	4.9
Total revenue	**287.7**	271.1

5 Operating segment information

The Group organises its businesses into two divisions, Design & Manufacturing and Custom Distribution.

- The Design & Manufacturing division manufactures custom electronic products that are uniquely designed or modified from a standard product for a specific customer requirement. The products are manufactured at one of our in-house manufacturing facilities or, in a few cases, by third party contractors.
- 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 Design & Manufacturing division.

These two divisions have been assessed as the reportable operating segments of the Group. Within each reportable operating segment are aggregated businesses 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

2016	Design & Manufacturing £m	Custom Distribution £m	Unallocated £m	Total £m
Revenue	**137.6**	**150.1**	**–**	**287.7**
Result				
Underlying operating profit/(loss)	16.5	4.7	(4.9)	16.3
Exceptional items – Earn-outs	(0.6)	–	–	(0.6)
Exceptional items – acquisition and related integration costs	(1.0)	–	–	(1.0)
Exceptional items – restructuring	–	(0.2)	–	(0.2)
Amortisation of acquired intangible assets	(2.5)	(0.3)	–	(2.8)
IAS 19 pension charge	–	–	(0.3)	(0.3)
Operating profit/(loss)	**12.4**	**4.2**	**(5.2)**	**11.4**

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

Segment assets and liabilities

2016 **Assets and liabilities**	Design & Manufacturing £m	Custom Distribution £m	Total £m
Segment assets (excluding goodwill and other intangible assets)	72.8	49.3	122.1
Goodwill and other intangible assets	78.7	8.6	87.3
	151.5	57.9	209.4
Central assets			1.9
Cash and cash equivalents			19.9
Deferred tax assets			5.5
Total assets			**236.7**
Segment liabilities	(26.5)	(27.7)	(54.2)
Central liabilities			(7.5)
Other financial liabilities			(58.0)
Pension liability			(5.6)
Current and deferred tax liabilities			(9.5)
Total liabilities			**(134.8)**
Net assets			**101.9**

notes to the group financial statements continued

5 Operating segment information continued

2015 **Assets and liabilities**	Design & Manufacturing £m	Custom Distribution £m	Total £m
Segment assets (excluding goodwill and other intangible assets)	60.3	52.6	112.9
Goodwill and other intangible assets	56.8	12.1	68.9
	117.1	64.7	181.8
Central assets			2.5
Cash and cash equivalents			26.7
Deferred tax assets			4.9
Total assets			**215.9**
Segment liabilities	(24.0)	(32.3)	(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**

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.

	Depreciation and amortisation		Additions to non-current assets	
Other segment information	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Design & Manufacturing	**4.5**	3.4	**22.1**	64.4
Custom Distribution	**0.8**	0.9	**0.4**	0.6
Central	**0.3**	0.4	**0.2**	0.1
	5.6	4.7	**22.7**	65.1

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		Non-current assets	
	2016 £m	2015 £m	**2016 £m**	2015 £m
UK	**52.9**	49.9	**21.7**	13.0
Europe	**197.5**	186.9	**79.6**	70.6
Rest of the World	**37.3**	34.3	**7.1**	5.0
	287.7	271.1	**108.4**	88.6

notes to the group financial statements continued

6 Exceptional items

		2016 £m	2015 £m
Earn-outs	(a)	**(0.6)**	(0.8)
Acquisition and related integration costs	(b)	**(1.0)**	(2.5)
Acal BFi restructuring costs	(c)	**(0.2)**	(1.7)
Net exceptional items (included within administrative expenses)		**(1.8)**	(5.0)
Tax impact of exceptional items above		**-**	0.1
Exceptional items after tax		**(1.8)**	(4.9)

a) A £0.6m charge was provided for the earn-outs relating to the acquisition of the Myrra Group and Contour.

b) Acquisition and related integration costs relate mainly to the acquisitions of Flux, Contour and Plitron.

Last year, the acquisition and related integration costs related mainly to the acquisitions of Noratel and Foss, and residual costs relating to the integration of YEG into Acal BFi .

c) Acal BFi restructuring costs were £0.2m, which relate to the termination of the UK Managing Director.

Last year, 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.

7 Operating profit

Amounts charged to the consolidated income statement are as follows:

	2016 £m	2015 £m
Employee costs (note 8)	**61.8**	56.2
Depreciation of property, plant and equipment (note 15)	**2.2**	2.1
Amortisation of other intangible assets (note 18)	**3.4**	2.6
Net foreign exchange differences	**0.1**	-
Inventories (amounts included in cost of sales):		
Cost of inventories	**193.4**	184.2
Write-down of inventories to net realisable value	**1.1**	1.1
Operating lease rentals:		
Minimum lease payments recognised as an operating lease expense	**4.5**	3.0
Auditors' remuneration:		
Audit of the Group financial statements (including parent company)	**0.2**	0.2
Other fees to auditor – local statutory audits for subsidiaries	**0.4**	0.4
Tax and other non-audit services	**0.1**	0.1

notes to the group financial statements continued

8 Employee costs and Directors' emoluments

	2016 £m	2015 £m
Wages and salaries	**50.3**	45.2
Social security costs	**8.5**	8.1
Pension costs	**2.3**	2.3
Share-based payments (note 32)	**0.7**	0.6
	61.8	56.2

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

	2016 Number	2015 Number
Sales and marketing	**623**	638
Manufacturing and service	**2,799**	1,655
Administration	**363**	258
	3,785	2,551

At 31 March 2016 the Group had 3,807 employees (2015: 3,329). Head count increased primarily as a result of the acquisitions of Flux, Contour and Piltron.

Directors' emoluments	2016 £	2015 £
Aggregate emoluments in respect of qualifying services	**1,134,557**	881,486
Aggregate contribution to money purchase pension schemes	**17,266**	36,880
	1,151,823	918,366
Highest paid director		
Emoluments in respect of qualifying services	**752,371**	534,240
Pension contributions to the defined contribution scheme	**–**	23,100
	752,371	557,340

Retirement benefits are accruing to two directors under a defined contribution pension scheme (2015: two).

Further details of Directors' emoluments are provided in the remuneration report on pages 44 to 61.

9 Finance revenue/(costs)

	2016 £m	2015 £m
Interest receivable and similar income	**0.3**	0.1
Finance revenue	**0.3**	0.1
Finance costs on bank loans and overdrafts	**(2.1)**	(1.7)
Net pension finance charge (note 33)	**(0.2)**	(0.2)
Finance costs	**(2.3)**	(1.9)

notes to the group financial statements continued

10 Taxation

The major components of corporation tax expense are summarised below:

	2016 £m	2015 £m
Current taxation		
UK corporation tax	–	0.1
UK adjustments in respect of prior years	–	(0.1)
	–	–
Overseas tax	**3.7**	3.1
Overseas adjustments in respect of prior years	**0.1**	(0.9)
	3.8	2.2
Total current taxation expense	**3.8**	2.2
Deferred taxation		
Origination and reversal of temporary differences within the UK	**0.1**	–
Origination and reversal of temporary differences overseas	**(0.5)**	(0.9)
Adjustment in respect of prior years	**(0.4)**	0.1
Increased recognition of historic losses	**(0.6)**	–
Impact of tax rate changes	**(0.2)**	–
Total deferred taxation credit	**(1.6)**	(0.8)
Tax expense reported in the consolidated income statement	**2.2**	1.4

Tax recognised in other comprehensive income	2016 £m	2015 £m
(Decrease)/increase in deferred tax asset on pension deficit	**(0.2)**	0.4
Tax reported in other comprehensive income	**(0.2)**	0.4

