

Acal plc
("Acal" or "the Group")

Preliminary Results for the year ended 31 March 2010

Acal plc, a specialist provider of technology products and services across Europe and South Africa, today announces its results for the year ended 31 March 2010.

Financial highlights

	<u>H2 2010</u>	<u>FY 2010</u>	<u>FY 2009</u>
Revenue	£110.1m	£181.6m	£165.4m
Adjusted operating profit/(loss)*	£1.2m	£(0.5)m	£0.4m
Profit/(loss) before tax and exceptional items**	£0.7m	£(1.6)m	£0.5m
Loss before tax	£(3.6)m	£(6.3)m	£(32.6)m
Basic earnings/(loss) per share excluding exceptional items	1.3p	(8.2)p	(3.8)p
Basic loss per share	(14.0)p	(24.5)p	(140.5)p
Dividend per share	4.67p	7.00p	7.00p
Net cash		£13.9m	£24.5m

* *Adjusted operating profit/(loss) – profit/(loss) before share based payments, amortisation of acquired intangibles, interest, tax, the Group's share of result of associated companies and exceptional items*

** *Exceptional items of £4.7 million charge (2009: £33.1 million charge) as per note 7 to the preliminary results*

Operational highlights

- The acquisition of BFi OPTiLAS doubles the Electronics division sales and has created Europe's leading specialist electronics and photonics distributor.
- Return to annual growth and profitability
 - Group sales in March 2010 increased by 6% (like for like including acquisitions) and Electronics division customer order pipeline increased by 22%;
 - H2 FY10 adjusted operating profit of £1.2 million (H2 FY09: loss of £0.6 million) including profits in all divisions
- Gross margin increased by 1.1 points to 27.6%, and operating expenses, excluding acquisitions and foreign currency, were lower by £5.9 million, a reduction of 12%.
- Strong net cash position of £13.9 million.
- Dividend of 7 pence for the year maintained.
- Working capital (underlying) reduced by £8.6 million, a reduction of 32%.
- Appointment of Non-Executive Director – Ian Fraser, Group Chief Executive of Brammer Plc.

Commenting on the results, Nick Jefferies, Group Chief Executive, said:

"Performance in the second half improved significantly. The reductions in operating expenses and working capital, and improvements in gross margin, have been sustained as the effects of improving sales trends started to flow through.

The acquisition of BFi Optilas further improved second half performance. Integration into the Electronics division is underway and on track to deliver in excess of £4.4 million (10%) annualised operational savings for the division.

Trading since the year end has improved further with Group underlying sales having increased by around 18%. In the Electronics division, which since the financial year end, accounts for around 77% of Group revenue, sales have grown by around 20%. Despite being cautious over the sustainability of the economic recovery and the outlook beyond, the Board remains confident that the strategy of specialisation will deliver further opportunities for growth over the medium and long term."

Enquiries

Acal plc

Nick Jefferies ~ Group Chief Executive

01483 544500

Paul Neville ~ Acting Group Finance Director

01483 544500

Cubitt Consulting

Chris Lane

020 7367 5100

James Verstringhe

There will be a presentation today at 9.30am to analysts at JP Morgan Cazenove, 20 Moorgate, London, EC2R 6DA.

The supporting slides will be available on the Acal website (www.acalplc.co.uk).

Acal will update on trading on 29 July 2010 when it issues its Interim Management Statement in respect of the first quarter. The AGM will be held on the same date.

Notes to Editors:

The Acal Group is a leading technology-based specialist distributor in Europe providing sales, marketing and other services through three Divisions: Electronics, Supply Chain and Medical. The Electronics Division distributes electronic products to industrial manufacturing and design companies. The Supply Chain Division supplies new and refurbished IT, EPOS and ATM spare parts to service providers while the Medical Division supplies advanced medical equipment to public and private healthcare providers. Acal has operating companies in the UK, Netherlands, Belgium, Germany, France, Italy, South Africa, Spain and the Nordic region.

CHAIRMAN'S STATEMENT

I am pleased to report that Acal has made significant progress during the year to 31 March 2010 clearly demonstrated by the encouraging second half result, which was ahead of our expectations. It is eighteen months since the appointment of Nick Jefferies as Group Chief Executive and, following the strategic review, the Group is now in a solid position to continue to benefit from operating improvements achieved in the last twelve months as well as improving market conditions.

Specialisation strategy and acquisition repositions the Group

In addition to developing a new strategy, to respond to unprecedented market conditions, the Board took decisive action, the benefit of which has been seen in the second half result. The strategic review identified opportunities to develop the Electronics business as a specialist distributor, and led to the acquisition of BFi Optilas ('BFi'). This acquisition is starting to deliver significant synergy savings across the organisation. The strategic and operational review that follows includes an update on each of our businesses.

In December 2009 we completed the acquisition of BFi, a leading specialist electronics and photonics distributor. The combination of BFi and Acal's existing operations has doubled the size of the Group's Electronics business, which now accounts for around 70 per cent of Group sales, and has created Europe's leading specialist distributor in this sector.

The process of integrating the two businesses is well underway and will be completed during the current financial year, realising the planned operational savings. The improved operational performance of the enlarged Electronics division with its increased continental European presence, is transforming our Group.

Results

Group revenue of £181.6 million (2009: £165.4 million) includes £30.5 million from the BFi business for the four months since acquisition. Underlying revenue, adjusted for the effect of foreign currency and excluding acquisitions, declined by 16% on the comparable year, reflecting difficult trading conditions in the Electronics division. However, second half revenue was 11% ahead of the first half, with profits in all divisions. By the end of the year, the Group had returned to growth with sales having increased by 6% year on year in March 2010, and the pipeline of customer orders having increased by 22% compared to the prior year.

Operating loss before exceptional items, share based payments and amortisation of acquired intangibles ('adjusted operating profit') was £0.5 million (2009: profit of £0.4 million). The result includes adjusted operating profit of £1.2 million in the second half, compared to a loss of £0.6 million for the prior year second half.

Loss before tax and exceptional items was £1.6 million (2009: profit of £0.5 million) and the loss after tax and exceptional items was £6.6 million (2009: £37.0 million).

Loss per share before exceptional items is 8.2 pence (2009: 3.8 pence) and after exceptional items is 24.5 pence (2009: 140.5 pence).

