

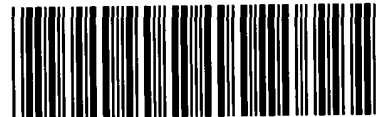
Registered No. 01803787

Acal BFI UK Limited

Report and Financial Statements

31 March 2017

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COMPANIES HOUSE

Company information

Directors

S Gibbins
D Gray
I Greatorex
J Ward
M Pangels
P Webster
M Briand

Secretary

J Harkus Madge

Auditor

Ernst & Young LLP
1 More London Place
London SE1 2AF

Bankers

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First Floor
25 Gresham Street
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HSBC Bank plc
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Registered Office

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Molly Millars Lane
Wokingham
Berkshire RG41 2EY

Strategic report

The directors present their strategic report, directors' report and financial statements for the year ended 31 March 2017.

Principal activity and review of the business

Acal BFI UK Limited ('the company') is a subsidiary of Acal plc and operates as part of the group's Custom Distribution division. The company is a specialist supplier of electronic, electrical and electromechanical products.

The company's key financial and other performance indicators, as used by management in reviewing the performance of the business for the year, are as follows:

	2017	2016
Turnover (£000)	32,084	32,564
Gross margin	25.1%	26.8%
Underlying operating profit (£000)	805	301
Current assets as % of current liabilities	200%	202%
Average monthly number of employees	148	157

Turnover has remained relatively flat. Gross margin has declined due to product mix and pricing lag effect of a stronger USD on the cost of product. The increase in underlying operating profit compared to the prior year is as a result of cost reduction (see below).

During the year the business was restructured, predominantly the sales and marketing organisation. This restructuring incurred exceptional costs in the year of £492,000. In addition a goodwill impairment charge of £3,186,000 is also treated as an exceptional cost (see note 9 for details).

Principal risks and uncertainties


Competitive pressures in the market and uncertainty in the economy produce risks for both the company and its customers and this could lead to further price pressure and the loss of customers. The company manages exposure to these risks by constantly reviewing cost areas and ensuring rapid responses to any changes in market and customer needs.

The company purchases from Europe, the USA and Asia and therefore has some exposure to currency risks, however this is minimised through trading and hedging in those currencies through other group companies.

The financial risk management policies and procedures are centred around price risk, credit risk, liquidity risk and cash flow risk. In the view of the directors, these policies are held to minimise the company's overall risk exposure and are managed through:

- contracting stock purchases and sales prices, and hedging of foreign exchange exposures by use of forward exchange rate contracts taken out by other group companies;
- effective credit control procedures in place which limit exposure to credit risk;
- regular monitoring of cash flow against forecast and expected liquidity; and
- availability of short term finance through group resources if needed.

Approved by the Board and signed on its behalf by:


S Gibbins
Director
Date: 24/03/17

Registered No. 01803787

Directors' report

Results and dividends

The loss for the year after taxation amounted to £2,913,000 (2016 – profit £234,000). The directors do not recommend a dividend (2016 – £nil).

Going concern

The company's business activities, together with the factors likely to affect its performance and financial position have been described in the strategic report on page 2.

The company has sufficient financial resources, well established distribution contracts with a number of suppliers and a stable customer base. In addition the ultimate parent undertaking, Acal plc, has agreed to provide financial support to the company to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of the financial statements.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly the company continues to adopt the going concern basis in preparing the financial statements.

Directors

The directors who served the company during the year, and up to the date of signing this report, were as follows:

M Briand		S Gibbins
D Gray		I Greatorex
A Lioveri	(resigned 8 April 2016)	M Pangels
J Ward	(appointed 1 May 2016)	P Webster

Environment

Compliance with relevant environmental legislation such as the WEEE Directive and Regulations on Hazardous Substances is reviewed regularly by the directors and actions taken to ensure that processes are in place to build compliance into the day to day operations of the company.

Financial instruments

Aside from working capital, the company does not have any other financial instruments. Further details on the company's financial risk management is given in the Strategic Report on page 2.

Disclosure of information to the auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Reappointment of auditor

Following a selection process by the Audit Committee of Acal Plc, PricewaterhouseCoopers LLP was selected as the Group's external auditor for the financial year commencing from 1 April 2017. Consequently, Ernst & Young LLP will remain auditors of the Company until the formal resignation process has been completed later in the year, after which PricewaterhouseCoopers LLP will be appointed as auditors of the Company.