Tax recognised in equity	2016 £m	2015 £m
Increase/(decrease) in deferred tax asset on share based payments	**0.1**	(0.2)
Tax reported in equity	**0.1**	(0.2)

notes to the group financial statements continued

10 Taxation continued

The effective rate of taxation for the year is higher (2015: higher) than the standard rate of taxation in the UK of 20% (2015: 21%). 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 2016 and 31 March 2015 respectively is presented below:

	2016 £m	2015 £m
Profit before tax	**9.4**	4.3
Profit before taxation multiplied by standard rate of corporation tax in the UK of 20% (2015: 21%)	**1.9**	0.9
Effect of:		
Different tax rates in overseas companies	**0.8**	0.4
Tax losses not recognised/(utilisation of previously unrecognised losses)	**(0.1)**	0.3
Non-deductible expenses	**0.7**	0.7
Adjustments to deferred tax in respect of prior years	**(0.4)**	0.1
Increased recognition of historic losses	**(0.6)**	–
Impact of tax rate changes on deferred tax	**(0.2)**	–
Adjustments to tax expense in respect of prior years	**0.1**	(1.0)
Tax reported in the consolidated income statement	**2.2**	1.4

Deferred tax

	2016 £m	2015 £m
Deferred tax liabilities:		
Accelerated capital allowances	**(0.9)**	(0.8)
Other temporary differences	**(5.9)**	(4.7)
Gross deferred tax liabilities	**(6.8)**	(5.5)
Deferred tax assets:		
Decelerated capital allowances	**1.1**	0.8
Pensions	**0.9**	1.4
Tax losses	**1.5**	0.5
Other temporary differences	**2.0**	2.2
Gross deferred tax assets	**5.5**	4.9

Deferred tax credit in the consolidated income statement

	2016 £m	2015 £m
Consolidated income statement		
Decelerated capital allowances	**(0.2)**	(0.1)
Other temporary differences	**(1.4)**	(0.7)
	(1.6)	(0.8)

At 31 March 2016, the Group had not recognised any deferred tax asset in respect of tax losses of approximately £26.3m (2015: £27.7m). Deferred tax assets are not recognised where there is insufficient evidence that losses will be utilised.

At 31 March 2016, there was no recognised deferred tax liability (2015: 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 to 18% had been substantively enacted at 1 April 16 but, before this becomes effective from 1 April 2020, rates of 20% and 19% will be applicable. A rate of 19% has been applied in the measurement of the Group's UK based deferred tax assets and liabilities at 31 March 2016 as the best indication of the rate at which the UK deferred tax is expected to crystallise.

notes to the group financial statements continued

11 Business combinations

During the year, the Group completed the acquisitions of three businesses, namely: Flux A/S ("Flux"); Contour Holdings Limited and its affiliate Contour Electronics Asia Limited (together defined as "Contour") and Plitron Manufacturing Inc ("Plitron"). These acquisitions have 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 £19.9m including £0.5m payments of working capital adjustment relating to Foss AS Fiberoptisk Systemsalg ("Foss") and £0.2m deferred consideration relating to RSG Electronic Components GmbH.

Acquisitions in year ended 31 March 2016

Acquisition of Flux

On 5 November 2015, the Group completed the acquisition of 100% of the share capital and voting equity interests of Flux A/S ("Flux"), for a cash consideration of £2.7m. Flux owns 100% of the share capital and voting equity interests of Flux International Limited based in Thailand. The cash consideration and related acquisition expenses were met from the Group's debt facility.

Flux, which is headquartered in Denmark and has a manufacturing facility in Thailand, is a designer and manufacturer of customised magnetic components for use across the range of industrial, high reliability and space grade applications. Flux has been acquired from Niels Overgaard Christensen Holdings A/S, a Danish company founded in 1980 and which is wholly owned by Mr Niels Overgaard Christensen.

The provisional fair value of the identifiable assets and liabilities of Flux at the date of acquisition were as set out below. The Group is in the process of finalising the fair value of acquired assets and liabilities.

	Provisional fair value recognised at acquisition £m
Property, plant and equipment	0.5
Intangible assets – other	0.1
Intangible assets – customer relationships	0.4
Inventories	1.6
Trade and other receivables	2.2
Net debt	(1.3)
Trade and other payables	(1.0)
Current tax liabilities	(0.2)
Defered tax liabilities (non-current)	(0.2)
Total identifiable net assets	**2.1**
Provisional goodwill arising on acquisition	**0.6**
Total investment	**2.7**
Discharged by:	
Cash	**2.7**

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 £0.6m of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree, due to their nature. 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	2.7
Transaction costs of the acquisition (included in cash flows from operating activities)*	0.2
Net debt acquired	1.3
	4.2

*Transaction costs of £0.2m were expensed as incurred in the year ending 31 March 2016 and were included as an exceptional item within administrative expenses (note 6).

From the date of acquisition to 31 March 2016, Flux contributed £3.4m 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 £7.3m and the consolidated revenue for the Group would have been £292m.

Acquisition of Contour

On 7 January 2016, the Group completed the acquisition of 100% of the share capital and voting equity interests of Contour Holdings Limited and its affiliate Contour Electronics Asia Limited (together defined as "Contour"), for an initial consideration of £17.5m. The initial consideration comprises £14.5m in cash, funded from the Group's existing debt facilities, and the issue to the vendors of new ordinary shares of 5p each in Acal ("New Ordinary Shares") to the fair value of £3.0m. Contingent consideration of £1.0m is payable in April 2019, subject to certain conditions and an earn-out of up to £6.0m will be payable after July 2019, subject to Contour achieving agreed growth targets.

The fair value of the earn-out at acquisition was estimated to be £1.1m. There were no changes in the fair value between the acquisition date and 31 March 2016. The contingent consideration of £1.0m is linked to the continued employment of the management sellers and will be expensed on a straight line basis over the period from acquisition date to 31 March 2019.

Contour designs and manufactures custom cabling assemblies and connectors for use in industrial and medical applications. Engineering and low volume production is located at Contour's facility in Hampshire in the UK with higher volume production undertaken through partners in Asia. The addition of Contour to Acal's cabling capability will more than double the Group's revenues in this technology area.

The provisional fair value of the identifiable assets and liabilities of Contour at the date of acquisition were as set out below. The Group is in the process of finalising the fair value of acquired assets and liabilities.

	Provisional fair value recognised at acquisition £m
Property, plant and equipment	0.4
Intangible assests – customer relationships	7.4
Inventories	1.0
Trade and other receivables	2.8
Cash and cash equivalents	1.3
Trade and other payables	(1.2)
Current tax liabilities	(0.5)
Provisions (current)	(0.1)
Deferred tax liabilities (non-current)	(1.5)
Total identifiable net assets	**9.6**
Provisional goodwill arising on acquisition	**9.0**
Total investment	**18.6**
Discharged by:	
Cash	14.5
Shares	3.0
Contingent consideration	1.1
	18.6

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 £9.0m of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree, due to their nature. 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	**14.5**
Transaction costs of the acquisition (included in cash flows from operating activities)*	**0.3**
Cash acquired	**(1.3)**
	13.5

*Transaction costs of £0.3m were expensed as incurred in the year ending 31 March 2016 and were included as an exceptional item within administrative expenses (note 6).

From the date of acquisition to 31 March 2016, Contour contributed £3.2m to revenue and £0.3m 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 £8.2m and the consolidated revenue for the Group would have been £297m.