Exceptional items

Exceptional costs before tax of £4.7 million relate principally to the integration of the newly acquired BFi business (£2.4 million) and restructuring and termination costs incurred in dealing with the recession and consequent reduction in trading. The integration of BFi will achieve annualised savings in excess of £4.4 million as planned by the end of the current financial year.

Balance sheet and Pension

The Group's balance sheet remains robust, with net cash of £13.9 million. Net assets reduced to £51.9 million (2009: £58.6 million) reflecting the loss for the year. Two million new ordinary shares at a value of £2.7 million were issued for the acquisition of BFi.

The most recent funding valuation at 31 December 2009 of the Group's defined benefit contribution scheme, which is closed and relates back to an acquisition from 1999, showed a deficit of £11.2 million. Based on this valuation and the restructuring expenditure being undertaken by the Group following the integration of BFi, the Fund's Trustee has agreed with Sedgemoor Limited a two year reduction in the funding contributions until 2012 to £0.7 million per year (previously £1.3 million), increasing by 3% per annum from a base of £1.5 million in 2013 for a further 10 years.

Dividend

The Board recognises the importance of dividends to shareholders. At the half year, the Directors declared an interim dividend of 2.33 pence per share. The Board is recommending a final dividend of 4.67 pence per share, payable on 30 July 2010 to shareholders on the register as at 18 June 2010, thus maintaining a total of 7.0 pence for the year. Although the year's dividend is not covered by earnings, the Board felt that it is appropriate in view of the Group's strategic repositioning and opportunities. The Board will keep the dividend policy under review, recognising that distributions are only sustainable if earnings are sufficient to provide adequate cover.

Board and employees

The Board was delighted to announce the appointment of Ian Fraser as an additional Non-Executive Director in January 2010. As Group Chief Executive of Brammer plc, Ian brings to the Board many years' experience in successfully building a pan-European distribution business.

In February 2010, the Group announced that Malcolm Cooper had resigned as Group Finance Director for personal reasons. We thank Malcolm for his contribution to Acal over the last 10 years and wish him well for the future. Paul Neville, Group Commercial Director, took over as acting Group Finance Director and will remain in this position until a new appointment is announced in due course. We thank Paul for his significant contribution during this period.

It has been a turbulent year in the global economy and this, together with the demands of integrating two acquisitions into the Group, has placed substantial demands on our workforce. The commitment and dedication of our people, who have made personal and financial sacrifices, has been a major driver in the successes achieved by Acal over this year. On behalf of the Board, I thank them for their support and endeavours.

The year ahead

As identified last year, our future lies as a specialist provider of technology products and services. Despite the global economic difficulties, the Group's activities over the past twelve months have set us resolutely on this path. As a result, and as reflected in our second half results, Acal has returned to profitability and growth.

The Board remains confident in the Group's strategy to deliver further opportunities for both organic and acquisitive growth.

Richard Moon

Chairman

2 June 2010

STRATEGIC AND OPERATIONAL REVIEW

The Group has returned to profitability in the second half and has seen a return to annual growth in orders and sales. We remain focused on delivering our strategy to build Acal into Europe's leading specialist electronics distributor, whilst continuing to manage costs tightly and integrate the acquisition of BFi Optilas ("BFi").

Revenue for the year was £181.6 million compared with £165.4 million in 2009, representing a headline increase of 9.8%. Underlying revenue, excluding the BFi acquisition, was £151.1 million, a decline of 8.6%. Adjusted operating loss (before exceptional items, share based payments and intangible amortisation on acquisitions) for the year was £0.5 million, with a profit of £1.2 million in the second half, compared to a loss of £1.7 million in the first half.

The second half saw a return to year on year growth in orders and sales. Group orders in March 2010 increased by 16% and sales by 6% over the previous year. Our pipeline of customer orders in the Electronics division increased by 22%.

Specialisation strategy

The strategic review of our businesses identified significant opportunities for the Group to develop. With the specialisation strategy, Acal has a clear competitive position for the future that differentiates us from other supply channels. We operate in differentiated and niche markets that require products with detailed technical development support and value added services that are not widely available elsewhere. Our customers appreciate the differentiated products and services that we are able to provide, and our suppliers appreciate our specialist expertise. The Group sees opportunities for growth, both organically, and through the acquisition of complementary specialist electronics businesses in a fragmented market place.

The implementation of our specialist strategy is well underway, although by no means complete. Within the Electronics division, we are redirecting our resources to support the growth areas, and reducing resources in non-core areas. We have made changes to some core operating processes; for example, in the way we procure and manage stock; and by establishing specialist business units to differentiate across a range of technologies.

Acquisition of BFi Optilas

By acquiring BFi, a long established specialist electronics and photonics distributor with a strong presence in continental Europe, Acal is now firmly positioned as the leading specialist electronics distributor in Europe. The enlarged business accounts for around 70% of Group revenues over the year, and around 77% since the year end.

The integration of the two businesses is progressing well and is planned to be completed during the financial year ending March 2011. The integration will combine back office functions, facilities, operations and logistics, and, as stated at the time of the acquisition, will provide in excess of £4.4 million (10%) of annualised savings for the Electronics division. The brand names Acal Technology (the trading name of the existing Electronics division) and BFi OPTILAS will remain separate, as will the sales and marketing channels.

Management control

During the first half of the year, decisive action was taken to realign the business to prevailing market conditions. Significant reductions in operating expenses and working capital were made whilst focus was given to increasing gross margins.

Operating expenses were lower by 12% on a comparable basis, £5.9 million year on year. This was achieved during the first half, and maintained during the second half despite the upturn in volume. Further cost reductions are expected across the Supply Chain division over the coming year. Prior to completion of the acquisition, BFi had commenced a cost reduction plan and for the four months of ownership in the Acal Group, expenses reduced by 13% year on year.

Working capital was reduced by 38% (£10.1 million) year on year adjusting for the impact of acquisitions, and by £8.6 million (32%) adjusting for foreign currency movements and inclusion of the net working capital movements for BFi since acquisition. At the year end, working capital now represents 12.7% of sales compared to 16.1% last year. Significant progress was made in the reduction of inventory levels, helped by the specialisation strategy which reduces the need for commodity inventory, as well as strong debtor book management. Underlying working capital, excluding acquisitions and foreign currency movements, reduced by £3.1 million (16 %) in the second half compared to the first half.