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed reappointed and Ernst & Young LLP will therefore continue in office, until the formal resignation process has been completed

On behalf of the Board



S Gibbins
Director
Date:

20/10/17

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

to the members of Acal BFI UK Limited

We have audited the financial statements of Acal BFI UK Limited for the year ended 31 March 2017 which comprise the Profit and Loss Account, the Statement of Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Principles), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 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 report and financial statements 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs at 31 March 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report

to the members of Acal BFI UK Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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.
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements 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.

Ernst & Young LLP

Steven Dobson (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 24/10/17

Profit and loss account

for the year ended 31 March 2017

	Notes	2017 £000	2016 £000
Turnover	2	32,084	32,564
Cost of sales		<u>(24,035)</u>	<u>(23,846)</u>
Gross profit		8,049	8,718
Distribution costs		(6,384)	(6,666)
Administrative expenses (including exceptional items)		<u>(4,538)</u>	<u>(1,751)</u>
Operating profit	3	(2,873)	301
Underlying operating profit	1	805	301
Exceptional items	3	<u>(3,678)</u>	–
Operating loss/profit		(2,873)	301
Interest receivable and similar income	6	39	36
Interest payable and similar charges	7	<u>(43)</u>	<u>(53)</u>
Loss/profit on ordinary activities before tax		(2,877)	284
Tax	8	<u>(36)</u>	<u>(50)</u>
Loss/profit for the financial year		<u>(2,913)</u>	<u>234</u>

The results of the current and prior year arise solely from continuing operations.

Statement of other comprehensive income

for the year ended 31 March 2017

There are no items of comprehensive income other than the loss attributable to the shareholders of the company of £2,913,000 in the year ended 31 March 2017 (2016 – profit £234,000).

Balance sheet

at 31 March 2017

	Notes	2017 £000	2016 £000
Fixed assets			
Intangible fixed assets	9	3,261	6,447
Tangible fixed assets	10	625	696
		<u>3,886</u>	<u>7,143</u>
Current assets			
Stocks	11	2,440	2,291
Debtors	12	8,597	8,835
Cash at bank and in hand		1,172	292
		<u>12,209</u>	<u>11,418</u>
Creditors: amounts falling due within one year	13	<u>(6,107)</u>	<u>(5,660)</u>
Net current assets		<u>6,102</u>	<u>5,758</u>
Total assets less current liabilities		9,988	12,901
Provisions for liabilities	14	<u>(100)</u>	<u>(100)</u>
Net assets		<u>9,888</u>	<u>12,801</u>
Capital and reserves			
Called up share capital	15	10,370	10,370
Other reserves		7,305	7,305
Share scheme reserve		34	34
Profit and loss account		<u>(7,821)</u>	<u>(4,908)</u>
Shareholders' funds		<u>9,888</u>	<u>12,801</u>

The financial statements were authorised for issue by the Board and signed on its behalf by:



S Gibbins

Director

Date:

24/10/17

Statement of changes in equity

for the year ended at 31 March 2017

	<i>Called-up share capital £000</i>	<i>Other reserves £000</i>	<i>Share scheme reserve £000</i>	<i>Profit and loss account £000</i>	<i>Total share- holders' funds £000</i>
At 1 April 2015 (restated)	10,370	7,305	34	(5,142)	12,567
Profit for the financial year	–	–	–	234	234
At 1 April 2016	10,370	7,305	34	(4,908)	12,801
Loss for the financial year	–	–	–	(2,913)	(2,913)
At 31 March 2017	10,370	7,305	34	(7,821)	9,888

The share scheme reserve arose due to share options granted to certain employees of the company by the company's parent undertaking, Acal plc.

The amount included in other reserves relates to capital contribution from fellow group undertakings.

Notes to the financial statements

at 31 March 2017

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101), applicable accounting standards and the Companies Act 2006. Acal BFI UK Limited is a private limited company incorporated and domiciled in England and Wales.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 March 2017.

The company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a) iv of IAS 1; and
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- The requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- The requirements of IAS 7 Statement of Cash Flows;
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- The requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- The requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement; and
- The requirements of paragraphs 6-30 of IFRS 1 First time adoption of International Financial Standards.

Underlying operating profit

Underlying operating profit is defined as operating profit before exceptional items.