Acquisition of Plitron

On 1 February 2016, the Group completed the acquisition of 100% of the share capital and voting equity interests of Plitron Manufacturing Inc. "Plitron" for a cash consideration of £1.8m. The acquisition was funded from Acal's existing debt facility.

Contingent consideration of £0.3m will be payable to the sellers upon receipt of certain trade receivables. The fair value of the contingent consideration at acquisition date and 31 March 2016 was nil.

An additional contingent consideration of up to £0.1m will be payable after March 2018, subject to Plitron achieving agreed customer revenue targets. The fair value of the additional contingent consideration at acquisition date and 31 March 2016 was nil.

Plitron, based in Toronto, Canada, is a designer and manufacturer of custom toroidal transformers for transportation, medical and industrial applications.

The provisional fair value of the identifiable assets and liabilities of Plitron at the date of acquisition were as set out below. The Group is in the process of finalising the fair value of acquired assets and liabilities.

	Fair value recognised at acquisition £m
Property, plant and equipment	0.2
Intangible assests – customer relationships	0.7
Inventories	0.5
Trade and other receivables	1.0
Net debt	(0.2)
Trade and other payables	(1.0)
Current tax liabilities	(0.1)
Deferred tax liabilities (non-current)	(0.3)
Total identifiable net assets	**0.8**
Provisional goodwill arising on acquisition	**1.0**
Total investment	**1.8**
Discharged by:	
Cash	**1.8**

notes to the group financial statements continued

11 Business combinations continued

The fair value of the trade receivables is £0.3m lower than their gross amounts.

Included in the £1.0m of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree, due to their nature. 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	**1.8**
Transaction costs of the acquisition (included in cash flows from operating activities)*	**0.1**
Net debt acquired	**0.2**
	2.1

*Transaction costs of £0.1m were expensed as incurred in the year ending 31 March 2016 and were included as an exceptional item within administrative expenses (note 6).

From the date of acquisition to 31 March 2016, Plitron contributed £0.7m to revenue and £nil 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 £7.0m and the consolidated revenue for the Group would have been £292m.

Acquisitions in the 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). During the year ended 31 March 2016 the contingent consideration value was increased by £0.2m (NOK2m) to £0.5m (NOK5m) and was subsequently settled in April 2016.

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 fair values of the identifiable assets and liabilities of Foss at the date of acquisition were as follows.

	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)
Deferred tax liabilities	(0.9)
Total identifiable net assets	**3.4**
Goodwill arising on acquisition	**5.4**
Total investment	**8.8**

notes to the group financial statements continued

11 Business combinations continued

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.

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 Trafo Holding AS ("the Noratel Group" or "Noratel") 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 30) 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 fair value of the identifiable assets and liabilities of the Noratel Group at the date of acquisition were as follows:

notes to the group financial statements continued

11 Business combinations continued

	Fair value recognised at acquisition £m
Property, plant and equipment	9.9
Intangible assets – other	1.2
Intangible assets – 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 tax liabilities	(0.6)
Provisions (current)	(1.5)
Deferred tax liability	(4.9)
Total identifiable net assets	**5.2**
Goodwill arising on acquisition	**31.2**
Total investment	**36.4**
Discharged by:	
Cash	35.6
Shares	0.8
	36.4

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.

notes to the group financial statements continued

12 Disposals

Disposals in year ended 31 March 2015

Disposal of Enterprise Services 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**

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**

notes to the group financial statements continued

13 Dividends

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

	2016 £m	2015 £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
Interim dividend for the year ended 31 March 2016 of 2.33p (2015: 2.2p)	**1.5**	1.5
Total amounts recognised as equity distributions during the year	**4.9**	3.6

Proposed for approval at the AGM:	**£m**	£m
Equity dividends on ordinary shares:		
Final dividend for the year ended 31 March 2016 of 5.72p (2015: 5.4p)	**3.7**	3.4

Summary		
Dividends per share declared in respect of the year	**8.05p**	7.60p
Dividends per share paid in the year	**7.73p**	7.20p
Dividends paid in the year	**£4.9m**	£3.6m

14 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:

	2016 £m	2015 £m
Profit for the year attributable to equity holders of the parent	**7.2**	2.9

	Number	Number
Weighted average number of shares for basic earnings per share	**63,304,752**	57,631,407
Effect of dilution – share options	**3,008,388**	3,318,230
Adjusted weighted average number of shares for diluted earnings per share	**66,313,140**	60,949,637
Basic earnings per share	**11.4p**	5.0p
Diluted earnings per share	**10.9p**	4.8p

At the year end, there were 4,541,801 ordinary share options in issue that could potentially dilute earnings per share in the future, of which 3,008,388 are currently dilutive (2015: 4,194,192 in issue and 3,318,230 dilutive).

notes to the group financial statements continued

14 Earnings per share continued

Underlying earnings per share is calculated as follows:

	2016 £m	2015 £m
Earnings for the year	**7.2**	2.9
Exceptional items	**1.8**	5.0
Amortisation of acquired intangible assets	**2.8**	2.1
IAS 19 pension charge	**0.5**	0.4
Tax effect of the above	**(1.0)**	(1.0)
Underlying earnings on continuing operations	**11.3**	9.4

	2016 Number	2015 Number
Weighted average number of shares for basic earnings per share	**63,304,752**	57,631,407
Effect of dilution – share options	**3,008,388**	3,318,230
Adjusted weighted average number of shares for diluted earnings per share	**66,313,140**	60,949,637
Underlying basic earnings per share on continuing operations	**17.9p**	16.3p
Underlying diluted earnings per share on continuing operations	**17.0p**	15.4p

At the year end, there were 4,541,801 ordinary share options in issue that could potentially dilute underlying earnings per share in the future, of which 3,008,388 are currently dilutive (2015: 4,194,192 in issue and 3,318,230 dilutive).

15 Property, plant and equipment

	Land and buildings £m	Leasehold improvements £m	Plant and equipment £m	Total £m
Cost				
At 1 April 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
Additions	0.2	0.1	1.3	1.6
Disposals	–	(0.2)	(0.8)	(1.0)
Arising from business combinations	–	0.3	0.8	1.1
Exchange adjustments	0.4	–	0.4	0.8
At 31 March 2016	**6.9**	**2.7**	**13.5**	**23.1**

notes to the group financial statements continued

15 Property, plant and equipment continued

	Land and buildings £m	Leasehold improvements £m	Plant and equipment £m	Total £m
Depreciation				
At 1 April 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
Charge for the year	0.3	0.1	1.8	2.2
Disposals	–	(0.2)	(0.7)	(0.9)
Exchange adjustments	0.2	–	0.1	0.3
At 31 March 2016	**1.7**	**1.6**	**5.1**	**8.4**
Net book value at 31 March 2016	**5.2**	**1.1**	**8.4**	**14.7**
Net book value at 31 March 2015	5.1	0.8	7.9	13.8

Land and buildings includes land with a cost of £0.8m (2015: £0.8m) that is not subject to depreciation.

16 Intangible assets – goodwill

	£m
Cost	
At 1 April 2014	58.0
Arising from business combinations	36.6
Exchange adjustments	(6.2)
At 31 March 2015	88.4
Arising from business combinations	10.6
Exchange adjustments	1.4
At 31 March 2016	**100.4**

Impairment	£m
At 31 March 2015 and 31 March 2016	**(36.8)**
Net book value at 31 March 2016	**63.6**
Net book value at 31 March 2015	51.6

notes to the group financial statements continued

17 Impairment testing of goodwill

The carrying value of goodwill is analysed as follows:

	2016 £m	2015 £m
Custom Distribution		
Acal BFi UK	**3.3**	3.3
Compotron	**4.7**	4.4
Medical	**0.6**	0.6
Design & Manufacturing		
Stortech	**3.6**	3.6
Hectronic	**0.6**	0.5
MTC	**2.0**	1.9
Myrra	**4.7**	4.3
RSG	**1.1**	1.0
Noratel	**27.1**	26.8
Foss	**5.2**	5.2
Flux	**0.6**	–
Contour	**9.0**	–
Plitron	**1.1**	–
	65.5	51.6

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 2017 budget and management projections thereon. Average annual revenue growth rates between 5% and 10% (2015: 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% (2015: 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 the 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% (2015: 14% – 21%).