A cash inflow from operating activities excluding pension payments and exceptional items of £9.5 million helped maintain a strong net cash position of £13.9 million at the year end. The reduction in net cash during the year reflects the net cash outflow on acquisitions and disposals of £10.7 million (excluding debt acquired), the loss for the year after exceptional items, exceptional tax payments of £2.4 million on prior year disposal gains, pension payments of £1.3 million, and dividends of £1.8 million, offset by a significant improvement in working capital.

Gross margin increased by 1.1 percentage points to 27.6% year on year, the underlying margin being stable in the second half. This was achieved through improvements in management control and foreign exchange, whilst focusing on selling higher margin products and avoiding standard lower margin products. In the last four months of the year, the BFi acquisition enhanced the Group gross margin by 0.2%.

Electronics

Reported revenue increased by 8.4% to £112.4 million from £103.7 million. After excluding acquisitions and currency movements, revenue declined by 23.5%. Adjusted operating loss (before exceptional items) was £0.2 million and excluding acquisitions, was a loss of £0.9 million (compared to a profit of £0.9 million prior year).

The return to an adjusted profit of £1.2 million in the second half reflects the combined benefits of cost reductions of £4.7 million (18%), improving sales, and acquisitions of £0.7 million. Sales in the second half (like for like, excluding acquisitions) grew by 7.9% compared to the first half.

The second half of the year saw a return to year on year growth in orders. Orders in the final quarter increased by 10% (like for like, including acquisitions), and the pipeline of customer orders, an indicator of future sales, had at the end of March 2010, increased by 22% (like for like, including acquisitions). Since the year end, sales growth has continued to be significantly ahead of the prior year as the improved order book flows through into sales. The book to bill ratio continues to be positive, on increasing sales.

Working capital, excluding acquisitions, reduced by 45% compared to the prior year, being 12.8% of sales (18.5% prior year), reflecting the strategy of specialisation as well as our customers' increasing levels of demand.

We are midway through the process of integrating BFi. Our new European leadership group, consisting of management from both Acal and BFi, strengthened by some key external appointments, has made good progress towards aligning the two businesses and taking the first steps to create a common culture. We are establishing one common operational infrastructure from which we will operate the two businesses. We have begun to relocate to common office facilities where it makes sense to do so, consolidate warehouse operations from three to two, move onto one IT system, and create a common back office operation. As stated

at the time of acquisition, this is expected to deliver annualised operational savings in excess of £4.4 million, and we remain on track to deliver this.

Whilst customers have been largely unaffected by the changes as we maintain existing relationships and service channels, our suppliers and, particularly our employees, have seen some significant changes. I thank them for their commitment, professionalism and continued support. We have much to do before we achieve levels of performance with which we are completely satisfied, but we are pleased with the progress so far. We look forward with some optimism as we continue to build Europe's leading specialist distributor.

Supply Chain

Revenue increased by 14.4% to £62.0 million from £54.2 million. Adjusting for the full year impact of the SSE acquisition in the prior year and foreign currency fluctuations, underlying revenue declined by 5.6%.

Adjusted operating profit increased by 9% from £1.1 million to £1.2 million reflecting both increased sales and cost reductions from the integration of SSE, but being partially offset by ongoing margin pressure in the other trading companies. Since the acquisition of SSE in January 2009, the management team has made substantial progress, stabilising the division and providing clear direction, improving operational efficiency, and disengaging from unprofitable customer contracts.

Medical

Reported revenue declined by 4.0% to £7.2 million from £7.5 million. Underlying revenues at constant currency declined by 7.7%, with the second half increasing by 2.4%, reversing the decline of the first half.

Adjusted operating profit declined from £1.0 million to £0.8 million, although second half operating profit of £0.5 million was consistent with the prior period.

Around three quarters of divisional revenue comes from the UK. As indicated in the interim results, our customers within the NHS deferred spending from the first half into the second half. This resulted in flat revenues year on year, a significant improvement over the first half decline, and a slight increase in adjusted operating profits.

The subsidiary in South Africa continues to make good progress with growth in both orders and sales.

Operational and strategic progress

Following a year of change and progress, the Group is well positioned with a clear strategy, competitive position, and opportunities for future growth and development.

The second half has seen improvements in market conditions for the Electronics division, and a return to Group profitability. We remain focused on operational control and the effective integration of BFi. Cost reductions achieved in the first half have been maintained in the second half, despite the significant increase in volumes.

So far, the strong operating cash flow has been largely created by working capital reductions. With the return to profitability, and by sustaining the improved levels of working capital efficiency, we expect to remain cash generative at an adjusted operating level. Our strong net cash position, combined with credit facilities, positions us well to take advantage of suitable complementary acquisitions.

Current trading and outlook

Trading since the year end has improved further, with Group underlying sales having increased by around 18%. In the Electronics division, which since the financial year end, accounts for around 77% of Group sales, sales have grown by around 20%.

Trading conditions in the Supply Chain division (around 20% of Group sales), remain stable but challenging. The Medical division (around 3% of Group sales) has started the year well, but is reliant on NHS expenditure and therefore subject to a degree of uncertainty.

Despite being cautious over the sustainability of the economic recovery and the outlook beyond, the Board remains confident that the strategy of specialisation will deliver further opportunities for growth over the medium and long term.

Nick Jefferies

Group Chief Executive

2 June 2010

FINANCE REVIEW

A review of the trading results for the year is set out in the Chairman's Statement and the Strategic and Operational Review.

Results for the year

The results for the year include the trading performance of BFi Optilas ("BFI") from 1 December 2009. The acquisition completed on 18 December 2009 following the issue of new ordinary shares as part of the consideration, but control over performance was effective from 1 December 2009. The contribution from the acquired business is discussed more fully below.

The adjusted operating loss (before exceptional items, amortisation of acquired intangibles and share based payments) is £0.5 million compared to a profit of £0.4 million in the prior year. As noted in last year's financial statements, the Directors believe that this adjusted performance measure provides additional useful information for shareholders on the underlying trends and performance of the Group.

