Half Yearly Report

Released : 27 Nov 2014

RNS Number : 1156Y
Acal PLC
27 November 2014

27 NOVEMBER 2014

ACAL plc

Interim results for the six months ended 30 September 2014

Strong growth in margins, EPS and dividend

Acal plc (LSE: ACL, "Acal" or "the Group"), a leading supplier of customised electronics to industry, today announces its interim results for the six months ended 30 September 2014.

	H1 2014/15	H1 2013/14[2]	Growth %	CER [4] Growth %
Revenue	**£120.9m**	£100.4m	+20%	+27%
Underlying EBITDA[1]	**£6.9m**	£4.1m	+68%	
Underlying operating profit[1]	**£5.5m**	£3.0m	+83%	
Underlying operating margin [1]	**4.5%**	3.0%	1.5ppts	
Underlying profit before tax[1]	**£4.7m**	£2.6m	+81%	
Reported profit before tax*	**£0.1m**	£2.7m	n/a	
Underlying diluted EPS[1]	**6.5p**	4.8p[3]	+35%	
Interim dividend per share	**2.2p**	1.8p[3]	+22%	

* After deducting exceptional costs, amortisation of acquired intangibles and IAS19 pension charge. Exceptional costs are high this period, principally due to the costs associated with the acquisition of the Noratel Group. See page 10.

Highlights

- New divisional structure - Custom Distribution and Design & Manufacturing - reflecting the establishment of a more differentiated electronics business following the Supply Chain disposal and the acquisition of Noratel.
- Strong growth driven by acquisitions and organic growth
  - Sales up 27% CER[4] and up 3% on a like-for-like[5] basis
  - Gross profit up 31% CER with a 1ppt increase in gross margin
  - Sales up 15% like-for-like in the higher-margin Design & Manufacturing division[6]
- Organic growth initiatives creating new opportunities
  - Cross-selling and web programmes generated £1.6m in new business
- Significant progress made in Group KPIs
  - Underlying operating margin up 1.5ppts to 4.5%
  - Free cash flow of £7.5m in the last 12 months (89% of underlying PBT for that period)
- Acquisitions all performing well
  - Noratel trading in line with expectations; synergy savings underway

- YEG successfully integrated into ABFi in April 2014
- RSG sales well ahead of last year
- £55m rights issue and £70m new banking facility to fund £69m acquisition of Noratel

- Interim dividend up 22%

- Business well positioned for future growth
  - Leading market position in customised electronics
  - Compelling long term organic drivers
  - Fragmented market ideal for acquisitions with funding available

Nick Jefferies, Group Chief Executive, commented:

"We remain focused on our strategy of building a differentiated, higher-margin business in Europe and increasingly, internationally. This strategy has delivered very good half year results, with strong margin growth, underlying operating profit up 83% and underlying EPS up 35%, against a challenging economic backdrop. Particularly pleasing is the 15% like-for-like sales growth in our higher-margin Design & Manufacturing business, albeit partly offset by unchanged sales in Custom Distribution.

Noratel, which was acquired in July, has been a major contributor to profit growth in this period and is generating new cross-selling opportunities across the Group. With its 40-strong design engineering team, high-quality manufacturing facilities and broad range of customised products, it is an important step forward in Acal's strategy of building technological expertise.

With a continuing robust order book, we remain on track to deliver strong growth in underlying earnings per share for the year in line with our expectations, despite the weaker economic conditions. Additionally, we continue to be acquisitive with a pipeline of opportunities underway."

For further information:-

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Notes:

(1) 'Underlying Operating Profit', 'Underlying EBITDA', 'Underlying Operating Costs', 'Underlying Profit before Tax' and 'Underlying Diluted EPS' are non-IFRS financial measures used by the Directors to assess the underlying performance of the Group. These measures exclude discontinued operations, exceptional items, amortisation of acquired intangible assets and an IAS19 pension charge relating to a legacy defined benefit scheme. For further information see Note 2 to the interim financial statements.

(2) Financial information for H1 2013/14 is for the continuing business excluding the Supply Chain division which was treated as a discontinued business for the year ended 31 March 2014. A reconciliation of this data to the financial information reported last year for H1 2013/14 is shown in note 14 to the interim financial statements.

(3) The £55m rights issue, completed on 9 July 2014, led to an increase in the number of pre-rights issue shares by the bonus share factor of 1.3759 (see detail in note 14 to the interim financial statements). Accordingly, historic data for earnings per share and dividend per share have been adjusted by this factor.

(4) Growth rates at constant exchange rates ("CER"). Unless stated, growth rates refer to the comparable prior year period. The average sterling rate of exchange has strengthened 7% against the Euro for this half year compared to the first half last year (rising from €1.17 to €1.25), negatively affecting reported sales and earnings for this period by around 5%. The average sterling rate of exchange has strengthened 6% against the NOK since the acquisition of Noratel (rising from NOK 10.0 to NOK 10.6.

(5) Like-for-like growth rates at CER exclude acquisitions (Young Electronics Group ("YEG"), RSG Electronics Components GmbH ("RSG") and the Noratel Group ("Noratel") which were acquired on 30 August 2013, 2 December 2013 and 17 July 2014 respectively).

(6) The Group is now structured into two divisions: Custom Distribution and Design & Manufacturing, as discussed in the strategic, operational and financial review.

Notes to Editors:

Acal is a leading supplier of customised electronics to industry. It designs, manufactures and distributes customer-specific electronic products and solutions to 20,000 industrial manufacturers and is listed on the London Stock Exchange (LSE: ACL).

Acal has two divisions: Custom Distribution and Design & Manufacturing. The majority of its sales comes from products and solutions which are either created uniquely for a customer or sourced exclusively. Acal works across a range of technologies, including Magnetics, Power and Communications..

Acal operates through the following wholly-owned businesses: Acal BFi, Hectronic, MTC, Myrra, Noratel, RSG, Stortech and Vertec. It has operating companies and manufacturing facilities in a number of markets, including the UK, Germany, France, the Nordic region, Benelux, Italy, Poland and Spain, as well as in Asia (China, India, Sri Lanka and South Korea), the US and South Africa.

Chairman's Statement

This is a strong set of results with the Group continuing to deliver on its objectives.

Over the past six years, Acal has transformed itself into an international supplier of differentiated, customised electronic products. The Group has pursued a strategy of designing sophisticated, customer-specific products and solutions, investing in highly skilled engineers and building high-quality manufacturing capabilities in order to drive higher-margin growth. This strategy is delivering excellent results. The Group's acquisitions are carefully selected and well integrated, whilst its organic growth initiatives are ramping up and generating incremental sales.

In an industry which is being driven by increasing technological complexity, Acal has built presence in a number of technologies, as well as on an increasing international scale. Acal's market proposition is unique, being the only business with a design, manufacturing and custom distribution capability across Europe and it is well positioned to consolidate and shape the currently fragmented customised electronics industry.

Group Results

The Group's results for the half year reflect the significant progress which has been made both organically and through acquisitions, with a near doubling in underlying operating profits, strong growth of 35% in underlying diuted earnings per share and a 1.5ppts increase in operating margin to 4.5%.

Group revenue for the half year was up 20% to £120.9m (+27% CER) with underlying operating profit up 83% (+96% CER) to £5.5m and underlying profit before tax up 81% (+96% CER) to £4.7m.

Reported profits have been affected by costs of £2.5m associated with acquisitions, integrations, earn-outs and associated funding. After these costs, other net exceptional costs of £1.1m (principally associated with the integration of Acal BFi web marketing into the main sales infrastructure), the amortisation of acquired intangibles of £0.8m and an IAS19 legacy pension charge of £0.2m, reported profit before tax was £0.1m.

Underlying diluted earnings per share were 6.5p, up 35% on last year. After underlying adjustments, and including the effects of taxation, there was a fully diluted loss per share under IFRS of 1.1p.