Exceptional items

The company 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 company. The company includes, where material, the profit or loss on disposal of property and other financial assets, asset impairments, significant restructuring and integration costs in exceptional items.

Goodwill

Prior to transition to FRS 101, goodwill acquired on acquisition of subsidiary undertakings and businesses was capitalised and written off on a straight-line basis over its useful economic life of 20 years. The UK Companies Act requires goodwill to be reduced by provisions for amortisation on a systematic basis over its useful economic life, however, under IFRS 3 Business Combinations goodwill is not amortised. Consequently, the company no longer amortises goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The recoverable amount has 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. The company is therefore invoking a 'true and fair view override' to overcome the prohibition on the non-amortisation of goodwill in the Companies Act.

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 over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Notes to the financial statements (continued)

at 31 March 2017

1. Accounting policies (continued)

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position have been described in the strategic report on page 2.

The company has sufficient financial resources, well established distribution contracts with a number of suppliers and a stable customer base. In addition the ultimate parent undertaking, Acal plc, has agreed to provide financial support to the company to meet its liabilities as they fall due for a period of at least 12 months from the date of approval of the balance sheet.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly the company continues to adopt the going concern basis in preparing the financial statements.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets, by equal instalments over their estimated useful economic lives as follows:

Leasehold improvements	-	Shorter of the term of the lease and the useful life of the asset
Plant, machinery and equipment	-	10% to 33.3% per annum

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Revenue recognition

Revenue represents the invoiced value of goods and other services provided to third parties, excluding discounts, rebates, VAT and other sales taxes or duty. Revenue is recognised when it is probable that economic benefits will flow to the company and the revenue can be reliably measured. In respect of the sale of products to customers, this is generally when goods are despatched, and the significant costs and rewards of ownership have been transferred.

Interest income is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in first out basis.

Trade and other debtors

Trade debtors are recognised initially at fair value plus directly attributable transaction costs, if any, and subsequently measured at amortised costs using the effective interest method. Provision is made for impairment when there is objective evidence that the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash at bank and in hand

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity of three months or less.

Notes to the financial statements (continued)

at 31 March 2017

1. Accounting policies (continued)

Provisions

Provisions are recognised when the company 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.

Deferred taxation

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 have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the resultant gains or losses on translation are included in the profit and loss account.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Operating leases

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the income statement on a straight line basis over the lease term.

Pensions

The company participates in a defined benefit pension scheme which shares risks between entities under common control, and which requires contributions to be made to a separately administered fund. The scheme was closed to new members in the year 2000 from which time membership of the defined contribution plan is available.

As there is no contractual agreement or stated policy for charging the net defined benefit cost to individual group entities, the company has recognised a cost equal to its contribution payable in the period. Contributions to the schemes are charged to the profit and loss account when payable.

Financial Instruments

Derivative financial instruments

The company 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. The company does not enter into speculative derivative contracts. The company does not apply hedge accounting and reports movement in derivatives at fair value through profit and loss.

Notes to the financial statements (continued)

at 31 March 2017

1. Accounting policies (continued)

Loans and receivables

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 debtors in the balance sheet.

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.

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs. A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires. Borrowing costs are recognised as an expense in the period in which they are incurred, in accordance with the effective interest rate method.

Judgment and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

Goodwill impairment

The company 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 9).

The recognition and quantification of provisions

Judgment is used in determining the value of provisions carried. Provisions are estimated based on factors such as historical experience and expectations of future events that management believe to be reasonable.

Current assets

In the course of normal trading activities, judgment is used to establish the carrying value of various elements of working capital, principally inventory and trade receivables. Provisions are made against obsolete or slow-moving inventories and doubtful debts. The provisions are based on the facts available at the time the financial statements are approved and are also determined by using profiles, based on past practice, applied to certain aged inventory and trade receivables categories (note 11 and note 12).