The adjusted loss before tax (before exceptional items, amortisation of acquired intangibles, share based payments and IAS 19 finance costs) is £0.7 million compared to a profit of £0.8 million in the prior year. Net loss before tax of £6.3 million compares to a net loss of £32.6 million in the prior year and includes exceptional items of £4.7 million (2009: £33.1 million) set out below.

Loss for the year is £6.6 million (2009: £37.0 million).

Acquisitions

As noted above, on 18 December 2009, the Group purchased BFi for a total consideration, including acquisition expenses, of £13.4 million. This comprised cash consideration of £9.0 million, £2.7 million for the issue of 2 million ordinary shares issued at £1.35 per share and £1.7 million of expenses. Net assets acquired were £13.0 million, including net debt of £1.0 million and provisional goodwill arising on the acquisition was £0.4 million.

On 9 April 2009 the Group purchased the remaining shares in Acal Supply Chain Limited (formerly Service Source Europe Limited ("SSE")), equivalent to 25% of its issued share capital, for £1.0 million.

Gross margin and overhead costs

Gross margin improved by 1.1 percentage points to 27.6% for the year. This reflected the Group strategy of specialisation including the benefit from a higher margin in the newly acquired BFi business. The improvement was aided by better managed foreign currency hedging.

Total operating expenses excluding exceptional items, intangible amortisation on acquisitions and share based payments were £50.6 million (2009: £43.5 million). On a comparable basis, including the full year costs of the acquisition of SSE in the prior year, the translation impact of overseas company overheads and excluding the BFi overheads for the four-month period, the underlying reduction was £5.9 million, representing a reduction of 12%. BFi overheads for the four months from 1 December 2009 were 13% lower than the prior year comparable period.

Exceptional items

The Group presents on the face of the income statement those items that are separately identifiable by virtue of their size or incidence, so as to allow a better understanding of the underlying trading performance of the Group. Exceptional items comprise:

	2010 £m	2009 £m
Operating:		
Integration restructuring costs	2.4	-
Other restructuring costs	1.9	2.6
Impairment of goodwill	0.3	41.8
Sale of investment in MessageLabs Group	0.1	(15.9)
Write back of unutilised provisions for retained obligations	-	(0.8)
Non Operating:		
Impairment of associate investments	-	5.4
Net exceptional items before tax	4.7	33.1

Integration restructuring costs relate to one off costs incurred to achieve the synergies from integrating the back office functions of the newly acquired BFi business. The costs primarily relate to staff termination costs, certain dual running costs (inefficiency costs) and onerous lease costs relating to the closure of the Group's Eindhoven warehousing facility, which will be consolidated into the larger BFi European facility in Germany by the end of the next financial year.

Other restructuring costs relate to the rationalisation of headcount in the Electronics and Supply Chain divisions in light of the general economic climate and reduced trading levels, onerous lease costs and termination costs for Executive Directors.

The impairment of goodwill of £0.3 million is for a trading subsidiary in the Supply Chain Division, ATM Parts Company Limited and is based on current trading performance of that company.

In the prior year, the sale of MessageLabs Group Limited ("MessageLabs") to Symantec was completed in November 2008 giving rise to an exceptional profit on sale of £15.9 million. An adjustment of £0.1 million for deferred consideration received during 2009-2010 has been included for the current year.

Net finance costs

Net interest costs for the year amounted to £0.2 million before IAS19 interest cost of £0.6 million (2009: £0.2 million) compared to a net interest income of £0.5 million for the prior year. The continued low interest rates during the year have reduced the opportunity to earn significant interest income from cash balances, which have also reduced following the cash outflow on acquisitions during the year. The profile of the Group's cash resources includes the use of non-offset foreign currency cash pooling arrangements and certain overseas local banking facilities, which give rise to certain finance costs. However, better management of cash resources in the second half ensured a reduction of finance costs, excluding IAS19 interest cost, to nil.

Dividends and loss per share

For the year ended 31 March 2010, the Board has recommended a final dividend of 4.67 pence (2009: 3.5 pence). An interim dividend of 2.33 pence per share was paid in January 2010, making the total dividend for the year 7.0 pence per share (2009: 7.0 pence).

Basic loss per share before exceptional items was 8.2 pence (2009: loss of 3.8 pence). Basic loss per share after exceptional items was 24.5 pence (2009: loss of 140.5 pence).

Taxation

The tax charge before exceptional items for the year amounted to £0.6 million (2009: £1.4 million) and arises due to the mix of profitable and non-profitable operations in the Group throughout Europe. The total tax charge for the year, after a tax credit of £0.3 million on exceptional items, was £0.3 million, an effective rate of 5%.

Net cash and cash flow

At 31 March 2010, the Group had net cash of £13.9 million (2009: £24.5 million). The Group had total working capital facilities available of £18.2 million (2009: £33.7 million) with a number of major UK and overseas banks of which £8.0 million (2009: nil) were committed facilities. The Group had drawn £3.4 million against total facilities at 31 March 2010. The committed facilities were implemented following the completion of the BFi acquisition via a new fixed term facility, which expires on 25 March 2011. The facility is subject to certain performance covenants, which on review at 31 March 2010 gave significant headroom.

Cash generated by operations was £5.2 million (2009: cash absorbed £2.4 million) including payments relating to exceptional costs incurred of £3.0 million (2009: £2.1 million). Underlying cash generated by operations excluding exceptional cash flows and pension contributions was £9.5 million (2009: £1.0 million). The operating loss before exceptional items, and pension payments of £1.3 million, were more than offset by a significant reduction in working capital of £8.6 million.

Acquisition expenditure of £11.7 million, excluding debt acquired, comprised £10.7 million for BFi and £1.0 million for the remaining 25% of the ordinary share capital of Service Source Europe Limited. A receipt of £1.0 million for deferred consideration was received in November 2009 relating to the disposal of MessageLabs in 2008.

Tax payments of £3.1 million include an exceptional payment of £2.4 million relating to the profit on disposal of the investment in MessageLabs in 2008.

The Directors have reviewed cash flow forecasts for 2011 and 2012 developed for the working capital reports for the acquisition of BFi and have considered a range of different scenarios and the impact of these on the Group's cash flow and facilities. Based on this work, the Directors are satisfied that the Group has adequate resources for the foreseeable future.