The Group has a strong balance sheet with net assets up since 31 March 2014 from £49m to £96m. Net debt was £14m at 30 September 2014 with a five year, syndicated banking facility of £70m.

Acquisition of Noratel

On 17 July 2014, Acal completed the acquisition of the Noratel Group, a designer and manufacturer of electromagnetic products, for a cash-free/debt-free consideration of £69m (NOK 747m) including completion adjustments. The acquisition was funded by a £55m rights issue, consideration shares of NOK 8m (£0.7m) issued to members of the Noratel management team at completion, and the partial draw-down of the Group's new £70m syndicated banking facility.

Since completion, Noratel has continued to perform well. It has enhanced underlying earnings and is one of the core drivers behind our growth in profitability this period, with an operating profit contribution of £1.5m.

Exit from Supply Chain Division

On 2 June 2014, the Group completed the disposal of its non-core UK enterprise services business for a net consideration of £5.3m on completion. A further £0.3m of deferred consideration is payable to Acal by 31 December 2014. As this disposal represented the final part of the Group's Supply Chain division, this has been treated for accounting purposes as a discontinued operation consistent with the financial statements for the year ended 31 March 2014.

The disposal of the Supply Chain division was in line with Acal's strategy to re-position the business from commoditised distribution to higher margin products and solutions.

Dividend

Given the strong growth in underlying earnings per share in the first half, our confidence in the Group's future prospects and the desire to rebalance the interim and final dividend payments, the Board has increased the interim dividend by 22% from 1.8p per share to 2.2p per share. The Company maintains a progressive dividend policy and, as of the end of last year, had increased its annual dividend each year for the last four years by a total of 34% over that period. The Board aims to achieve a cover of between two and three times underlying earnings on an ongoing basis. The interim dividend is payable on 16 January 2015 to shareholders registered on 30 December 2014.

Board changes

It was announced last month that Graham Williams will be retiring from the Board with effect from 31 December 2014, having been a Non-Executive Director since December 2003 and Senior Non-Executive Director since July 2013. On behalf of the Board, I wish to thank Graham for his valuable contribution and wise counsel during the last eleven years and wish him well in his retirement.

With effect from 1 October 2014, Graham was succeeded in his roles as Senior Non-Executive Director by Richard Brooman and as Chair of the Remuneration Committee by Henrietta Marsh.

Summary

Acal continues to make good progress in building a business based on differentiated products and solutions which generate higher operating margins. The Group is growing its position in new geographies, expanding its technology capability and is rapidly establishing itself as a leading industrial customised electronics company.

Richard Moon
Chairman
27 November 2014

Strategic, Operational and Financial Review

Group Strategy

In 2009, Acal adopted a new strategy which has since transformed the Group from a UK distributor of commodity electronic components into a leading international supplier of customised, value-added electronic products and solutions to industry.

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

The Group strategy comprises four elements:

1. Move up the electronics value chain - by focussing on differentiated products with higher operating margins in design, manufacturing and custom distribution.

2. Grow sales organically and well ahead of GDP - by acquiring new customers via web marketing and realising operational efficiencies from cross-selling and synergies between Group companies.

3. Acquire businesses - which broaden and strengthen Acal's technological expertise with complementary products, customers, suppliers and geographies.

4. Develop sales internationally - by following existing customers' international needs and then by developing local market sales.

Following the acquisition of Noratel, we have raised our three year target for underlying operating margin from 5% to a range of 6% to 7% (H1 2014/15: 4.5%).

Divisional results

During the period, new segmental reporting was introduced (being Custom Distribution and Design & Manufacturing) to present a clearer understanding of our performance.

The performance of these divisions and the Group for the half-year ended 30 September 2014 is set out and reviewed below:

	H1 2014/15			H1 2013/14			CER Revenue growth
	Revenue £m	**Underlying operating profit [1] £m**	**Margin**	Revenue £m	Underlying operating profit [1] £m	Margin	
Custom Distribution	**82.3**	**3.1**	**3.8%**	78.0	2.8	3.6%	6%
Design & Manufacturing	**38.6**	**4.6**	**11.9%**	17.3	2.0	11.6%	123%
Unallocated costs		**(2.2)**			(2.0)		
Total CER[2]	**120.9**	**5.5**	**4.5%**	95.3	2.8	2.9%	27%
Reported FX rate[3]				5.1	0.2		
Total reported	**120.9**	**5.5**	**4.5%**	100.4	3.0	3.0%	

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

Custom Distribution division

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

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

a) Financial performance

First half revenue increased by 6% CER to £82.3m, with like-for-like sales remaining at the same level as last year. Improving demand was seen across most territories, in particular led by Germany and Italy. The UK distribution business continued to remain weak, as reported in the second half of last year. This business is in the process of being restructured (see paragraph (d) below).

Underlying operating profit of £3.1m was £0.3m higher than last year at CER, with underlying operating margins up 0.2ppts to 3.8%.

b) Growth initiatives

There are two key priorities for developing divisional performance:

i) Organic growth initiatives

Organic growth initiatives generated £1.6m of new business during the first-half, representing around 2% of revenue.

- Cross-selling

Cross-selling is an initiative to sell a broader range of products (both Acal BFi's supplier products and those from Acal's Design & Manufacturing businesses) to its existing customer base. This generated incremental sales in the period, comprising both an increasing range of product sales per technology area to existing Acal BFi customers and increasing sales of products between Acal sister companies.

- Website

Acal BFi's marketing website (www.acalbfi.com) has a comprehensive display of customised solution capabilities and approximately 100,000 products and variants at range and attribute level detail. The website, which is operational in five languages, provides a marketing platform from which to generate new opportunities and acquire new customers.

The website has consistently grown visitor traffic and new opportunities since being launched nearly two years ago. By September2014, the website was achieving 54,000 visits per month, with 12,000 new user registrations, from which we expect new customers to continue to materialise. Quote volumes are growing rapidly and we are now converting these into orders.

ii) Acquisitions

Custom Distribution businesses are acquired where there is the opportunity to develop sales to a wider customer base, and perhaps geographic region, and to achieve operating efficiencies through full or partial integration. The acquisitions of BFi Optilas, Compotron and most recently, YEG (see paragraph (c) below), were all integrated into the business now known as Acal BFi.

c) Integration of YEG

YEG, a specialist distributor of electronic components, solutions and services in the UK and Ireland, was acquired on 30 August 2013. The business was fully integrated into Acal BFi UK during April 2014, delivering the planned operational savings and creating appropriate levels of sustainable profitability, whilst retaining and developing its commercial capabilities.

d) Development of Acal BFi sales & marketing organisation

During the first half, following the successful integration of YEG, a change to the Acal BFi UK sales and marketing organisation was initiated, integrating the follow up of web-generated sales opportunities into the established sales organisation. A similar initiative was commenced in Germany. As was indicated at the time of the web launch, the change enables the tailoring of sales resource according to the size of customer and opportunity, moving from a one-size-fits-all model to a more cost effective structure suited to handling more medium-sized customers. Overall, costs in the first half totalled £1.1m with a further £0.5m expected in the second half.

Design & Manufacturing division

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

a) Financial performance

First half revenue increased by 123% CER to £38.6m, reflecting the contribution from the recent acquisitions of Noratel and RSG. Like-for-like revenues were up 15% with all businesses delivering sales growth compared with last year, and with Noratel and RSG both performing well since acquisition. This is an excellent performance from a division which has been primarily established through acquisitions over the last four years.

Underlying operating profit of £4.6m was £2.6m higher than last year at CER with an underlying operating margin up 0.3ppts to 11.9%. Like-for-like profits were up 34%, with the balance delivered from acquired companies, Noratel and RSG, of which £1.5m was generated by Noratel.