Notes to the financial statements (continued)

at 31 March 2017

2. Turnover

	2017	2016
	£000	£000
By geographical origin:		
United Kingdom	27,633	27,696
Europe	1,532	2,266
Rest of the world	2,919	2,602
	<u>32,084</u>	<u>32,564</u>

3. Operating profit

This is stated after charging/(crediting):

	2017	2016
	£000	£000
Auditor's remuneration – audit services	30	37
Depreciation of tangible fixed assets (note 10)	154	149
Foreign exchange loss/(gain)	4	(9)
Goodwill Impairment	3,186	–
Operating lease rentals – other	291	329
– land and buildings	216	243
	<u>3,186</u>	<u>–</u>
	2017	2016
	£000	£000
Exceptional items		
Goodwill impairment	3,186	–
Staff related costs, including severance	488	–
Other restructuring costs	4	–
	<u>3,678</u>	<u>–</u>

4. Directors' remuneration

	2017	2016
	£000	£000
Aggregate remuneration in respect of qualifying services	328	247
Aggregate contribution to money purchase pension schemes	15	15
Compensation for loss of office	–	–
	<u>343</u>	<u>262</u>

No directors exercised share options during the year (2016 – nil).

Retirement benefits are accruing to the following number of directors under:

	No.	No.
Defined contribution schemes	<u>2</u>	<u>2</u>

The aggregate of remuneration for the highest paid director was £216,097 (2016 – £140,047).

Notes to the financial statements (continued)

at 31 March 2017

Pension contributions to the money purchase scheme of the highest paid director was £8,250 (2016 – £8,690).

Five directors (2016 – five) were paid no remuneration in their capacity as directors of the company. The directors also provide services to other group undertakings and received remuneration from a fellow group undertaking, Acal Management Services Limited in respect of services to the group. The directors consider that the proportion of the remuneration that relates to services to this company is £175,559 (2016 – £203,831).

5. Staff costs

	2017	2016
	£000	£000
Wages and salaries	5,750	5,623
Social security costs	602	621
Other pension costs	239	244
	<u>6,591</u>	<u>6,488</u>

The average monthly number of persons employed by the company during the year (including the directors), analysed by category, was as follows:

	No.	No.
Sales and marketing	117	126
Distribution	9	9
Administration	22	22
	<u>148</u>	<u>157</u>

Number of persons employed at 31 March 2017 was 137.

6. Interest receivable and similar income

	2017	2016
	£000	£000
Interest receivable on bank accounts	<u>39</u>	<u>36</u>

7. Interest payable and similar charges

	2017	2016
	£000	£000
Interest payable on overdrafts	<u>43</u>	<u>53</u>

Notes to the financial statements (continued)

at 31 March 2017

8. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2017	2016
	£000	£000
Current tax:		
UK corporation tax on the profit for the year	94	79
Adjustment in respect of prior periods	1	(29)
Total current tax	<u>95</u>	<u>50</u>
Deferred tax:		
Origination and reversal of timing differences	(37)	(29)
Adjustment in respect of prior periods	(24)	22
Impact of rate changes on deferred tax	2	7
Total deferred tax	<u>(59)</u>	<u>-</u>
Tax on profit on ordinary activities (note 8(b))	<u>36</u>	<u>50</u>

(b) Factors affecting the current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20% (2016 – 20%). The differences are explained below:

	2017	2016
	£000	£000
Profit/(loss) on ordinary activities before taxation	<u>(2,877)</u>	<u>284</u>
Profit/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2016 – 20%)	(575)	57
Effects of:		
Permanent differences	632	(7)
Adjustments to the current tax charge in respect of prior periods	1	(29)
Adjustments to deferred tax charge in respect of previous years	(24)	22
Rate differences on deferred tax	2	7
Total tax for the year (note 8(a))	<u>36</u>	<u>50</u>

(c) Deferred tax

Deferred tax assets are recognised only to the extent the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Notes to the financial statements (continued)

at 31 March 2017

Deferred tax is recognised at 19% (2016 – 19%). The deferred tax asset comprises the following:

	2017 £000	2016 £000
Decelerated capital allowances	186	147
Other timing differences	20	-
Deferred tax asset (note 12)	<u>206</u>	<u>147</u>

Movement in the deferred tax asset is summarised below:

	£000
At 1 April 2016	147
Credit to the profit and loss account (note 8(a))	59
At 31 March 2017	<u>206</u>

(d) Factors affecting future tax charges

A reduction in the UK corporation tax rate to 17% had been substantively enacted at 1 April 2017 but, before this becomes effective from 1 April 2020, a rate of 19% will be applicable.

9. Intangible fixed asset

	<i>Goodwill</i> £000
Deemed cost:	
At 1 April 2016	6,447
Impairment	<u>(3,186)</u>
At 31 March 2017	<u>3,261</u>

Goodwill relates to the acquisition of the trade and assets of Gothic Crellon Limited and Acal Electronic Services Limited.