Sensitivity to changes in assumptions

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

For the Acal BFi UK CGU, with allocated goodwill of £3.3m, there is a reasonably possible change in the key assumption of revenue growth which could erode the estimated headroom amount of £8.4m, by which the carrying value of the CGU exceeds its recoverable amount. A compound annual growth rate (CAGR) in revenues of less than 3% compared to the base case CAGR of 7% for the five year forecast period would result in the recoverable amount of the business equalling its carrying value.

notes to the group financial statements continued

18 Intangible assets – other

	Software & Development £m	Acquired intangibles: Customer/ Supplier Relationships £m	Acquired intangibles: Brands £m	Total £m
Cost				
At 1 April 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
Arising from business combinations	0.1	8.5	–	8.6
Additions	0.7	–	–	0.7
Disposals	(0.4)	–	–	(0.4)
Exchange adjustment	0.2	0.6	0.1	0.9
At 31 March 2016	**10.2**	**28.7**	**0.8**	**39.7**
Amortisation				
At 1 April 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
Disposals	(0.4)	–	–	(0.4)
Charge for the year	0.6	2.6	0.2	3.4
Exchange adjustment	–	0.4	0.1	0.5
At 31 March 2016	**7.7**	**6.6**	**0.8**	**15.1**
Net book value at 31 March 2016	**2.5**	**22.1**	**–**	**24.6**
Net book value at 31 March 2015	2.1	16.0	0.2	18.3

The computer software capitalised at 31 March 2016 includes the implementation of an ERP system within the Acal BFi business. This ERP system has a carrying amount of £0.7m (2015: £0.9m).

19 Investments in associates

	£m
Cost at 31 March 2015 and 31 March 2016	**5.4**
Impairment at 31 March 2015 and 31 March 2016	**(5.4)**
Net book amount at 31 March 2015 and 31 March 2016	**–**

Associates	Country of incorporation	**% equity interest 2016 and 2015**
Scientific Digital Business (Pte) Ltd	Singapore	**40**

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 2016 that would lead to these impairments being reversed.

notes to the group financial statements continued

20 Inventories

	2016 £m	2015 £m
Finished goods, work in progress and goods for resale	**42.9**	39.8

21 Trade and other receivables

	2016 £m	2015 £m
Trade receivables	**58.9**	53.2
Other receivables	**3.4**	4.0
Prepayments and accrued income	**3.2**	3.0
	65.5	60.2

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 2016, trade receivables of £1.2m (2015: £1.3m) were impaired and fully provided for. Movements in the provision for impairment of receivables were as follows:

	2016 £m	2015 £m
At 1 April	**1.3**	2.0
Acquired	–	0.1
Charge for the year	**0.1**	0.2
Amounts written off	**(0.3)**	(0.7)
Unused amounts reversed	–	(0.1)
Exchange adjustments	**0.1**	(0.2)
At 31 March	**1.2**	1.3

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

	Total £m	Neither past due nor impaired £m	Past due but not impaired <30 days £m	30-60 days £m	60-90 days £m	90-120 days £m	>120 days £m
2016	**58.9**	**48.7**	**7.6**	**1.5**	**0.6**	–	**0.5**
2015	53.2	45.7	5.6	0.9	0.7	–	0.3

22 Cash and cash equivalents

	2016 £m	2015 £m
Cash at bank and in hand	**19.9**	26.7

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 £19.9m (2015: £26.7m).

notes to the group financial statements continued

23 Financial liabilities

	Effective interest rate %	Maturity	Current 2016 £m	Current 2015 £m	Non-current 2016 £m	Non-current 2015 £m
Bank overdrafts	Variable	On demand	**0.7**	0.1	**–**	–
Unsecured bank loans	Variable		**0.1**	0.1	**0.4**	0.4
Revolving credit facility (RCF)	Variable		**–**	–	**56.8**	45.1
Total other financial liabilities			**0.8**	0.2	**57.2**	45.5
Trade and other payables			**47.4**	49.3	**–**	–
Provisions			**0.1**	0.2	**–**	0.1
Total			**48.3**	49.7	**57.2**	45.6

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

Included in unsecured bank loans are euro denominated loans of £0.5m carrying fixed interest rates of between 2% and 5%.

On 17 July 2014, the Group entered into a 5 year committed multi-currency revolving credit facility of £70m. During the year, the Group activated the Accordion Facility of £20m, available as part of the original Facility Agreement. At 31 March 2016 the facility draw downs of £56.8m were denominated primarily in Sterling, US Dollars, Euros and Norwegian Kroner which bear interest based on LIBOR, USDLIBOR, 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 2016	Within 1 year £m	2-5 years £m	Total £m
Fixed and floating rate	0.8	57.2	58.0
Trade payables	47.4	–	47.4
Provisions	0.1	–	0.1
	48.3	**57.2**	**105.5**

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

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

	2016 £m	2015 £m
Sterling	**26.0**	16.0
Euro	**22.7**	16.8
US Dollar	**4.2**	4.1
Other currencies	**5.1**	8.8
	58.0	45.7

notes to the group financial statements continued

24 Movements in cash and net debt

Year to 31 March 2016	31 March 2015 £m	Cash flow £m	Foreign exchange £m	**31 March 2016 £m**
Cash at bank and in hand	26.7	(8.4)	1.6	**19.9**
Bank overdrafts	(0.1)	(0.2)	(0.4)	**(0.7)**
Cash and cash equivalents	26.6	(8.6)	1.2	**19.3**
Bank loans under one year	(0.1)	0.2	(0.2)	**(0.1)**
Bank loans over one year	(45.5)	(10.1)	(1.6)	**(57.2)**
Total loan capital	(45.6)	(9.9)	(1.8)	**(57.3)**
Net debit	**(19.0)**	**(18.5)**	**(0.6)**	**(38.1)**

Bank loans over one year above include £56.8m (2015: £45.1m) drawn down against the Group's revolving credit facility.