Divisional sales were 32% of Group sales generating 60% of Group profits (before unallocated costs).

b) Growth initiatives

The key priorities for developing organic performance within the division are cross-selling and expansion into new territories. This organic growth will be augmented by the Group's acquisition strategy.

i) Cross-selling

The Design & Manufacturing businesses have fewer customers, typically each supplying between 500 and 2,000 customers. The cross-selling programme provides opportunities for sales expansion in two ways. Firstly, by providing access to Acal BFi's 20,000 customers, and secondly by providing access to the existing customers of the other Design & Manufacturing businesses. Both of these provide an easier and lower risk way of expanding sales into new customers than would be achievable for these businesses on an independent basis.

As an example, following the acquisitions of Noratel and Myrra, both businesses are developing sales opportunities in each other's customer base, at the same time as developing new opportunities in Acal BFi's customer base.

ii) New territories

With Acal's established network of operating companies across Europe, we are able to expand the sales of Design & Manufacturing businesses into new territories through our network. For example, MTC, which sold only to customers in Germany when it was acquired, now also sells in the Netherlands and Italy, and is progressively developing its sales capabilities more widely.

iii) Acquisitions

Additionally, the Group sees significant value in acquiring other complementary Design & Manufacturing businesses which strengthen its position in each technology area and which allow it to access new geographies. Customised electronics is a fragmented market within which Acal is often seen by potential vendors as an attractive acquirer. We enable these companies to continue to develop within the Acal network, providing them with new growth opportunities whilst retaining their entrepreneurial culture.

c) Acquisition of Noratel

Noratel has performed well since its acquisition on 17 July 2014, and as expected, has been enhancing to underlying earnings in the period.

Cross-selling programmes are underway between the Group's three magnetics businesses (Noratel, Myrra and Acal BFi Power & Magnetics) with the first design opportunity already won. Additionally, Myrra products have been included in a Noratel customer contract with a global healthcare provider to supply customised design products, which is expected to generate new revenue in the years ahead.

Activities are also underway to realise operating efficiencies across the Group. Purchasing synergies are expected with Noratel and Myrra's combined buying power, and new Myrra production lines are being considered within Noratel facilities.

d) Acquisition of RSG

RSG, the Frankfurt-based power solutions supplier acquired in December 2013, is also performing well, delivering strong organic sales growth for the period over the comparable pre-acquisition period last year.

Group results

Underlying order growth

At a Group level, orders continued to grow in all territories and businesses, other than the UK. Group orders were up 19% CER. Like-for-like orders were down slightly when excluding a large one-off order last year and up 4% excluding UK distribution. As at 30 September 2014, the backlog of orders for future delivery, mainly covering the second half and next year, was £80m, up from £60m a year ago.

Strong revenue growth

Group revenue for the first half was up 27% CER and up 20% at reported rates (the difference reflecting the impact of sterling strength since last year). Like-for-like revenue was up 3%, with acquisitions (Noratel, YEG and RSG) contributing the additional 24%.

Healthy growth in gross margin

Gross margin was up 1.0ppts to 30.9%, with increases in both divisions reflecting the Group's continued focus on higher value, customised electronics. This is the Group's highest half yearly gross margin, which has increased 4.6ppts in the last four years. The increase has been delivered across all businesses.

Gross profit for the period was up 31% CER over last year. This growth rate is higher than the corresponding revenue growth rate of 27%, due to the improved gross margin. Like-for-like growth in gross profit was 5%.

Underlying operating costs

Group underlying operating costs increased by 24% CER, reflecting the inclusion of the cost bases of acquired companies since last year (Noratel and RSG). Like-for-like underlying operating costs were up 3%, as the Group continues to manage its cost base, of which 1% related to Custom Distribution, with the balance being investment in the higher-growth Design & Manufacturing division.

Significant improvements in Group operating profit and margin

Group underlying operating profit for the period was £5.5m, up £2.5m (+83%) on last year, delivering a Group underlying operating margin of 4.5%, up 1.5ppts on last year. At CER, the increase in underlying operating profit was £2.7m (+96%).

Reported Group operating profit for the year (after the underlying adjustments discussed below) was £1.0m.

£m	**H1 2014/15**			**H1 2013/14**		
	Operating profit	**Finance cost**	**Profit before tax**	**Operating profit**	**Finance cost**	**Profit before tax**
Underlying	5.5	(0.8)	4.7	3.0	(0.4)	2.6
Underlying adjustments						

Exceptional items	(3.6)		(3.6)	0.7		0.7
Amortisation of acquired intangibles	(0.8)		(0.8)	(0.4)		(0.4)
IAS 19 pension cost	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)	(0.2)
Reported	1.0	(0.9)	0.1	3.2	(0.5)	2.7

Underlying adjustments

Underlying adjustments for the period comprise exceptional costs of £3.6m (H1 2013/14: exceptional gain of £0.7m), the amortisation of acquired intangibles of £0.8m (H1 2013/14: £0.4m) and IAS19 legacy pension costs of £0.2m (H1 2013/14: £0.2m).

Exceptional costs for the period of £3.6m comprise the costs associated with the acquisition of Noratel of £2.0m, costs of integrating YEG into Acal BFi of £0.3m, an accrual for earnout payments for Myrra and Noratel of £0.2m, and costs associated with the integration of Acal BFi web marketing into the main sales infrastructure (mainly the UK and German businesses) of £1.1m. A further £0.5m of costs relating to this restructuring are expected in the second half. Further details can be found in note 4 to the interim financial statements.

The £0.4m increase in the amortisation charge since last year relates to the amortisation of intangibles identified as part of the acquisitions of Noratel and RSG. The equivalent charge for the second half, including a full half year charge for Noratel, is expected to be £1.1m.

Higher financing costs reflect partial debt funding of Noratel

Net finance costs for the half year of £0.9m (H1 2013/14: £0.5m) comprise underlying finance costs of £0.8m and an IAS 19 pension finance charge of £0.1m relating to the Group's legacy defined benefit pension scheme.

Underlying finance costs consist of interest and facility fees arising from the Group's banking facilities during the period. Finance costs for the period were up £0.4m to £0.8m following the partial debt funding of the Noratel acquisition. Included within finance costs is the amortisation of the upfront arrangement fees associated with the Group's new £70m syndicated banking facility of approximately £0.2m per annum.

The IAS19 pension finance charge of £0.1m was in line with last year's charge.

Underlying tax rate

The underlying effective tax rate for the first half was 23%. This rate is higher than the underlying tax rate of 14% for the first half of last year due mainly to the utilisation of certain tax losses last year not available this year. Additionally, the underlying tax rate of the Noratel Group is higher than the Acal Group.

Overall, there was a reported tax charge of £0.7m on reported profits of £0.1m reflecting the non-tax deductibility of certain exceptional costs, in particular, the acquisition and fund raising costs of Noratel.

Strong profit and earnings growth

Underlying profit before tax for the half year of £4.7m was up £2.1m (+81%) on last year (H1 2013/14: £2.6m) and up 96% at CER. With the higher underlying tax rate and the increased weighted average number of shares (up 22% on last year, mainly arising from the rights issue in July 2014), underlying diluted earnings per share for the half year of 6.5 pence was up 35% on last year (H1 2013/14: 4.8 pence).

After the underlying adjustments discussed above, reported profit before tax was £0.1m. With the impact of non tax deductible exceptional costs, this becomes a reported loss per share for the half year of 1.1 pence (H1 2013/14: diluted earnings per share of 5.5 pence).

£m/p	**H1 2014/15**		**H1 2013/14**	
	PBT	**EPS**	**PBT**	**EPS***
Underlying	4.7	6.5p	2.6	4.8p
Underlying adjustments				
Exceptional items	(3.6)		0.7	
Amortisation of acquired intangibles	(0.8)		(0.4)	
IAS 19 pension cost	(0.2)		(0.2)	
Reported	0.1	(1.1p)	2.7	5.5p

* EPS data for periods prior to the right issue adjusted by the bonus share factor of 1.3759 (see note 14).