Net assets and working capital

Movements in working capital are analysed as follows:

	2009 £m	Acquisitions and disposals £m	Translation £m	Underlying movement £m	2010 £m
Inventories	24.7	7.5	(0.9)	(8.0)	23.3
Trade and other receivables	39.5	19.0	(0.9)	(4.0)	53.6
Trade and other payables	(37.5)	(12.7)	0.7	3.4	(46.1)
Net working capital	26.7	13.8	(1.1)	(8.6)	30.8

The above table highlights the impact on working capital of the acquisition of BFi for £14.8 million offset by a receipt of £1.0 million deferred consideration for MessageLabs and for the translation effect of the movement in euro and dollar exchange rates against sterling of £1.1 million. Underlying reduction in working capital of £8.6 million (32%) includes a 32% reduction in inventories and 10% reduction in debtors. This highlights the management focus on working capital during the year with a significant increase in stock turns from 5.3 to 7.5 and a reduction in debtor days, excluding acquisitions, of 5 days to 46 days.

The net working capital at 31 March 2010, excluding acquisitions, as a percentage of sales, reduced by 5 percentage points to 11% and including BFi was 13%.

Net assets were £51.9 million (2009: £58.6 million). The reduction in net assets mainly comprises the loss for the year of £6.6 million and dividends of £1.6 million offset by the issue of new share capital of £2.7 million relating to the acquisition of BFi.

Pensions

The Group operates a defined contribution pension scheme, but also has a closed defined benefit scheme that dated back to an acquisition in 1999. Assets of the defined benefit scheme were valued at £29.3 million at 31 March 2010 (2009: £23.7 million) reflecting the recovery of financial markets during the year.

Scheme liabilities under International Accounting Standard No 19 (IAS19) were valued by the actuaries at £34.8 million (2009: £29.4 million), giving a deficit of £5.5 million (2009: £5.7 million).

The most recent funding valuation, conducted at 31 December 2009, showed a deficit of £11.2 million. Based on this valuation and the restructuring expenditure being undertaken by the Group following the integration of BFi, the Fund's Trustee has agreed with Sedgemoor Limited a two year reduction in the funding contributions until 2012 to £0.7 million per year (previously £1.3 million), increasing by 3% per annum from a base of £1.5 million in 2013 for a further 10 years.

Paul Neville

Acting Group Finance Director
2 June 2010

ACAL plc

Consolidated income statement for year ended 31 March 2010

		2010			2009		
	Notes	Before exceptional items £m	Exceptional items (note 7) £m	Total £m	Before exceptional items £m	Exceptional items (note 7) £m	Total £m
Revenue	5,6	181.6	-	181.6	165.4	-	165.4
Cost of Sales		(131.5)	-	(131.5)	(121.5)	-	(121.5)
Gross profit		50.1	-	50.1	43.9	-	43.9
Selling and distribution costs		(28.4)	-	(28.4)	(26.8)	-	(26.8)
Administrative expenses		(22.5)	(4.7)	(27.2)	(16.8)	(44.4)	(61.2)
Other operating income		-	-	-	-	16.7	16.7
Operating (loss)/profit	5	(0.8)	(4.7)	(5.5)	0.3	(27.7)	(27.4)
Analysed between:							
Adjusted operating (loss)/profit		(0.5)			0.4		
Share based payments		(0.2)			(0.1)		
Amortisation of acquired intangibles		(0.1)			-		
Share of post-tax losses from associates		-	-	-	(0.1)	-	(0.1)
Impairment of investment in associates		-	-	-	-	(5.4)	(5.4)
Finance costs		(1.2)	-	(1.2)	(1.1)	-	(1.1)
Finance revenue		0.4	-	0.4	1.4	-	1.4
(Loss)/ profit before tax		(1.6)	(4.7)	(6.3)	0.5	(33.1)	(32.6)
Analysed between:							
Adjusted (loss)/profit before tax		(0.7)			0.8		
Share based payments		(0.2)			(0.1)		
Amortisation of acquired intangibles		(0.1)			-		
IAS 19 income statement charge for pension finance cost		(0.6)			(0.2)		
Taxation		(0.6)	0.3	(0.3)	(1.4)	(3.0)	(4.4)
Loss for the year		(2.2)	(4.4)	(6.6)	(0.9)	(36.1)	(37.0)
Attributable to:							
Equity holders of the parent				(6.6)			(37.1)
Non controlling interests				-			0.1
				(6.6)			(37.0)
Loss per share	9						
Basic and diluted		(8.2)p	(16.3)p	(24.5)p	(3.8)p	(136.7)p	(140.5)p

The results for the year and prior year relate wholly to continuing operations.

ACAL plc

Consolidated statement of comprehensive income for the year ended 31 March 2010

	2010 £m	2009 £m
Loss for the year	(6.6)	(37.0)
Actuarial loss on defined benefit pension scheme	(0.5)	(3.0)
Deferred tax relating to pension scheme	0.1	0.8
Foreign currency translation differences	(0.6)	1.6
Other comprehensive loss for the year net of tax	(1.0)	(0.6)
Total comprehensive loss for the year net of tax	(7.6)	(37.6)
Total comprehensive loss for the year net of tax attributable to:		
Equity holders of the parent	(7.6)	(37.7)
Non controlling interests	-	0.1
	(7.6)	(37.6)

	2010	2009
Dividends (note 8)		
Dividends per share declared in respect of year	7.0p	7.0p
Dividends per share paid in year	5.83p	18.20p
Dividends paid in year	£1.6m	£4.8m

ACAL plc

Consolidated balance sheet at 31 March 2010

	Notes	2010 £m	2009 £m
Non-current assets			
Property, plant and equipment		3.9	4.7
Intangible assets - goodwill	12	14.4	13.5
Intangible assets – other		2.1	1.5
Deferred tax assets		2.7	2.6
		23.1	22.3
Current assets			
Inventories		23.3	24.7
Trade and other receivables		53.6	39.5
Current tax assets		0.2	0.4
Cash and cash equivalents		17.3	33.2
		94.4	97.8
Total assets		117.5	120.1
Current liabilities			
Trade and other payables		(46.1)	(37.5)
Short-term borrowings		(3.4)	(8.6)
Current tax liabilities		(2.9)	(5.1)
Provisions		(4.2)	(2.5)
		(56.6)	(53.7)
Non-current liabilities			
Long-term borrowings		-	(0.1)
Pension liability	13	(5.5)	(5.7)
Deferred tax liabilities		(0.2)	(0.5)
Provisions		(3.3)	(1.5)
		(9.0)	(7.8)
Total liabilities		(65.6)	(61.5)
Net assets		51.9	58.6
Equity			
Share capital		1.4	1.3
Share premium		40.6	38.0
Merger reserve		3.0	3.0
Currency translation reserve		2.9	3.5
Retained earnings		4.0	12.4
Equity attributable to equity holders of the parent		51.9	58.2
Non controlling interests		-	0.4
Total equity		51.9	58.6