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)

Supplementary information to the statement of cash flows

Underlying performance measure	**2016 £m**	2015 £m
(Decrease)/increase in net cash	**(18.5)**	(23.2)
Add: Business combinations	**20.8**	79.5
Exceptional cash flow	**1.4**	2.1
Legacy pension scheme funding	**1.6**	1.6
Customer prepayment	**–**	3.2
Dividends paid	**4.9**	3.6
Less: Net proceeds from share issue	**–**	(52.7)
Net proceeds from disposal of business	**–**	(5.3)
Cash flows from discontinued operations	**–**	0.2
Free cash flow	**10.2**	9.0

notes to the group financial statements continued

25 Reconciliation of cash flows from operating activities

	2016 £m	2015 £m
Profit for the year	**7.2**	2.9
Taxation expense	**2.2**	1.4
Net finance costs	**2.0**	1.8
Depreciation of property, plant and equipment	**2.2**	2.1
Amortisation of intangible assets – other	**3.4**	2.6
Loss on disposal of intangible assets	**-**	0.1
Change in provisions	**(0.5)**	0.3
Loss on disposal of business	**-**	0.1
Pension scheme funding	**(1.6)**	(1.6)
IAS 19 pension administration charge	**0.3**	0.2
Equity-settled share-based payment expense	**0.7**	0.6
Operating cash flows before changes in working capital	**15.9**	10.5
Decrease/(increase) in inventories	**1.7**	(2.3)
Decrease in trade and other receivables	**3.4**	1.1
Decrease in trade and other payables	**(6.4)**	(2.7)
Increase in working capital	**(1.3)**	(3.9)
Cash generated from operations	**14.6**	6.6
Interest paid	**(2.1)**	(1.7)
Income taxes paid	**(4.3)**	(3.3)
Net cash flows from operating activities	**8.2**	1.6

26 Provisions

	Deferred consideration £m	Severance and retirement indemnity £m	Other £m	Total £m
At 1 April 2015	1.3	2.2	2.6	6.1
Arising during the year	0.8	0.3	0.3	1.4
Arising from business combinations	1.1	–	0.1	1.2
Released during the year	–	(0.1)	(0.2)	(0.3)
Utilised	(0.2)	(0.4)	(1.5)	(2.1)
Exchange difference	0.1	0.1	–	0.2
At 31 March 2016	**3.1**	**2.1**	**1.3**	**6.5**

Analysis of total provisions	2016 £m	2015 £m
Current	**3.0**	3.4
Non-current	**3.5**	2.7
	6.5	6.1

Deferred consideration

Of the total £3.1m deferred consideration, £1.2m contingent consideration relates to the earn-out in respect to the acquisition of Contour and £0.4m contingent consideration relates to the acquisition of Foss (refer to note 11). The remaining £1.5m relates to earn-outs in respect of the Myrra and Noratel acquisitions.

notes to the group financial statements continued

26 Provisions continued

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

Retirement indemnity provision of £1.6m (2015: £1.5m), 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 of 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
Other provisions relate to warranty provisions, onerous contracts, dilapidations and general restructuring. The provisions greater than one year are expected to be utilised within one to three years.

27 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 £0.4m (2015: £0.3m).

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	**2016 £m**	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
10% appreciation	**(0.3)**	–	**1.4**	1.0	**(0.5)**	(0.5)
10% depreciation	**0.3**	–	**(1.4)**	(1.0)	**0.6**	0.6

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.

notes to the group financial statements continued

27 Financial risk controls continued

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 2016, the Group had net cash of £19.1m (2015: £26.5m), excluding long term borrowings of £57.2m (2015: £45.5m). The Group had total working capital facilities available of £89.3m (2015: £70.3m) with a number of major UK and overseas banks, of which £88.8m (2015: £70.0m) were committed facilities. The Group had drawn £57.2m against total facilities at 31 March 2016. As part of taking out 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 to 17 July 2019. The facilities are subject to certain financial covenants which, following review, gave significant headroom at 31 March 2016.

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 consolidated 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.

28 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 2016 £m	**Fair value 2016 £m**	Carrying amount 2015 £m	Fair value 2015 £m
Financial assets				
Cash at bank and in hand	**19.9**	**19.9**	26.7	26.7
Forward currency contracts	**–**	**–**	0.6	0.6
Financial liabilities at amortised cost				
Bank overdrafts and short-term borrowings	**(0.8)**	**(0.8)**	(0.2)	(0.2)
Non current interest-bearing loans and borrowings:				
Fixed and floating rate borrowings	**(57.2)**	**(57.2)**	(45.5)	(45.5)
Contingent consideration (including earn-outs)	**(3.1)**	**(3.1)**	(1.1)	(1.1)

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 2016, the Group held forward currency hedging contracts designated as hedges of sales and purchases for which the Group has firm commitments or 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 loss of £0.7m (2015: gain of £0.6m) is included in other comprehensive income. The fair value of the forward contracts at 31 March 2016 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 financial instruments above 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.

notes to the group financial statements continued

29 Trade and other payables

	2016 £m	2015 £m
Trade payables	**34.4**	35.8
Other payables	**13.5**	12.6
Accrued expenses and deferred income	**7.3**	7.8
	55.2	56.2

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.

30 Share capital

Allotted, called up and fully paid	2016 Number	2016 £m	2015 Number	2015 £m
Ordinary shares of 5p each	**64,212,568**	**3.2**	63,049,220	3.1

On 14 January 2016, the Company issued 1,080,420 shares ("Consideration Shares") to the shareholders of Contour Holdings Limited and its affiliate Contour Electronics Asia Limited (together defined as "Contour") in connection with the acquisition of Contour. The fair value of the shares issued was £3.0m.

The difference between the nominal value of the shares issued and the gross proceeds was credited to the share premium account.

During the year to 31 March 2016, 82,928 share options were exercised by employees under the terms of the various share option schemes (2015: nil).

During the prior year, 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.

On 17 July 2014, the Company issued 384,966 shares ("Consideration Shares") to the management sellers of the Noratel Group in connection with the acquisition of the Noratel Group. The fair value of the shares issued was £0.8m. All new shares carried the same rights as the existing ordinary shares.

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

31 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:

	2016 £m	2015 £m
Due within one year	**3.4**	3.4
Due after one year but not more than five years	**5.7**	6.0
Due after more than five years	**0.7**	0.7
	9.8	10.1

Future minimum sublease rentals expected to be received over the term of non-cancellable operating leases are £0.2m (2015: £0.3m).

notes to the group financial statements continued

32 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:

	2016 £m	2015 £m
a) Approved and Unapproved Executive Share Option Schemes	–	–
b) Acal plc long term incentive plan ("the LTIP")	**0.7**	0.6
	0.7	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	19 August 2015	7 July 2015	31 July 2014
Share price at grant date	£3.07	£2.99	£2.16
Exercise price	£3.01	£3.02	£2.18
Number of employees	1	3	3
Shares under option	4,511	14,331	21,397
Vesting period (years)	3	3	3
Expected volatility	34.74%	35.31%	43.22%
Option life (years)	10	10	10
Expected life (years)	7	7	7
Risk free rate of return	1.39%	1.44%	2.18%
Expected dividends expressed as a dividend yield	3.77%	3.56%	3.37%
Fair value	£0.75	£0.83	£0.74

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 (2015: £nil).

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 2016

Outstanding at 1 April 2015	Expired during the year	Exercised during the year	Granted during the year	Outstanding at 31 March 2016	Exercise price (pence)	Exercise dates
56,457	–	–	–	56,457	148.00	2013-2020
24,814	–	(24,814)	–	–	131.00	2015-2022
39,919	–	–	–	39,919	201.00	2016-2024
21,397	–	–	–	21,397	218.00	2017-2024
–	–	–	18,842	18,842	302.00	2018-2025
142,587	–	**(24,814)**	**18,842**	**136,615**		

notes to the group financial statements continued

32 Share-based payment plans continued

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**		

Changes in share options

A reconciliation of option movements over the year to 31 March is shown below:

	2016 Number	**2016** Weighted average exercise price	2015 Number	2015 Weighted average exercise price
Outstanding at 1 April	**142,587**	**£1.70**	146,925	£2.86
Expired	**–**	**–**	(53,500)	£3.68
Rights issue	**–**	**–**	35,115	–
	142,587	**£1.70**	128,540	£1.79
Granted	**18,842**	**£3.02**	21,397	£2.18
Exercised	**(24,814)**	**£1.31**	–	–
Forfeited	**–**	**–**	(7,350)	£2.23
Outstanding at 31 March	**136,615**	**£1.96**	142,587	£1.70
Exercisable at 31 March	**56,457**	**£1.48**	56,457	£1.48

The weighted average remaining contractual life for the share options outstanding as at 31 March 2016 is 6.6 years (2015: 7.2 years).