Working capital

Working capital of £41.8m at 30 September 2014 was 14.6% of first half annualised sales. This ratio comprises:

i) Working capital of Acal (excluding Noratel) at 10.6% of annualised sales (down from 13.0% reported for the first half last year), mainly driven by an improvement in trade debtors outstanding at 30 September to 54 days.

ii) Working capital of Noratel at 25.4% of annualised sales. This compares favourably with a working capital ratio of 27% for its year ended 31 December 2013 as reported at the time of the acquisition.

The combined Group ratio of 14.6% is marginally below the 15% ratio reported at the time of the acquisition, based on the proforma Group balance sheet including Noratel.

Healthy annualised free cash flow continues

The Group had net debt of £14.0m at 30 September 2014, compared to net cash at 31 March 2014 of £2.3m, the difference primarily relating to the partial debt funding of the Noratel acquisition:

	H1 2014/15
Net cash at 31 March 2014	2.3
Cash flow from continuing operations (below)	(14.8)
Cash flow from discontinued operations	(0.5)
Foreign exchange impact	(1.0)
Net debt at 30 Sept 2014	**(14.0)**

Cash flow for continuing operations for the period is summarised as follows:

£m	H1 2014/15	H1 2013/14	Last 12 Months
Underlying profit before tax	**4.7**	**2.6**	**8.4**
Interest and non cash items*	2.2	1.5	3.2
Underlying EBITDA	**6.9**	**4.1**	**11.6**
Working capital	(1.9)	(1.9)	(0.3)
Capital expenditure	(1.3)	(0.6)	(2.0)
Operating cash flow	**3.7**	**1.6**	**9.9**
Interest	(0.7)	(0.4)	(1.0)
Taxation	(1.2)	(0.5)	(1.4)
Free cash flow	**1.8**	**0.7**	**7.5**
Acquisitions/disposals	(63.2)	(10.4)	(65.2)
Net equity proceeds	52.7	-	52.7
Exceptional payments	(3.3)	(1.9)	(4.3)
Legacy pension	(0.7)	(0.7)	(1.5)
Dividends	(2.1)	(1.9)	(2.9)
Net cash outflow in the period	**(14.8)**	**(14.2)**	**(13.8)**

* This comprises finance charges of £0.8m and key non-cash items (depreciation, amortisation and share based payments) of £1.4m.

EBITDA of £6.9m was 68% higher than last year. As with last year, £1.9m was invested in working capital (excluding exceptionals in working capital of £0.3m), principally in inventory to support planned increased second half demand. Capital expenditure at £1.3m was £0.7m higher than last year, reflecting investment in line expansions in our Design & Manufacturing division, mainly in Noratel and Myrra.

Operating cash flow of £3.7m was £2.1m higher than last year. The increase in tax cash cost reflects the acquisition of Noratel, while the increase in financing costs reflects its partial debt funding.

Free cash flow for the half year, totalling £1.8m, was £1.1m higher than last year. Typically, the Group benefits from greater free cash generation in the second half of the year (subject to working capital requirements) with the second half of last year generating £5.7m of free cash flow. Free cash flow for the last 12 months was £7.5m, being 89% of underlying profit before tax profit earned in the same period.

Net acquisition costs of £63.2m reflect the cost of acquiring Noratel, offset by net proceeds received from the sale of the Enterprise business. Net equity proceeds, raised for the purpose of acquiring Noratel, totalled £52.7m (being £55.1m gross proceeds less associated costs).

Exceptional cash payments in the period totalled £3.3m relating mainly to the costs of acquiring Noratel, YEG integration costs and ABFi UK and German restructuring. A further £1.2m of exceptional cash payments are expected in the second half.

Increased committed funding

In June 2014, the Group put in place a five year syndicated banking facility of £70m. In addition to providing part of the funding for the Noratel acquisition, it also refinanced the Group's local working capital facilities of around £20m (mainly invoice discounting) and provided working capital for the Noratel Group. These facilities are partly used to fund inter-month outflows of working capital. Such outflows resulted in a net average debt balance of £20m across the period following the acquisition of Noratel in July 2014.

With net debt at 30 September of £14.0m, the net debt to EBITDA ratio at that date is below 1.0 (including pre-acquisition EBITDA of Noratel and RSG).

Net assets rise on equity issue

Net assets of £96.2m at 30 September 2014 were £47.7m higher than at the end of the last financial year (31 March 2014: £48.5m), primarily related to the net equity fund raising of £53.5m to partially fund the acquisition of Noratel. The movement in net assets is summarised below:

£m	H1 2014/15
Net assets at 31 March 2014	48.5
Net equity funding	53.5
Net loss after tax	(0.6)
Share based payments (inc tax)	0.3
Dividend paid	(2.1)
Loss on defined benefit scheme	(0.9)
Currency net assets - translation impact	(2.5)

Net assets at 30 Sep 2014	**96.2**

Risks and uncertainties

The principal risks faced by the Group are detailed on pages 20 to 22 of the Group's Annual Report for year ended 31 March 2014, a copy of which is available on the Group's website: www.acalplc.co.uk. These include but are not limited to: the economic environment, particularly within Europe; performance of acquired companies, including the recent major acquisition of the Noratel Group, major business disruption, exposure to adverse foreign currency movements, technological change, regulatory environment, cyber security, international trade risk, obligations in respect of a legacy defined benefit pension scheme, loss of key personnel and operational risks.

Acal's risk management processes cover identification, impact assessment, likely occurrence and mitigation actions. Some level of risk, however, will always be present. The Group is well positioned to manage such risks and uncertainties if they arise, with its strong balance sheet and committed banking facility of £70m at the end of the period.

Outlook

With a continuing robust order book, we remain on track to deliver strong growth in underlying earnings per share for the year in line with our expectations, despite the weaker economic conditions. Additionally, we continue to be acquisitive with a pipeline of opportunities underway.

Nick Jefferies
Group Chief Executive

Simon Gibbins
Group Finance Director

27 November 2014

Condensed consolidated income statement
for the six months ended 30 September 2014

	notes	**Unaudited six months ended 30 Sept 2014 £m**	Unaudited* six months ended 30 Sept 2013 £m	Audited year ended 31 Mar 2014 £m
Continuing operations				
Revenue	3	**120.9**	100.4	211.6
Cost of sales		**(83.5)**	(70.4)	(148.6)
Gross profit		**37.4**	30.0	63.0
Selling and distribution costs		**(19.6)**	(17.8)	(36.5)
Administrative expenses (including exceptional items)		**(16.8)**	(9.0)	(21.3)
Operating profit	3	**1.0**	3.2	5.2
Finance revenue		**0.1**	0.1	0.2
Finance costs		**(1.0)**	(0.6)	(1.2)
Profit before tax		**0.1**	2.7	4.2
Tax expense	7	**(0.7)**	(0.2)	(0.5)
(Loss)/profit for the period from continuing operations		**(0.6)**	2.5	3.7
Discontinued operations				
Profit/(loss) for the period from discontinued operations	6	**-**	0.5	(2.4)
(Loss)/profit for the period		**(0.6)**	3.0	1.3
(Loss)/earnings per share**				
Basic (continuing operations)	9	**(1.1)p**	5.8p	8.6p
Diluted (continuing operations)	9	**(1.1)p**	5.5p	8.1p
Basic	9	**(1.1)p**	7.0p	3.0p
Diluted	9	**(1.1)p**	6.6p	2.8p

Supplementary income statement information

Underlying Performance Measure	Notes	**Unaudited six months ended 30 Sept 2014 £m**	Unaudited* six months ended 30 Sept 2013 £m	Audited year ended 31 Mar 2014 £m
Continuing operations				
Operating profit	3	**1.0**	3.2	5.2
Add: Exceptional items	4	**3.6**	(0.7)	0.7
Amortisation of acquired intangible assets		**0.8**	0.4	1.0
IAS 19 pension administrative charge		**0.1**	0.1	0.2
Underlying operating profit		**5.5**	3.0	7.1
Profit before tax		**0.1**	2.7	4.2
Add: Exceptional items	4	**3.6**	(0.7)	0.7

Amortisation of acquired intangible assets		**0.8**	0.4	1.0
Total IAS 19 pension charge		**0.2**	0.2	0.4
Underlying profit before tax		**4.7**	2.6	6.3
Underlying earnings per share**				
Basic	9	**6.9p**	5.1p	12.5p
Diluted	9	**6.5p**	4.8p	11.8p

*Restated for discontinued operations (note 6).
** Prior period earnings per share (basic and diluted) restated to reflect the bonus element of the rights issue (note 14).