ACAL plc

Consolidated statement of changes in equity for the year to 31 March 2010

Equity attributable to equity holders of the Company

	Share capital	Share premium	Merger reserve	Currency Translation reserve	Retained earnings	Total	Non controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
At 1 April 2008	1.3	38.0	3.0	1.9	56.5	100.7	-	100.7
Loss for the period	-	-	-	-	(37.1)	(37.1)	0.1	(37.0)
Other comprehensive income	-	-	-	1.6	(2.2)	(0.6)	-	(0.6)
Total comprehensive income	-	-	-	1.6	(39.3)	(37.7)	0.1	(37.6)
Acquisition of non controlling interests	-	-	-	-	-	-	0.3	0.3
Equity dividends	-	-	-	-	(4.8)	(4.8)	-	(4.8)
At 31 March 2009	1.3	38.0	3.0	3.5	12.4	58.2	0.4	58.6
Loss for the period	-	-	-	-	(6.6)	(6.6)	-	(6.6)
Other comprehensive income	-	-	-	(0.6)	(0.4)	(1.0)	-	(1.0)
Total comprehensive income	-	-	-	(0.6)	(7.0)	(7.6)	-	(7.6)
Share based payment transactions	-	-	-	-	0.2	0.2	-	0.2
Acquisition of non controlling interests	-	-	-	-	-	-	(0.4)	(0.4)
Issue of share capital	0.1	2.6	-	-	-	2.7	-	2.7
Equity dividends	-	-	-	-	(1.6)	(1.6)	-	(1.6)
As at 31 March 2010	1.4	40.6	3.0	2.9	4.0	51.9	-	51.9

Nature and purpose of other reserves:

Merger reserve

The merger reserve arose as a consequence of the acquisition in 1987 of Centre Industries Limited and Acal Auriema Limited.

Currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and other foreign currency investments.

ACAL plc

Consolidated cash flow statement for the year ended 31 March 2010

	Notes	2010 £m	2009 £m
Loss for the year		(6.6)	(37.0)
Taxation expense		0.3	4.4
Share of results of associates		-	0.1
Net finance costs/(income)		0.8	(0.3)
Depreciation of property, plant and equipment		1.2	1.3
Amortisation of intangible assets - other		0.3	0.6
Change in provisions		1.7	(0.7)
Gain on disposal of investments		-	(15.9)
Gain on disposal of property, plant and equipment		(0.3)	-
Impairment of goodwill and associates		0.3	47.2
Pension scheme funding		(1.3)	(1.3)
Equity-settled share based payment expense		0.2	-
Operating cash flows before changes in working capital		(3.4)	(1.6)
Decrease/(increase) in inventories		8.0	(0.2)
Decrease in trade and other receivables		4.0	3.0
Decrease in trade and other payables		(3.4)	(3.6)
Decrease/(increase) in working capital		8.6	(0.8)
Cash generated from/(absorbed by) operations		5.2	(2.4)
Interest paid		(0.6)	(0.8)
Income taxes paid		(3.1)	(3.4)
Net cash flows from operating activities		1.5	(6.6)
Cash flows from investing activities			
Acquisition of shares in subsidiaries	10	(11.7)	(2.9)
Net debt acquired with subsidiaries	10	(1.0)	(1.5)
Proceeds from sale of other financial assets		1.0	15.1
Purchases of property, plant and equipment		(0.7)	(1.2)
Proceeds from sale of property, plant and equipment and intangibles		1.4	0.2
Purchases of intangible assets - software		(0.4)	(0.2)
Interest received		0.4	1.4
Dividends received from associates		-	0.2
Net cash (outflow)/ inflow from investing activities		(11.0)	11.1
Cash flows from financing activities			
Repayments of borrowings		(0.2)	(0.1)
Dividends paid to company's shareholders	8	(1.6)	(4.8)
Net cash outflow from financing activities		(1.8)	(4.9)
Net decrease in cash and cash equivalents		(11.3)	(0.4)
Cash and cash equivalents at 1 April		24.8	25.8
Effect of exchange rate fluctuations		0.4	(0.6)
Cash and cash equivalents at 31 March		13.9	24.8
Reconciliation to cash and cash equivalents in the balance sheet			
Cash and cash equivalents shown above		13.9	24.8
Add back overdrafts		3.4	8.4
Cash and cash equivalents shown within current assets in the balance sheet		17.3	33.2

ACAL plc

Notes to the preliminary statement for the year ended 31 March 2010

1 Publication of non-statutory accounts

The preliminary results were authorised for issue by the Board of Directors on 2 June 2010. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 March 2010 or 2009, but is derived from those accounts. Statutory accounts for 2009 have been delivered to the Registrar of Companies whereas those for 2010 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their report was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 2006.

2 Basis of preparation

The financial information in this statement is 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.

3 Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic and Operational Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review.

The Group has considerable 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 business risks successfully despite the current uncertain economic outlook.

After making 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.

4 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations as at 1 April 2009:

IAS 1 "Presentation of Financial Statements" has resulted in the Statement of Recognised Income and Expense being renamed the Statement of Comprehensive Income and the introduction of the Statement of Changes in Equity as a primary statement. The Group has chosen to produce two statements, an income statement and a statement of comprehensive income. Comparative information has been re-presented so that it also conforms to the revised standard. As the change only impacts on presentation there is no change to reported net cash flows, financial position, comprehensive income or loss per share.

IFRS 8 "Operating Segments". IFRS 8 replaces IAS 14 "Segment Reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments identified under IAS 14.