The range of exercise prices for options outstanding at the end of the year was £1.48 to £3.02 (2015: £1.31 to £2.18).

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 2015 and 2016, 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 2016 awards were approved by the Remuneration Committee on 30 March 2016 and a valuation of these awards was carried out in the year ending 31 March 2016. The fair value per award granted and the assumptions used in the calculation are as follows:

notes to the group financial statements continued

32 Share-based payment plans continued

Awards granted in the year ended 31 March 2016

Grant date	31 March 2016 TSR	31 March 2016 CPI
Share price at grant date	£2.45	£2.45
Exercise price	nil	nil
Number of employees	8	8
Shares under option	286,562	286,562
Vesting period (years)	3	3
Expected volatility	31.16%	31.16%
Option life (years)	10	10
Expected life (years)	5	5
Risk free rate of return	0.47%	0.47%
Expected dividend yield	2.86%	2.86%
Fair value	£1.28	£0.66

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	30.9%	30.9%
Option life (years)	10	10
Expected life (years)	5	5
Risk free rate of return	0.62%	0.62%
Expected dividend yield	3.25%	3.25%
Fair value	£1.37	£0.70

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 £0.7m (2015: £0.6m).

Outstanding LTIP

A summary of the awards that have been granted under the LTIP and remain outstanding is given below:

31 March 2016

Outstanding at 1 April 2015	Granted during the year	Expired during the year	Forfeited during the year	Exercised during the year	Outstanding at 31 March 2016	Exercise dates
804,587	–	–	–	–	804,587	2012-2019
447,377	–	–	–	–	447,377	2013-2020
271,948	–	–	–	–	271,948	2014-2021
708,874	–	–	–	(54,405)	654,469	2015-2022
690,548	–	–	–	(28,523)	662,025	2016-2023
478,581	–	–	–	–	478,581	2017-2024
649,690	–	–	–	–	649,690	2018-2025
–	573,124	–	–	–	573,124	2019-2026
4,051,605	**573,124**	–	–	**(82,928)**	**4,541,801**	

notes to the group financial statements continued

32 Share-based payment plans continued

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**	

The weighted average remaining contractual life for the share options outstanding as at 31 March 2016 is 6.4 years (2015: 6.9 years).

The range of exercise prices for options outstanding at the end of the year was nil (2015: nil).

33 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, 187 employees were active members of the Acal scheme (2015: 188). The total cost charged to the consolidated income statement in relation to the UK based Acal scheme was £733,000 (2015: £795,000). Employer contributions in respect of other UK based schemes and overseas pension schemes were £13,000 (2015: £10,000) and £1,586,000 (2015: £1,552,000) respectively. Total contributions payable in the next financial year are expected to be at rates broadly similar to those in 2015/16 but based on actual salary levels in 2016/17.

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.

Based upon the results of the triennial funding valuation at 31 March 2015, 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 2012. This required contributions of £1.6m 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 2016/17 is £1.6m (2015/16: £1.6m).

The results of the triennial funding valuation as at 31 March 2015 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:

	2016	2015
Rate of increase of salaries	**n/a**	n/a
Rate of increase of pensions in payment	**2.2%**	2.3%
Discount rate	**3.3%**	3.1%
Inflation assumption – RPI	**2.8%**	2.9%
Inflation assumption – CPI	**1.8%**	1.9%

notes to the group financial statements continued

33 Pensions continued

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 'S2NA' table, with improvement rates in line with the CMI 2014 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 2016 was 13 years (2015: 14 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:

	2016 £m	2015 £m
Pension administration costs (recognised in administrative expenses)	**0.3**	0.2
Net interest cost on pension scheme deficit (recognised in finance cost)	**0.2**	0.2
Total	**0.5**	0.4

The charges recognised in the consolidated statement of comprehensive income are as follows:

Re-measurement gains/(losses)	**2016 £m**	2015 £m
Return on plan assets (excluding amounts included in net interest expense)	**(1.2)**	2.7
Actuarial changes arising from changes in financial assumptions	**2.0**	(4.9)
Deferred tax movement on funding surplus under IAS 19 valuation	**(0.1)**	0.2
Actuarial losses recorded in the consolidated statement of comprehensive income	**0.7**	(2.0)

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:

	2016 £m	2015 £m
Equities	**4.6**	4.9
Bonds	**16.7**	17.1
Property	**2.3**	2.1
Absolute Return Fund	**5.1**	5.3
Diversified Growth Fund	**4.9**	5.0
Cash	**0.2**	0.3
Fair value of scheme assets	**33.8**	34.7
Present value of funded defined benefit obligations	**(39.4)**	(42.1)
Liability recognised in the consolidated statement of financial position	**(5.6)**	(7.4)

Included in the pension liability of £5.6m (2015: £7.4m) is deferred tax of £0.7m (2015: £0.6m) 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 £4.9m (2015: £6.8m).

notes to the group financial statements continued

33 Pensions continued

Changes in the present value of the defined benefit obligation are as follows:

	2016 £m	2015 £m
Opening defined benefit obligation	**42.1**	37.9
Net interest cost	**1.3**	1.5
Actuarial (gains)/losses due to:		
Changes in financial assumptions	**(2.0)**	4.9
Deferred tax movement on funding surplus under IAS 19 valuation	**0.1**	(0.2)
Benefits paid	**(2.1)**	(2.0)
Closing defined benefit obligations	**39.4**	42.1

Changes in the fair value of the scheme assets are as follows:

	2016 £m	2015 £m
Opening fair value of scheme assets	**34.7**	31.4
Interest on scheme assets	**1.1**	1.3
Actual return on plan assets less interest on plan assets	**(1.2)**	2.7
Pension administration costs	**(0.3)**	(0.2)
Contributions	**1.6**	1.5
Benefits paid	**(2.1)**	(2.0)
Closing fair value of scheme assets	**33.8**	34.7

Sensitivities

The sensitivity of the 2016 pension liabilities to changes in assumptions are as follows:

Assumption	Change in assumption	Impact on scheme deficict £m
Discount rate	Decrease by 0.5%	(2.5)
Inflation	Increase by 0.5%	(1.0)
Life expectancy	Increase by 1 year	(1.3)

notes to the group financial statements continued

34 Related party disclosures

As at 31 March 2016 the Group's subsidiaries are set out below:

Name and nature of business	Country of incorporation and registration	Type of share
Custom Distribution		
Acal BFi Belgium NV/SA	Belgium	Ordinary Shares
Acal BFi France SAS	France	Ordinary Shares
Acal BFi Germany GmbH	Germany	Ordinary Shares
Acal BFi Iberia SL	Spain	Ordinary Shares
Acal BFi Italia Srl	Italy	Ordinary Shares
Acal BFi Netherlands BV	Netherlands	Ordinary Shares
Acal BFi Nordic AB	Sweden	Ordinary Shares
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
Design & Manufacturing		
Contour Electronics Asia Ltd	Hong Kong	Ordinary Shares
Contour Electronics Ltd	England	Ordinary Shares
Flux A/S	Denmark	Ordinary Shares
Flux International Ltd	Thailand	Ordinary Shares
Foss Fiberoptisk Systemsaig AS	Norway	Ordinary Shares
Optocon Technologies s.r.o	Slovakia	Ordinary Shares
Hectronic AB	Sweden	Ordinary Shares
MTC Micro Tech Components GmbH	Germany	Ordinary Shares
EMC Innovation Limited	South Korea	Ordinary Shares
Myrra Germany GmbH	Germany	Ordinary Shares
Myrra Hong Kong Ltd	Honk Kong	Ordinary Shares
Myrra Poland Sp	Poland	Ordinary Shares
Myrra Polska Sp Zoo	Poland	Ordinary Shares
Myrra SAS	France	Ordinary Shares
Myrra Spain SL	Spain	Ordinary Shares
Zhongshan Myrra Electronic Co Ltd	China	Ordinary Shares
Foshan Noratel Electric Co Ltd	China	Ordinary Shares
Noratel AS	Norway	Ordinary Shares
Noratel Denmark A/S	Denmark	Ordinary Shares
Noratel Finland OY	Finland	Ordinary Shares
Noratel Germany AG	Germany	Ordinary Shares
Noratel India Power Components Pvt Ltd	India	Ordinary Shares
Noratel International Pvt Ltd	Sri Lanka	Ordinary Shares
Noratel North America Inc	USA	Ordinary Shares
Noratel Power Engineering Inc	USA	Ordinary Shares
Noratel Sp	Poland	Ordinary Shares
Noratel Spain SL	Spain	Ordinary Shares
Noratel Sweden AB	Sweden	Ordinary Shares
Noratel UK Ltd	England	Ordinary Shares
Plitron Manufacturing Incorporated	Canada	Ordinary Shares
RSG Electronic Components GmbH	Germany	Ordinary Shares
Stortech Electronics Ltd	England	Ordinary Shares
Management services		
Acal Management Services Ltd	England	Ordinary Shares
Holding companies		
Acal BV	Netherlands	Ordinary shares
Acal Electronics Holdings Ltd	England	Ordinary Shares
Acal Europe Holdings BV	Netherlands	Ordinary shares
Acal France Holdings SAS	France	Ordinary Shares
Acal GmbH	Germany	Ordinary Shares
Acal NewCo Ltd	England	Ordinary Shares
Acal Nordic Holdings Ltd	England	Ordinary Shares
Acal Supply Chain Holdings Ltd	England	Ordinary Shares
Aramys SAS	France	Ordinary shares
Contour Holdings Ltd	England	Ordinary Shares
EAF Group Holding BV	Netherlands	Ordinary shares
Noratel Holding AS	Norway	Ordinary Shares
Sedgemoor Ltd	England	Ordinary Shares
Trafo Holding AS	Norway	Ordinary Shares

notes to the group financial statements continued

34 Related party disclosures continued

Dormant companies		
Acal Electronics Ltd	England	Ordinary Shares
Acal Supply Chain Ltd	England	Ordinary Shares
Actech Holdings Ltd	England	Ordinary Shares
Advanced Crystal Technology Ltd	England	Ordinary Shares
Amega Electronics Ltd	England	Ordinary Shares
Amega Group Ltd	England	Ordinary Shares
BFi Optilas A/S	Denmark	Ordinary shares
BFi Optilas Ltd	England	Ordinary Shares
Bosunmark Ltd	England	Ordinary Shares
Cabcon Ltd	England	Ordinary Shares
Danselbud Noratel Transformator Sp Zoo	Poland	Ordinary shares
EAF Netherlands BV	Netherlands	Ordinary shares
Gothic Crellon Ltd	England	Ordinary Shares
Radiatron Components Ltd	England	Ordinary Shares
Radiatron Holdings Ltd	England	Ordinary Shares
Sedgemoor Group Pension Trustees Ltd	England	Ordinary Shares
Sedgemoor Group Supplementary Pension Trustees Ltd	England	Ordinary Shares
Sedgemoor Holdings Ltd	England	Ordinary Shares
Townsend-Coates 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.

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 61.

	2016 £m	2015 £m
Short term employee benefits	**1.5**	1.2
Share-based payments	**0.8**	0.2
	2.3	1.4

Associate Undertakings

Details of the Group's investments in associates are provided in note 19.

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 61.

notes to the group financial statements continued

35 Events after the reporting date

Dividend

A final dividend of 5.72p per share (2015: 5.4p), amounting to a dividend of £3.7m (2015: £3.4m) and bringing the total dividend for the year to 8.05p (2015: 7.6p), was declared by the Board on 23 May 2016. The Acal plc financial statements do not reflect this dividend.

36 Exchange rates

The profit and loss accounts of overseas subsidiaries are translated into sterling at average rates of exchange for the year and consolidated statement of financial positions are translated at year 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 2016		Year to 31 March 2015	
	Closing rate	**Average rate**	Closing rate	Average rate
US Dollar	**1.4383**	**1.5081**	1.4793	1.6135
Euro	**1.2633**	**1.3665**	1.3750	1.2751

Acal plc

company financial statements
for the year ended 31 March 2016

company balance sheet

at 31 March 2016

	notes	**2016 £m**	2015 £m
Fixed assets			
Investments	4	**176.6**	157.3
Current assets			
Debtors	5	**4.8**	1.1
Cash at bank and in hand		**0.8**	2.3
		5.6	3.4
Creditors: Amounts falling due within one year	6	**(27.0)**	(20.9)
Net current liabilities		**(21.4)**	(17.5)
Non-current liabilities			
Other financial liabilities	6	**(15.0)**	–
Provisions	4	**(1.2)**	–
		(16.2)	–
Net assets		**139.0**	–
Capital and reserves			
Share capital	7	**3.2**	3.1
Share premium		**95.6**	92.7
Merger reserve		**3.0**	3.0
Profit and loss account		**37.2**	41.0
Shareholders' funds		**139.0**	139.8

These financial statements were approved by the Board of Directors on 1 June 2016 and signed on its behalf by:

N J Jefferies
Chief Executive

S M Gibbins
Group Finance Director

company statement of changes in equity
at 31 March 2016

	Share capital £m	Share premium £m	Merger reserve £m	Profit and loss account £m	Total £m
At 1 April 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**
Profit for the year	–	–	–	0.4	0.4
Share-based payments	–	–	–	0.7	0.7
Shares issued (note 7)	0.1	2.9	–	–	3.0
Dividends	–	–	–	(4.9)	(4.9)
At 31 March 2016	**3.2**	**95.6**	**3.0**	**37.2**	**139.0**

notes to the company financial statements

for the year ended 31 March 2016

1 Basis of accounting

The separate financial statements of the company have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101), on the going concern basis and under the historical convention modified for fair values, and in accordance with the Companies Act 2006 and with applicable accounting standards. Effective 1 April 2015 the company transitioned from previously applicable UK Generally Accepted Accounting Principles to FRS101.

These financial statements and accompanying notes have been prepared in accordance with the Reduced Disclosure Framework for all periods presented.

A separate profit and loss account dealing with the results of the company has not been presented as permitted by section 408(3) of the Companies Act 2006.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The following paragraphs of IAS 1 'Presentation of financial statements'
  - 10(d) (statement of cash flows)
  - 16 (statement of compliance with all IFRS)
  - 111 (cash flow statement information)
  - 134-136 (capital management disclosures)
- IFRS 7 'Financial instruments: Disclosures'
- IAS 7 'Statement of cash flows'
- IAS 24 (paragraph 17) 'Related party disclosures' (key management compensation)
- IAS 24 'Related party disclosures' (the requirement to disclose related party transactions between two or more members of a group)

For the following disclosures, as the Group financial statements include the equivalent disclosures, the company has taken the exemptions available under FRS 101:

- FRS 2 Share-based payments in respect of group settled equity share-based payments
- Certain disclosures required by IFRS 13 Fair Value Measurement and disclosures required by IFRS 7 Financial Instrument Disclosures

Transition to FRS 101 has had no impact on the amounts recognised in the financial statements.