Condensed consolidated statement of comprehensive income

for the six months ended 30 September 2014

	Unaudited six months ended 30 Sept 2014 £m	Unaudited* six months ended 30 Sept 2013 £m	Audited year ended 31 Mar 2014 £m
(Loss)/profit for the period	**(0.6)**	3.0	1.3
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss:			
Re-measurement loss on defined benefit pension scheme	**(0.9)**	(0.5)	(1.1)
Deferred tax relating to defined benefit pension scheme	**-**	0.2	0.1
	(0.9)	(0.3)	(1.0)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign subsidiaries	**(2.5)**	(1.0)	(1.8)
Other comprehensive income for the period, net of tax	**(3.4)**	(1.3)	(2.8)
Total comprehensive income for the period, net of tax	**(4.0)**	1.7	(1.5)

*Restated for discontinued operations (note 6).

Condensed consolidated statement of financial position

at 30 September 2014

	notes	**Unaudited at 30 Sept 2014 £m**	Unaudited at 30 Sept 2013 £m	Audited at 31 March 2014 £m
Non-current assets				
Property, plant and equipment		**13.8**	4.0	3.5
Intangible assets - goodwill		**50.3**	25.7	21.2
Intangible assets - other		**18.7**	3.7	4.3
Deferred tax assets		**4.9**	3.8	4.1
		87.7	37.2	33.1
Current assets				
Inventories		**35.1**	19.2	19.4
Trade and other receivables		**58.1**	45.4	48.3
Cash and cash equivalents	11	**16.2**	12.4	18.1
		109.4	77.0	85.8
Assets in disposal group classified as held for sale		**-**	4.7	6.9
Total assets		**197.1**	118.9	125.8
Current liabilities				
Trade and other payables		**(50.1)**	(38.8)	(45.7)
Other financial liabilities	11	**(9.9)**	(4.6)	(6.8)
Current tax liabilities		**(2.8)**	(3.1)	(2.7)
Provisions		**(2.9)**	(1.2)	(1.7)
		(65.7)	(47.7)	(56.9)
Non-current liabilities				
Other financial liabilities	11	**(20.3)**	(9.6)	(9.5)
Pension liability		**(7.0)**	(6.2)	(6.5)
Provisions		**(2.0)**	(1.8)	(2.0)
Deferred tax liabilities		**(5.9)**	(0.9)	(1.0)
		(35.2)	(18.5)	(19.0)
Liabilities in disposal group classified as held for sale		**-**	(1.0)	(1.4)
Total liabilities		**(100.9)**	(67.2)	(77.3)
Net assets		**96.2**	**51.7**	**48.5**

Equity			
Share capital	**3.1**	1.6	1.6
Share premium account	**92.7**	40.7	40.7
Other reserve	**-**	-	-
Merger reserve	**3.0**	3.0	3.0
Currency translation reserve	**(2.3)**	1.0	0.2
Retained earnings	**(0.3)**	5.4	3.0
Total equity	**96.2**	**51.7**	**48.5**

Condensed consolidated statement of changes in equity
for the six months ended 30 September 2014

	Share capital	Share premium	Other reserve	Merger reserve	Currency translation reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m
At 1 April 2014	**1.6**	**40.7**	**-**	**3.0**	**0.2**	**3.0**	**48.5**
Profit for the period	-	-	-	-	-	(0.6)	(0.6)
Other comprehensive income	-	-	-	-	(2.5)	(0.9)	(3.4)
Total comprehensive income	-	-	-	-	(2.5)	(1.5)	(4.0)
Share-based payments	-	-	-	-	-	0.3	0.3
Dividends	-	-	-	-	-	(2.1)	(2.1)
Shares issued	1.5	54.4	-	-	-	-	55.9
Share issue costs	-	(2.4)	-	-	-	-	(2.4)
At 30 September 2014 - unaudited	**3.1**	**92.7**	**-**	**3.0**	**(2.3)**	**(0.3)**	**96.2**
At 1 April 2013	1.6	40.7	5.5	3.0	2.0	(1.3)	51.5
Profit for the period	-	-	-	-	-	3.0	3.0
Other comprehensive income	-	-	-	-	(1.0)	(0.3)	(1.3)
Total comprehensive income	-	-	-	-	(1.0)	2.7	1.7
Share-based payments	-	-	-	-	-	0.4	0.4
Dividends	-	-	-	-	-	(1.9)	(1.9)
Transfer of other reserve	-	-	(5.5)	-	-	5.5	-
At 30 September 2013 - unaudited	1.6	40.7	-	3.0	1.0	5.4	51.7
At 1 April 2013	1.6	40.7	5.5	3.0	2.0	(1.3)	51.5
Profit for the period	-	-	-	-	-	1.3	1.3
Other comprehensive income	-	-	-	-	(1.8)	(1.0)	(2.8)
Total comprehensive income	-	-	-	-	(1.8)	0.3	(1.5)
Share-based payments	-	-	-	-	-	1.2	1.2
Dividends	-	-	-	-	-	(2.7)	(2.7)
Transfer of other reserve	-	-	(5.5)	-	-	5.5	-
At 31 March 2014 - audited	**1.6**	**40.7**	**-**	**3.0**	**0.2**	**3.0**	**48.5**

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

On 17 July 2014, the Company issued 384,966 shares ("Consideration Shares") to the management sellers of the Noratel Group in connection with the Noratel Group's acquisition. The total number of shares in issue following the rights issue and the issue of the Consideration Shares are 63,049,220 shares.

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

Condensed consolidated statement of cash flows
for the six months ended 30 September 2014

	Notes	**Unaudited six months ended 30 Sept 2014 £m**	Unaudited six months ended 30 Sept 2013 £m	Audited year ended 31 Mar 2014 £m
Net cash (outflow)/inflow from operating activities	10	**(1.2)**	(0.7)	4.1
Cash flows from investing activities				
Acquisitions of shares in subsidiaries and businesses		**(34.0)**	(10.4)	(12.5)
Proceeds from the disposal of Supply Chain businesses (net of costs)		**5.0**	-	3.3
Purchase of property, plant and equipment		**(1.2)**	(0.4)	(0.7)
Purchase of intangible assets - software		**(0.1)**	(0.2)	(0.7)
Interest received		**0.1**	0.1	0.2
Net cash used in investing activities		**(30.2)**	(10.9)	(10.4)

Cash flows from financing activities			
Net proceeds from the issue of shares	**52.7**	-	-
Proceeds from borrowings	**20.5**	8.1	8.0
Repayment of borrowings	**(44.4)**	(0.4)	(0.8)
Dividends paid	**(2.1)**	(1.9)	(2.7)
Net cash from financing activities	**26.7**	5.8	4.5
Net decrease in cash and cash equivalents	**(4.7)**	(5.8)	(1.8)
Cash and cash equivalents at beginning of period	**11.9**	14.4	14.4
Net foreign exchange differences	**(0.5)**	(0.4)	(0.7)
Cash and cash equivalents at end of period	**6.7**	8.2	11.9

Reconciliation to cash and cash equivalents in the condensed consolidated statement of financial position			
Cash and cash equivalents shown above	**6.7**	8.2	11.9
Add bank overdrafts	**9.5**	4.2	6.7
Less: cash held for sale in disposal group	**-**	-	(0.5)
Cash and cash equivalents in the condensed consolidated statement of financial position	**16.2**	12.4	18.1

Further information on the condensed consolidated statement of cash flows is provided in note 11.