On transition to FRS 101, the company has taken advantage of the requirements of paragraphs 6-30 of IFRS 1 to retain deemed cost as the brought forward net book value from previous GAAP.

The recoverable amount of goodwill is based on value in use calculations and management's view. 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 2018 forecast and management projections thereon. An average annual revenue growth rate of 3% (2016 – 7%) has been used. Annual cash flow growth rate beyond the five-year period was assumed at 2% (2016 – 2%) in line with the average long-term growth rate for the market.

The discount rate reflects the current market assessment and 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 company. The pre-tax discount rate applied was 14% (2016 – 14%).

It was concluded that the fair value less costs of disposal did not exceed the value in use. As a result of this analysis, management has recognised an impairment charge of £3,186,000 in the current year against goodwill. The impairment charge is recorded within administrative expenses in the statement of profit and loss.

Notes to the financial statements (continued)

at 31 March 2017

10. Tangible fixed assets

	<i>Leasehold improvements</i>	<i>Plant, machinery and equipment</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Cost:			
At 1 April 2016	1,416	630	2,046
Additions	17	66	83
Disposals	0	0	0
At 31 March 2017	<u>1,433</u>	<u>696</u>	<u>2,129</u>
Depreciation:			
At 1 April 2016	1,000	350	1,350
Charge for the year	63	91	154
Disposals	0	0	0
At 31 March 2017	<u>1,063</u>	<u>441</u>	<u>1,504</u>
Net book value:			
At 31 March 2017	<u>370</u>	<u>255</u>	<u>625</u>
At 1 April 2016	<u>416</u>	<u>280</u>	<u>696</u>

11. Stocks

	<i>2017</i>	<i>2016</i>
	<i>£000</i>	<i>£000</i>
Finished goods	<u>2,440</u>	<u>2,291</u>

12. Debtors

	<i>2017</i>	<i>2016</i>
	<i>£000</i>	<i>£000</i>
Trade debtors	5,460	5,888
Amounts owed by group undertakings	2,657	2,492
Prepayments and accrued income	274	308
Deferred tax asset (note 8(c))	206	147
	<u>8,597</u>	<u>8,835</u>

Notes to the financial statements (continued)

at 31 March 2017

13. Creditors: amounts falling due within one year

	2017	2016
	£000	£000
Bank overdraft	1,050	643
Trade creditors	642	1,054
Amounts owed to group undertakings	2,349	2,452
Corporation tax	94	79
Other taxes and social security costs	950	640
Accruals and deferred income	1,022	792
	<u>6,107</u>	<u>5,660</u>

14. Provisions for liabilities

	£000
Opening Balance	100
Movement in the year	<u> </u>
At 31 March 2017	<u>100</u>

The provision relates to the cost of repairing the roof of a property, to be released over the life of the lease (5 years).

15. Issued share capital

		2017		2016
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>£000</i>	<i>No.</i>	<i>£000</i>
Ordinary shares of £1 each	10,369,967	<u>10,370</u>	10,369,967	<u>10,370</u>

16. Guarantees and financial commitments

The company has a Siva Duty deferment guarantee of £60,000 with HM Revenue & Customs, which has been provided by HSBC.

The company is a member of the Acal BFI UK Limited (fellow Group undertaking) VAT group and is jointly and severally liable for amounts owed by any member of that VAT group in respect of unpaid VAT.

During the year there were limited intra group guarantees in operation in respect of all monies due to the group's bankers.

Notes to the financial statements (continued)

at 31 March 2017

17. Obligations under leases

At 31 March 2017 future minimum lease payments under operating leases are as follows:

	2017		2016	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£000	£000	£000	£000
Future minimum lease payments due:				
Not later than one year	383	170	387	171
After one year but not later than five years	1,072	95	392	183
	<u>1,455</u>	<u>265</u>	<u>779</u>	<u>354</u>

18. Ultimate parent undertaking and controlling party

The ultimate parent undertaking and controlling party is Acal plc, a company incorporated in England and Wales. The immediate parent is Acal Electronics Holdings Limited, a company also incorporated in England and Wales.

The parent undertaking of the smallest and largest group that prepares group financial statements and of which the company is a member is Acal plc. Copies of the group financial statements of Acal plc can be obtained from 2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey GU2 7AH.