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 28. 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 25 and 26 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 the carrying values may not be recoverable.

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.

notes to the company financial statements continued

2 Summary of significant accounting policies continued

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 applied IFRS 2 '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.

Further information on share based payments is provided in note 32 of the Group accounts.

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.

3 Profit of the parent company

The profit of the parent company for the financial year was £0.4m (2015: £25.9m). 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 2014	73.5
Impairment	(6.0)
Investment in subsidiaries	89.2
Share-based payments	0.6
At 31 March 2015	157.3
Investment in subsidiaries	18.6
Share-based payments	0.7
At 31 March 2016	**176.6**

Details of all direct and indirect holdings in subsidiaries are provided in notes 34 of the Group Financial Statements.

The investment in subsidiaries in the year relates to the acquisition of Contour Holdings Limited. Further information on this acquisition is provided in note 11 of the Group accounts.

The provision at 31 March 2016 of £1.2m relates to contingent consideration and earn-out in respect of the acquisition of Contour. Refer to note 26 of the Group financial statements for further details.

5 Debtors

	2016 £m	2015 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	**4.0**	0.8
Corporation tax	**0.5**	0.1
Deferred tax	**0.1**	0.1
Prepayments	**0.2**	0.1
	4.8	1.1

The deferred tax asset comprises temporary timing differences.

notes to the company financial statements continued

6 Creditors

	2016 £m	2015 £m
Amounts falling due within one year:		
Bank loans and overdrafts	**9.6**	–
Amounts owed to subsidiary undertakings	**16.7**	20.0
Other creditors	**0.3**	0.2
Accruals and deferred income	**0.4**	0.7
	27.0	20.9

Financial liabilities of £15.0m at 31 March 2016 comprise drawndown on the Group's revolving credit facility (see note 23 to the Group financial statements). The amount is denominated in Sterling and bears interest based on LIBOR. The facility is secured against the shares of certain Group subsidiaries.

7 Share capital

Alloted, called up and fully paid	2016 Number	2016 £m	2015 Number	2015 £m
Ordinary shares of 5p each	**64,212,568**	**3.2**	63,049,220	3.1

On 14 January 2016, the Company issued 1,080,420 shares ("Consideration Shares") to the shareholders of Contour Holdings Limited and its affiliate Contour Electronics Asia Limited (together defined as "Contour") in connection with the acquisition of Contour. The fair value of the shares issued was £3.0m.

The difference between the nominal value of the shares issued and the gross proceeds was credited to the share premium account.

At 31 March 2016, there were outstanding options for employees of subsidiaries to purchase up to 4,678,416 (2015: 4,194,192) ordinary shares of 5p each between 2014 and 2024, at prices ranging from nil per share to £3.02 per share. During the year to 31 March 2016, 82,928 share options were exercised by employees under the terms of the various share option schemes (2015: nil).

During the prior year, 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 acquisition of the Noratel Group. The fair value of the shares issued was £0.8m. All new shares carried the same rights as the existing ordinary shares.

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

8 Related parties

The Company is exempt under the terms of IAS 24 from disclosing related party transactions with wholly-owned entities that are part of the Group as these transactions are fully eliminated on consolidation.

The Company has given guarantees and offset arrangements to support bank facilities made available to subsidiary undertakings.

9 Share-based payments

For detailed disclosures of share-based payments granted to the employees of subsidiaries refer to note 32 of the Group Financial Statements.

five year record

	2016 £m	2015 £m	2014 £m	2013 £m	2012 £m
Group income statement – continuing operations					
Revenue	**287.7**	271.1	211.6	177.4	207.1
Gross profit	**92.6**	84.4	63.0	54.4	62.2
Underlying operating profit	**16.3**	13.4	7.1	5.5	6.8
Underlying profit before tax	**14.5**	11.8	6.3	5.0	5.9
Profit before tax	**9.4**	4.3	4.2	0.7	2.1
Profit for the year from continuing operations	**7.2**	2.9	3.7	2.1	1.8
(Loss)/profit for the year from discontinued operations	**–**	–	(2.4)	(4.0)	0.3
Profit/(loss) for the year	**7.2**	2.9	1.3	(1.9)	2.1
Earnings per share – continuing operations					
Underlying diluted earnings per share	**17.0p**	15.4p	11.8p	9.8p	12.3p
Fully diluted earnings per share	**10.9p**	4.8p	8.1p	5.2p	4.4p
Dividend per share	**8.05p**	7.6p	6.8p	6.2p	5.8p
Group statement of financial position					
Net (debt)/cash	**(38.1)**	(19.0)	1.8	11.8	6.3
Non-current assets	**108.4**	88.6	33.1	30.9	32.5
Net assets	**101.9**	92.7	48.5	51.5	49.1

Years 2012 to 2014 have been restated on a continuing basis. For these years, earnings per share and dividend per share have also been restated to reflect the bonus element of the rights issue during 2015.

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
	Contour Electronics Ltd	Hook
Canada	Plitron Manufacturing Inc	Toronto
China	Foshan Noratel Electric Co Ltd	Foshan City
	Zhongshan Myrra Electronic Co Ltd	Zhongshan, Shanghai
Denmark	Noratel Denmark A/S	Brondby
	Flux A/S	Asnaes
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	Hamar
Poland	Myrra Poland Sp	Kaluszyn
	Noratel Sp	Szczecinska
Slovakia	Optocon Technologies sro	Bratislava
South Korea	EMC Innovation Ltd	Cheongcheon-Dong
Sri Lanka	Noratel International Pvt Ltd	Katunayake
Sweden	Hectronic AB	Uppsala
	Noratel Sweden AB	Laxa, Vaxjo
Thailand	Flux International Ltd	Bangkok
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

notes to pages 2 to 4

1 Growth rates at constant exchange rates ("CER"). Unless stated, growth rates refer to the comparable prior year period. The average Sterling rate of exchange strengthened 7% against the Euro for the year ended 31 March 2016 compared with the average rate for last year (rising from 1.275 to 1.367) and strengthened 9% against Nordic currencies on average, together negatively affecting Group reported sales for this period by 6% and underlying operating profit by 8%.

2 Ongoing sales growth for the Group of 3% excludes large, non repeating orders from last year within Custom Distribution and sales of its final major non-specialist, low margin supplier, which was discontinued last year.

3 'Underlying Operating Profit', 'Underlying Operating Costs', 'Underlying Operating Margin', 'Underlying Profit before Tax' and 'Underlying EPS' are non-IFRS financial measures used by the Directors to assess the underlying performance of the Group. These measures exclude provision for earn-out payments (included in exceptional items) of £0.6m, other exceptional items of £1.2m, amortisation of acquired intangible assets of £2.8m and the IAS19 pension charge relating to a legacy defined benefit scheme of £0.5m; totalling £5.1m for FY 2015/16. Equivalent exclusions within the FY 2014/15 underlying results totalled £7.5m. For further information see note 2 of the attached Group financial statements.

4 Design & Manufacturing sales, annualised for acquisitions, expressed as a percentage of Group sales.

5 International sales are sales outside the UK and Western Europe.

6 Operating cash flow is net cash generated from operations before financing, taxation and dividends, payment of acquisition related costs, exceptional items, earn-out payments and legacy pension costs.

7 Annualised for acquisitions.

8 Cross-selling relates to either:
   i D&M cross-selling between Group (sister) companies; or
   ii Acal BFi cross-selling of products from different technology areas being sold to existing Acal BFi customers.

9 "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.

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