Notes to the interim condensed consolidated financial statements for the six months ended 30 September 2014

1. Corporate information

Acal plc ("the Company") is incorporated and domiciled in England and Wales. The Company's shares are traded on the London Stock Exchange. The interim condensed consolidated financial statements consolidate the financial statements of Acal plc and entities controlled by the Company (collectively referred to as "the Group").

The interim condensed consolidated financial statements for the six months ended 30 September 2014 were approved by the Board of Directors for issue on 27 November 2014. They do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006, and are unaudited.

2. Basis of preparation and accounting policies

The interim condensed consolidated financial statements for the six months to 30 September 2014 have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Services Authority and IAS 34 'Interim Financial Reporting' as adopted by the European Union. They do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 March 2014, which were prepared in accordance with IFRS as adopted by the European Union.

The results for the year ended 31 March 2014 are based on audited statutory financial statements prepared in accordance with IFRS as adopted by the European Union. These financial statements were filed with the Registrar of Companies and contain a report of the auditor, which does not contain a statement under section 498 of the Companies Act 2006 and was unqualified. The consolidated financial statements of the Group for the year ended 31 March 2014 ("FY14 Annual Accounts") are available on request from the Company's registered office or on its website.

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 financial statements.

The principal accounting policies adopted in the preparation of these interim condensed consolidated financial statements are included in the consolidated financial statements for the year ended 31 March 2014. All other accounting policies have been consistently applied to all periods presented. The significant estimates and judgements made by management in preparing the financial information were consistent with those applied to the consolidated financial statements for the year ended 31 March 2014.

Underlying Performance Measures

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

Underlying operating profit

"Underlying operating profit" is defined as operating profit from continuing operations excluding exceptional costs, IAS 19 pension costs relating to the Group's legacy defined benefit pension scheme and amortisation of acquired intangible assets.

Underlying profit before tax

"Underlying profit before tax" is defined as profit before tax from continuing operations excluding exceptional costs, IAS 19 pension costs relating to the Group's legacy defined benefit pension scheme and amortisation of acquired intangible assets.

Underlying effective tax rate

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

Underlying earnings per share

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

Underlying EBITDA

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

Free cash flow

"Free cash flow" is defined as net cash flow before exceptional items, payments to the legacy pension fund, dividend payments, net proceeds from equity fund raising, the cost of acquisitions and proceeds of disposals.

Return on trading capital employed

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

3. Segmental reporting

During the year the Group completed the disposal of its Supply Chain Division with the sale of its last remaining business (the "Enterprise Business"). As the sale of the Enterprise Business was committed before the FY14 year end, the Supply Chain division was disclosed as a discontinued business for accounting purposes and not disclosed as a reported segment in the FY14 Annual Accounts. The Electronics segment was the only reported operating segment.

As a result of the disposal of the Supply Chain division and the major acquisition of Noratel, the Group has reviewed its internal reporting to the Chief Operating Decision Maker (CODM - identified as the Board) and in line with the Group's stated strategy in the FY14 Annual Accounts, has organised its businesses into two divisions, Custom Distribution and Design & Manufacturing.

- The Custom Distribution division provides technically demanding, customised electronic, photonic and medical products to the industrial market, from a range of high-quality, international suppliers (often on an exclusive basis) and from Acal's Design & Manufacturing division.
- The Design & Manufacturing division supplies electronic products which are principally either designed uniquely for a customer or specifically modified from an existing product. The products are mostly manufactured at one of the in-house manufacturing facilities, or in some cases contracted out to third parties.

Management monitors the operating results of its reportable operating segments 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.

Six months to 30 September 2014 - unaudited

	Custom Distribution £m	Design & Manufacturing £m	Unallocated £m	Total operations £m
Revenue	**82.3**	**38.6**	**-**	**120.9**
Underlying operating profit/(loss)	**3.1**	**4.6**	**(2.2)**	**5.5**
Exceptional items - acquisition and related integration costs	(0.3)	(2.2)	-	(2.5)
Exceptional items - restructuring costs	(1.1)	-	-	(1.1)
Amortisation of acquired intangible assets	(0.2)	(0.6)	-	(0.8)
IAS 19 pension administration costs	-	-	(0.1)	(0.1)
Operating profit/(loss)	**1.5**	**1.8**	**(2.3)**	**1.0**

Six months to 30 September 2013 - unaudited*

	Custom Distribution £m	Design & Manufacturing £m	Unallocated £m	Total operations £m
Revenue	**82.1**	**18.3**	**-**	**100.4**

Underlying operating profit/(loss)	**2.9**	**2.1**	**(2.0)**	**3.0**
Exceptional items - acquisition and related integration costs	(0.1)	(0.7)	-	(0.8)
Exceptional items - gain on acquisition of YEG	1.5	-	-	1.5
Amortisation of acquired intangible assets	(0.2)	(0.2)	-	(0.4)
IAS 19 pension administration costs	-	-	(0.1)	(0.1)
Operating profit/(loss)	**4.1**	**1.2**	**(2.1)**	**3.2**

*Restated for discontinued operations (note 6)

Year to 31 March 2014 - audited

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

4. Exceptional items

	Unaudited six months ended 30 Sept 2014 £m	Unaudited six months ended 30 Sept 2013 £m	Audited year ended 31 Mar 2014 £m
Administrative expenses:			
Acquisition and related integration costs	**(2.5)**	(0.8)	(1.7)
Restructuring costs	**(1.1)**	-	(0.5)
Gain on acquisition of YEG	**-**	1.5	1.5
Net exceptional (costs)/credit included in administrative expenses	**(3.6)**	0.7	(0.7)
Tax impact of exceptional (costs)/credit	**0.1**	-	-
Exceptional (costs)/credit after tax	**(3.5)**	0.7	(0.7)

The majority of the acquisition and related integration costs relates to the acquisition of the Noratel Group. £0.3m relates to the completion of the integration of the YEG business into Acal BFi.

The restructuring costs relate principally to the integration of Acal BFi web marketing into the main sales infrastructure and relate mainly to staff redundancy costs.

Details of exceptional items in relation to the full year results for the year ending 31 March 2014 were provided in note 6 on page 73 of the FY14 Annual Accounts.

5. Business Acquisitions

On 17 July 2014, the Group completed the acquisition of 100% of the share capital and voting equity interests of Trafo Holding AS ("Trafo" or "the Noratel Group" or "Noratel"), for a cash consideration £35.6m (NOK369m) and consideration shares in Acal Plc with a fair value of £0.8m (NOK8m).

In addition, as part of the purchase negotiations, the Company has put in place an earn-out arrangement for Noratel's management team based on the financial performance of the Noratel Group over the three year period to 31 March 2017 worth up to a maximum of NOK12m. The earn-out of £0.1m attributable to the half year has been recognised as an expense in the condensed consolidated income statement, and presented as an exceptional item.

The cash consideration and related acquisition expenses were met from the proceeds of a rights issue with a net receipt of £52.7m (after expenses). At the same time, the Group entered into a new committed syndicated loan facility of £70m (replacing existing committed working capital facilities of approximately £20m). On the acquisition date, this new facility was used to refinance part of Noratel's existing long term debt and its working capital facilities.