IFRS 2 "Share based Payment: Vesting Conditions and Cancellations". The amendment does not have a material impact on the Group or Company's financial statements.

IAS 23 "Borrowing Costs (Revised)". The adoption of this standard did not have any impact on the financial position or performance of the Group.

IAS 32 "Financial Instruments: Presentation and IAS 1 Puttable Financial Instruments and Obligations arising on Liquidation". The adoption of this standard did not have any impact on the financial position or performance of the Group.

5 Segmental analysis

For management purposes, the Group is organised into three business units based on their products and services and has three reportable operating segments as follows:

- Electronics – distribution of electronic products to industrial manufacturing and design companies.
- Supply Chain – supply of new and refurbished IT, EPOS and ATM spare parts to service providers.
- Medical – supply of hi-tech medical equipment to public and private healthcare providers.

Non operating segments are reported separately.

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.

There are immaterial sales between business segments.

Year ended 31 March 2010

	Electronics 2010 £m	Supply Chain 2010 £m	Medical 2010 £m	Unallocated 2010 £m	Total operations 2010 £m
Revenue	112.4	62.0	7.2	-	181.6
Result					
Segment result before exceptionals	(0.2)	1.2	0.8	(2.6)	(0.8)
Exceptional items - goodwill impairment	-	(0.3)	-	-	(0.3)
Exceptional items – integration restructuring	(2.4)	-	-	-	(2.4)
Exceptional items – other restructuring	(1.3)	(0.2)	-	(0.4)	(1.9)
Exceptional items - other	-	-	-	(0.1)	(0.1)
Net finance costs	-	-	-	(0.8)	(0.8)
(Loss) /profit before taxation	(3.9)	0.7	0.8	(3.9)	(6.3)
Taxation					(0.3)
Loss for the year					(6.6)

Year ended 31 March 2009

	Electronics 2009 £m	Supply Chain 2009 £m	Medical 2009 £m	Unallocated 2009 £m	Total operations 2009 £m
Revenue	103.7	54.2	7.5	-	165.4
Result					
Segment result before exceptionals	0.9	1.0	1.0	(2.6)	0.3
Exceptional item – goodwill impairment	(29.7)	(12.1)	-	-	(41.8)
Exceptional item – restructuring	(1.3)	(0.1)	-	(1.2)	(2.6)
Exceptional item – other	(5.4)	-	-	16.7	11.3
Net finance costs	-	-	-	0.3	0.3
Share of post-tax losses of associates	(0.1)	-	-	-	(0.1)
(Loss)/profit before taxation	(35.6)	(11.2)	1.0	13.2	(32.6)
Taxation					(4.4)
Loss for the year					(37.0)

6 Geographic analysis of revenue by destination

	2010 £m	2009 £m
UK	75.1	82.4
Europe	100.4	75.2
Rest of the World	6.1	7.8
	181.6	165.4

7 Exceptional items

	2010 £m	2009 £m
Other operating income:		
Write back of unutilised provision for retained obligations (a)	-	0.8
Profit on disposal of other financial assets (d)	-	15.9
	-	16.7
Administration expenses:		
Impairment of goodwill (note 12)	(0.3)	(41.8)
Integration restructuring costs (b)	(2.4)	-
Other restructuring costs (c)	(1.9)	(2.6)
Adjustment to profit on disposal of other financial assets (d)	(0.1)	-
	(4.7)	(44.4)
Net operating exceptional items	(4.7)	(27.7)
Non operating items:		
Impairment of associate investments	-	(5.4)
	(4.7)	(33.1)
Tax on exceptional items	0.3	(3.0)
Total exceptional items	(4.4)	(36.1)

(a) Provisions for retained obligations were set up in 2008 in relation to the sale of the IT Solutions business. The unutilised provisions relate to savings on restructuring costs.

(b) Integration restructuring costs relate to one off costs incurred to achieve the synergies from integrating the back office functions of the newly acquired BFi business. The costs primarily relate to staff termination costs, certain dual running costs (inefficiency costs) and onerous lease costs relating to the closure of the Group's Eindhoven warehousing facility, which will be consolidated into the larger BFi European facility in Germany by the end of the next financial year.

(c) Other restructuring costs relate to the rationalisation of headcount in the Electronics and Supply Chain divisions in light of general economic climate and reduced trading levels, onerous lease costs and termination costs for Executive Directors.

(d) In the prior year, the sale of MessageLabsGroup Limited to Symantec was completed in November 2008 and the profit on disposal of £15.9 million is included in exceptional income. An amount of £1.1 million was retained in escrow as at the time of completion the consideration was estimated. The final total consideration has resulted in an adjustment to the profit on disposal of £0.1 million.

8 Dividends

The Directors have proposed a final dividend of 4.67 pence per share, payable on 30 July 2010 to shareholders on the register at 18 June 2010. In accordance with IAS 10, this dividend has not been reflected in the balance sheet at 31 March 2010. The amount of this final dividend is £1.3 million. An interim dividend of 2.33 pence per share was paid in January 2010, and the cost of this dividend was £0.7 million.

9 Loss per share

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

Diluted loss per share is the basic loss 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.

Loss per share including exceptional items of 24.5p (2009: 140.5p) and excluding exceptional items of 8.2p (2009: 3.8p) have been calculated on attributable losses of £6.6 million (2009: £37.1 million) and exceptional items net of tax of £4.4 million (2009: £36.1 million).

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

	2010 £m	2009 £m
Loss for the year attributable to equity holders of the parent – before exceptionals	(2.2)	(1.0)
Exceptional items net of tax	(4.4)	(36.1)
Loss for the year attributable to equity holders of the parent	(6.6)	(37.1)
	2010 No.	2009 No.
Weighted average number of shares for basic earnings per share	26,987,847	26,418,354
Effect of dilution - share options	620,498	-
Adjusted weighted average number of shares for diluted loss per share	27,608,345	26,418,354

At the year end there were 1,283,488 ordinary share options in issue that could potentially dilute earnings per share in the future of which 620,498 are currently dilutive (2009: 1,502,774 in issue and nil dilutive). No adjustment has been made for the dilutive impact in the current year as this would decrease the reported loss per share.