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

The provisional fair value of the identifiable assets and liabilities of the Noratel Group at the date of acquisition were:

	Provisional fair value recognised at acquisition

	£m
Property, plant and equipment	9.9
Intangible assets - other	15.1
Deferred tax asset (non-current)	0.5
Inventories	16.8
Trade and other receivables	14.9
Cash and cash equivalents	1.6
Trade and other payables	(11.9)
Other financial liabilities (current)	(34.5)
Current tax liabilities	(0.3)
Provisions (current)	(1.5)
Deferred tax liabilities (non-current)	(4.9)
Total identifiable net assets	**5.7**
Provisional goodwill arising on acquisition	**30.7**
Total investment	**36.4**
Discharged by	
Cash	35.6
Shares	0.8
	36.4

Included in the £30.7m of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree, due to their nature. These include the value of expected operational benefits. None of the goodwill recognised is expected to be deductible for corporate tax purposes.

Net cash outflows in respect of the acquisition comprise:

	Total £m
Cash consideration	35.6
Transaction costs of the acquisition (included in operating cash flows)	2.0
Cash acquired	(1.6)
Net debt acquired (included in cash flows from investing activities)	34.5
	70.5

The long term debt of £34.5m debt acquired on acquisition was settled, on completion, partly from the proceeds of the rights issue and partly refinanced with the Group's debt facility.

6. Discontinued Operations

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

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

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

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

Consideration received

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

Net assets disposed of

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

Net cash inflow on disposal

	£m
Upfront cash consideration	5.7
Cash disposed	(0.3)
Transaction costs	(0.4)
Net cash inflow on disposal	**5.0**

The disposal of the Enterprise Business was in addition to the disposal of the European Parts business and the UK Parts business in the

year ending 31 March 2014 and year ending 31 March 2013 respectively. With the Enterprise Business being the last remaining company in the Supply Chain Division, the Division has been accounted for as a discontinued business for the current and prior year.

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

	Unaudited Six months ended 30 Sept 2014 £m	Unaudited Six months ended 30 Sept 2013 £m	Audited Year ended 31 Mar 2014 £m
Revenue	**1.1**	13.0	17.9
Expenses (including exceptional items)	**(1.0)**	(12.4)	(16.7)
Operating profit	**0.1**	0.6	1.2
Impairment loss recognised on the re-measurement to fair value less costs of disposal*	**-**	-	(3.3)
Loss on disposal of business	**(0.1)**	-	(0.2)
Profit/(loss) before tax from discontinued operations	**-**	0.6	(2.3)
Tax expense	**-**	(0.1)	(0.1)
Profit/(loss) for the year from discontinued operations	**-**	0.5	(2.4)

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

Cash flows relating to discontinued operations

	At 30 Sept 2014 £m	At 30 Sept 2013 £m	At 31 Mar 2014 £m
Net cash (outflows)/inflows from operating activities	**(0.2)**	0.7	1.0
Net cash outflows from investing activities	**-**	-	(0.1)
Net increase in cash and cash equivalents	**(0.2)**	0.7	0.9

7. Taxation

The underlying tax charge for the period was £1.1m (H1 2013/14: £0.4m) giving an underlying effective tax rate on underlying profit before tax of 23% (2013: 14%). The underlying effective tax rate is higher than the UK tax rate of 21% due to the tax rates of the territories in which the Group operates being generally higher than the UK rate.

The tax credit in respect of the underlying adjustments (exceptional items of £0.1m, the amortisation of acquired intangible assets of £0.2m and the legacy defined benefit pension scheme charge of £0.1m) was £0.4m (H1 2013/14: £0.2m). This gives an overall tax charge for the period of £0.7m (H1 2013/14: £0.2m).

8. Dividends

The Directors have declared an interim dividend of 2.2 pence per share (H1 2013/14: 1.8 pence) payable on 16 January 2015 to shareholders on the register at 30 December 2014. The dividend for H1 2013/14 has been restated from 2.5 pence to 1.8 pence to reflect the bonus issue of the rights issue. Refer to note 14 for more details.

In accordance with IAS 10, this dividend has not been reflected in the interim results. The cash cost of the interim dividend will be £1.4m (2013: £0.8m).

9. Earnings per share

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

	Unaudited Six months ended 30 Sept 2014 £m	Unaudited Six months ended 30 Sept 2013 £m	Audited Year ended 31 Mar 2014 £m
(Loss)/profit for the period attributable to equity holders of the parent:			
Continuing operations	**(0.6)**	2.5	3.7
Discontinued operations	**-**	0.5	(2.4)
(Loss)/profit for the period	**(0.6)**	3.0	1.3
	No	No	No
Weighted average number of shares for basic earnings per share*	**52,243,199**	43,059,851	43,084,582
Effect of dilution - share options*	**3,379,834**	2,443,227	2,825,423
Adjusted weighted average number of shares for diluted earnings per share	**55,623,033**	45,503,078	45,910,005
Earnings per share from continuing operations - basic	**(1.1)p**	5.8p	8.6p
Earnings per share from continuing operations - diluted	**(1.1)p**	5.5p	8.1p
Earnings per share - basic	**(1.1)p**	7.0p	3.0p
Earnings per share - diluted	**(1.1)p**	6.6p	2.8p

**Prior period number of shares (basic and diluted) restated to reflect the bonus element of the rights issue. See note 14 for details.*

At the period end, there were 3.6 million ordinary share options in issue that could potentially dilute earnings per share in the future, of which 3.4 million are currently dilutive (30 September 2013: 3.3 million in issue and 2.4 million dilutive, 31 March 2014: 3.0 million in issue and 2.8

million dilutive).

Based on the current number of ordinary shares in issue, the weighted average number of shares for basic earnings per share for the second half will be 63.05 million shares. With the weighted average number of shares for basic earnings per share for the first half being 52.24 million shares, the weighted average number of shares for basic earnings per share for the full year would be 57.65 million.

Underlying earnings per share

Underlying earnings per share are calculated as follows:

	Unaudited Six months ended 30 Sept 2014 £m	Unaudited Six months ended 30 Sept 2013 £m	Audited Year ended 31 Mar 2014 £m
(Loss)/profit for the period on continuing operations	**(0.6)**	2.5	3.7
Exceptional items	**3.6**	(0.7)	0.7
Amortisation of acquired intangible assets	**0.8**	0.4	1.0
IAS 19 pension costs	**0.2**	0.2	0.4
Tax effects of exceptional items, amortisation of acquired intangible assets and IAS 19 pension costs	**(0.4)**	(0.2)	(0.4)
Underlying profit for the period on continuing operations	**3.6**	2.2	5.4
	No	No	No
Weighted average number of shares for basic earnings per share*	**52,243,199**	43,059,851	43,084,582
Effect of dilution - share options*	**3,379,834**	2,443,227	2,825,423
Adjusted weighted average number of shares for diluted earnings per share	**55,623,033**	45,503,078	45,910,005
Underlying earnings per share - basic	**6.9p**	5.1p	12.5p
Underlying earnings per share - diluted	**6.5p**	4.8p	11.8p

**Prior period number of shares (basic and diluted) restated to reflect the bonus element of the rights issue. See note 14 for details.*

10. Reconciliation of cash flow from operating activities

	Unaudited six months ended 30 Sept 2014 £m	Unaudited six months ended 30 Sept 2013 £m	Audited year ended 31 Mar 2014 £m
(Loss)/profit from continuing operations	**(0.6)**	2.5	3.7
Profit/(loss) from discontinued operations	**-**	0.5	(2.4)
(Loss)/profit for the period	**(0.6)**	3.0	1.3
Taxation expense	**0.7**	0.3	0.6
Net finance costs	**0.9**	0.5	1.0
Gain on acquisition	**-**	(1.5)	(1.5)
Impairment of goodwill	**-**	-	3.3
Depreciation of property, plant and equipment	**0.9**	0.6	1.1
Amortisation of intangible assets - other	**1.0**	0.6	1.3
Movement in provisions	**0.1**	(0.4)	(0.2)
Loss on disposal of business	**0.1**	-	0.2
Pension scheme funding	**(0.7)**	(0.7)	(1.5)
IAS 19 pension administration charge	**0.1**	0.1	0.2
Equity-settled share based payment expense	**0.3**	0.3	0.6
Operating cash flows before changes in working capital	**2.8**	2.8	6.4
Decrease in inventories	**0.9**	2.4	0.8
Decrease/(increase) in trade and other receivables	**4.2**	2.1	(3.9)
(Decrease)/increase in trade and other payables	**(7.1)**	(7.0)	2.7
Increase in working capital	**(2.0)**	(2.5)	(0.4)
Cash generated from operations	**0.8**	0.3	6.0
Interest paid	**(0.9)**	(0.5)	(1.0)
Net income taxes paid	**(1.1)**	(0.5)	(0.9)
Net cash (outflow)/inflow from operating activities	**(1.2)**	(0.7)	4.1

11. Closing net debt

	At 30 Sept 2014 £m	At 30 Sept 2013 £m	At 31 Mar 2014 £m
Borrowings - current - overdrafts	**(9.5)**	(4.2)	(6.7)
Borrowings - current portion of long term debt	**(0.4)**	(0.4)	(0.1)
Borrowings - non current	**(20.3)**	(9.6)	(9.5)
Cash and cash equivalents	**16.2**	12.4	18.6*
Closing net (debt)/cash	**(14.0)**	(1.8)	2.3

**includes £0.5m cash included in assets held for sale*

Reconciliation of movement in cash and net debt

	Six months ended 30 Sept 2014 £m	Six months ended 30 Sept 2013 £m	Year ended 31 Mar 2014 £m
Net decrease in cash and cash equivalents	**(4.7)**	(5.8)	(1.8)

Debt acquired with acquisition of the Noratel Group	**(34.5)**	-	-
Proceeds from borrowings	**(20.5)**	(8.1)	(8.0)
Repayment of borrowings	**44.4**	0.4	0.8
Decrease in net cash before translation differences	**(15.3)**	(13.5)	(9.0)
Translation differences	**(1.0)**	(0.1)	(0.5)
Decrease in net cash	**(16.3)**	(13.6)	(9.5)
Net cash at beginning of the period	**2.3**	11.8	11.8
Net (debt)/cash at end of the period	**(14.0)**	(1.8)	2.3

Supplementary information to the statement of cash flows

Underlying Performance Measure	**Six months ended 30 Sept 2014 £m**	Six months ended 30 Sept 2013 £m	Year ended 31 Mar 2014 £m
Decrease in net cash before translation differences	**(15.3)**	(13.5)	(9.0)
Add: Business acquisitions	**68.5**	10.4	12.5
Exceptional cash flow	**3.3**	1.9	2.9
Legacy pension scheme funding	**0.7**	0.7	1.5
Dividends paid	**2.1**	1.9	2.7
Less: Net proceeds from share issue	**(52.7)**	-	-
Net cash flow from discontinued operations	**(4.8)**	(0.7)	(4.2)
Free cash flow from continuing operations	**1.8**	0.7	6.4

12. Pension liability

The acquisition of the Sedgemoor Group in June 1999 included a defined benefit pension scheme, the Sedgemoor Group Pension Fund ('the Sedgemoor Scheme'). The Sedgemoor Scheme, which is funded by the Company, provides retirement benefits based on final pensionable salary. Its assets are held in a separate trustee-administered fund. Following the acquisition of the Sedgemoor Group, the Sedgemoor Scheme was closed to new members. Shortly thereafter, employees were given the opportunity to join the Acal pension scheme and future service benefits ceased to accrue to members under the Sedgemoor Scheme. Contributions to the Sedgemoor Scheme are determined in accordance with the advice of independent, professionally qualified actuaries.

During the period, the financial position of the Sedgemoor Scheme has been updated in line with changes in actuarial assumptions and cash contributions made to the scheme. The valuation used for IAS 19 disclosures has been based on the most recent valuation at 31 March 2014 updated to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme as at 30 September 2014.

The IAS 19 defined benefit pension scheme liability at 30 September 2014 was £6.2m (31 March 2014: £5.7m). Together with a deferred tax liability of £0.8m (31 March 2014: £0.8m) in relation to a funding surplus under IAS 19 based on the agreed funding plan, pension liabilities totalled £7.0m (31 March 2014: £6.5m).

13. Exchange rates

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

	Six months ended 30 Sept 2014		Six months ended 30 Sept 2013		Year ended 31 March 2014	
	Closing rate	**Average rate**	Closing rate	Average rate	Closing rate	Average rate
US dollar	**1.6188**	**1.6744**	1.6150	1.5430	1.6648	1.5904
Euro	**1.2865**	**1.2440**	1.1961	1.1734	1.2074	1.1862

14. Restatement of prior period earnings per share and dividends per share

On 5 June 2014, the Company announced a proposed 1 for 1 rights issue of 31,332,127 shares at 176 pence per share to raise approximately £55.1m (before transaction costs). The rights issue shares went ex-rights on 24 June 2014 and were fully paid and commenced trading on 9 July 2014. As a result of the rights issue, the prior period number of shares (basic and diluted) have been restated to reflect the bonus element of the rights issue representing an increase of 1.3759. A reconciliation between the reported and restated earnings per share from continuing operations and dividend per share for the period ended 30 September 2013 and 31 March 2014 is set out below:

Six months to 30 September 2013

	Reported £m	Discontinued operations £m	**Continuing operations £m**
Revenue	113.4	(13.0)	**100.4**
Gross Profit	34.1	(4.1)	**30.0**
Underlying costs	(30.3)	3.3	**(27.0)**
Underlying operating profit	3.8	(0.8)	**3.0**
Net finance costs	(0.4)	-	**(0.4)**
Underlying profit before tax	3.4	(0.8)	**2.6**
Taxation	(0.5)	0.1	**(0.4)**
Underlying profit after tax	2.9	(0.7)	**2.2**

Underlying adjustments	(0.1)	0.2	**0.1**
Tax on underlying adjustments	0.2	-	**0.2**
Profit after tax	**3.0**	**(0.5)**	**2.5**

	Reported	Continuing operations	**Restated continuing operations**
Weighted average number of shares			
- basic	31,296,077	31,296,077	**43,059,851**
- diluted	33,071,825	33,071,825	**45,503,078**
Underlying earnings per share			
- basic	9.3p	7.0p	**5.1p**
- diluted	8.8p	6.7p	**4.8p**
Earnings per share			
- basic	9.6p	8.0p	**5.8p**
- diluted	9.1p	7.6p	**5.5p**
Dividend per share	2.5p	2.5p	**1.8p**

Year to 31 March 2014

	£m
Underlying profit after tax	**5.4**
Profit after tax	**3.7**

	Reported	**Restated**
Weighted average number of shares	No	**No**
- basic	31,314,052	**43,084,582**
- diluted	33,367,581	**45,910,005**
Underlying earnings per share		
- basic	17.2p	**12.5p**
- diluted	16.2p	**11.8p**
Earnings per share		
- basic	11.8p	**8.6p**
- diluted	11.1p	**8.1p**
Dividend per share	9.4p	**6.8p**

15. Interim Report

A copy of the interim report will be available for inspection at the Company's registered office:
2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, GU2 7AH.

Current regulations permit the Company not to send copies of its interim results to shareholders. Accordingly the 2014 interim results published on 27 November 2014 will not be sent to shareholders. The 2014 interim results and other information about Acal plc are available on the Company's website at www.acalplc.co.uk.

This information is provided by RNS
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