10 Acquisitions

Acquisition of BFi OPTILAS ("BFI")

On 18 December 2009, the Group acquired 100% of the voting shares of BFi, a privately owned specialist electronics and photonic component distributor operating in the UK and Europe. The consideration of £13.4 million was satisfied by a combination of cash and equity as shown below. The fair value of the shares issued was based on the published price on 17 December 2009. The effective date of acquisition was 1 December when Acal established control over performance.

Book and fair values of the net assets at the date of acquisition were as follows:

	Book value £m	Provisional Fair value £m
Property, plant and equipment	1.2	1.0
Intangible assets – software	0.1	0.1
Intangible assets – other	-	0.4
Deferred tax assets	1.9	-
Inventories	8.2	7.5
Trade and other receivables	20.5	20.0
Bank overdrafts	(1.0)	(1.0)
Trade and other payables	(12.4)	(12.7)
Current tax liabilities	(0.1)	(0.4)
Provisions	(1.4)	(1.9)
Net assets	17.0	13.0
Provisional goodwill arising on acquisition		0.4
Total investment		13.4
Discharged by:		
Fair value of shares issued (2,000,000 shares at £1.35 per share)		2.7
Cash		9.0
Costs associated with the acquisition, settled in cash		1.7
Total consideration		13.4

The fair values on acquisition of BFi are provisional due to the timing of the transaction and will be finalised during the 2011 financial year.

Net cash outflows in respect of the acquisition comprise:

	Total £m
Cash consideration	10.7
Net cash and overdrafts acquired	1.0
	11.7

From the date of acquisition to 31 March 2010, BFi has contributed a profit of £nil million to the loss of the Group. If the acquisition had taken place at the beginning of the year, the loss for the year for the Group would have been £9.7 million and revenue would have been £231.2 million.

Included in the £0.4m of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. These items include the expected value of synergies, the experience and skill of the management team and the value of customer relationships.

Acquisition of Minority Interest in Acal Supply Chain Limited (formerly Service Source Europe Limited ("SSE"))

On 9 April 2009, the Group acquired the remaining 25% in SSE for a total cash consideration of £1.0 million. Minority interest acquired as a result of this was £0.4 million creating £0.6 million additional goodwill. Total goodwill relating to the acquisition is £2.5 million.

11 Movements in cash and net debt

	2010	2009
	£m	£m
Net decrease in cash and cash equivalents	(11.3)	(0.4)
Cash outflow/(inflow) from borrowings	0.2	(0.1)
Effect of exchange rate fluctuations	0.5	(0.6)
Decrease in net cash	(10.6)	(1.1)
Net cash at beginning of the year	24.5	25.6
Net cash at end of the year	13.9	24.5

12 Intangibles assets - goodwill

Cost	£m
At 1 April 2008	53.4
Acquisition of shares in a subsidiary	1.9
At 31 March 2009	55.3
Exchange and other adjustments	0.2
Acquisition of shares in subsidiaries	1.0
At 31 March 2010	56.5
Impairment	£m
At 1 April 2008	-
Impairment (note 7)	(41.8)
At 31 March 2009	(41.8)
Impairment (note 7)	(0.3)
At 31 March 2010	(42.1)
Net book amount at 31 March 2010	14.4
Net book amount at 31 March 2009	13.5

Goodwill is not amortised but is subject to annual impairment testing.

Goodwill arising in the year relates to the acquisition of the remaining 25% of Acal Supply Chain Limited (formerly Service Source Europe Limited) which is part of the Supply Chain division, and the acquisition of BFi which is part of the Electronics division. Further information is disclosed in Note 10.

Impairment testing of goodwill

The carrying amount of goodwill is analysed as follows:

	2010	2009
	£m	£m
Supply Chain		
ATM Parts Company Limited	-	0.3
Computer Parts International Limited	3.9	3.9
Acal Supply Chain Limited	2.6	1.9
Electronics		
UK electronics businesses	6.8	6.8
BFi OPTiLAS	0.5	-
Medical	0.6	0.6
	14.4	13.5

During the year to 31 March 2010, an impairment charge of £0.3m for ATM Parts Company Limited was identified as part of the impairment review carried out in view of the challenging economic climate and the performance of the Group businesses.

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

The recoverable amount of a CGU is based upon value in use calculations and management's review of the recoverable amount. The key assumptions in these calculations relate to revenue and gross margins. The calculation is most sensitive to revenue assumptions, however senior management believe that the assumptions used are reasonable. Cash flows beyond the plan period of one year are extrapolated using a growth rate of between 1% and 2% (2009: between 1% and 2%). This is based on recently approved budgets and management's assessment of market experience. These rates do not exceed the average long-term growth rate for the relevant markets. Discount rates reflect the current market assessment of the risks specific to each cash generating unit. 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 cash generating units. The discount rate applied to cash flow projections is 12% (2009: 12%).

13 Pensions

The pension liability relates to the Sedgemoor Group Pension Fund which was brought into the Group on the acquisition of the Sedgemoor Group in 1999. The fund, which is a defined benefit scheme, is operated as a 'paid up' pension scheme with only pensioners and deferred members.

The most recent funding valuation, conducted at 31 December 2009, showed a deficit of £11.2 million. Based on this valuation and the restructuring expenditure being undertaken by the Group following the integration of BFi, the Fund's Trustee has agreed with Sedgemoor Limited a two year reduction in the funding contributions until 2012 to £0.7 million per year (previously £1.3 million), increasing by 3% per annum from a base of £1.5 million in 2013 for a further 10 years.

The IAS 19 liability at 31 March 2010 was £5.5 million (2009: £5.7 million).

14. Exchange rates

The profit and loss accounts of overseas subsidiaries are translated into sterling at average rates of exchange for the period and balance sheets are translated at period end rates. The main currencies are the US dollar and the Euro. Details of the exchange rates used as follows:

	Year to 31 March 2010		Year to 31 March 2009	
	2010 Closing rate	2010 Average rate	2009 Closing rate	2009 Average rate
US dollar	1.517	1.597	1.430	1.700
Euro	1.121	1.129	1.080	1.200

15. Annual Report and Accounts

The Annual Report and Accounts will be mailed to shareholders on or before 25 June 2010. Copies will also be available at the company's registered office: 2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, GU2 7AH. In addition, this report is available on the company's website: www.acalplc.co.uk.