Half Yearly Report

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ACAL plc

Interim results for the six months ended 30 September 2015

Strong first half growth; increasingly highly differentiated

Acal plc (LSE: ACL, "Acal" or "the Group"), a leading international supplier of customised electronics to industry, today announces its interim results for the six months ended 30 September 2015.

	H1 2015/16	H1 2014/15	Growth %	CER[2] Growth %
Revenue	**£142.2m**	£120.9m	+18%	+30%
Underlying operating profit[1]	**£7.7m**	£5.5m	+40%	+64%
Underlying operating margin[1]	**5.4%**	4.5%	0.9ppts	1.1ppts
Underlying profit before tax[1]	**£6.8m**	£4.7m	+45%	+72%
Reported profit before tax	**£4.8m**	£0.1m	n/a	n/a
Underlying EPS[1]	**7.7p**	6.5p	+18%	+40%
Reported fully diluted EPS	**5.4p**	-1.1p	n/a	
Interim dividend per share	**2.33p**	2.2p	+6%	

Highlights

- Strong growth in sales, profits and earnings per share
  - Sales up 30% CER[2] and up 2% like-for-like[3]
  - Gross profit up 32% CER
  - Underlying profit before tax up 72% CER
  - Underlying earnings per share up 40% CER
- Good progress made in Group key performance and strategic indicators
  - Underlying operating margin increased to 5.4%
  - Design & Manufacturing ("D&M") sales now 46% of Group sales (FY 2014/15: 37%)
  - International sales[4] increased to 16% of Group sales (FY 2014/15: 12%)
  - D&M cross-selling generated £1.5m in new business (H1 2014/15: £0.3m)
  - Operating cash flow[5] was 106% of underlying operating profit in the last 12 months
- Noratel and Foss acquisitions performing well
- Translation impact of the continuing strength of Sterling reduced revenue by £13.4m and underlying operating profit by £1.4m[6]
- Post period end, Flux AS acquired for £3.7m, further strengthening capabilities in custom magnetics and enabling entry into new markets

Nick Jefferies, Group Chief Executive, commented:

"As a result of the strategy we have been pursuing since 2009, Acal continues to move up the value chain. Operating margins have doubled in the past five years, and 75% of profit contribution is now generated from the design and manufacture of our own products. Progress continued in the first half with an increase in underlying operating profit of 64% at constant exchange rates.

Growth has been driven by successful acquisitions and from organic initiatives, both of which are also increasing our international presence beyond Europe.

We are encouraged by European macro indicators although remain cautious over the international economic environment and the continuing impact of foreign exchange translation headwinds. Accordingly, our earnings forecast for the full year remains unchanged and in line with our expectations.

With several value-enhancing acquisition opportunities in the pipeline with the resources to fund them, and further scope to drive organic growth from our differentiated offering we are confident of making further progress in line with our strategy."

An interview with Nick Jefferies regarding today's results is available for viewing at www.acal.co.uk.

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Notes:

(1) 'Underlying Operating Profit', 'Underlying EBITDA', 'Underlying Operating Costs', 'Underlying Profit before Tax' and 'Underlying EPS' are non-IFRS financial measures used by the Directors to assess the underlying performance of the Group. These measures exclude 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) Growth rates at constant exchange rates ("CER"). Unless stated, growth rates refer to the comparable prior year period. The average Sterling rate of exchange strengthened 12% against the Euro for the 6 months ended 30 September 2015 compared with the average rate for the first half last year (rising from €1.244 to €1.3901) and strengthened 16% against Nordic currencies on average, together negatively affecting Group reported sales for this period by 9% and underlying operating profit by 15%.

(3) Like-for-like growth for the Group is calculated at CER including the pre-acquisition periods of the Noratel Group and Foss Group which were acquired during the last financial year (on 17 July 2014 and 7 January 2015 respectively).

(4) International sales are sales outside UK and Western Europe.

(5) Operating cash flow is net cash generated from operations before financing, taxation and dividends, payment of acquisition related costs, exceptional items and legacy pension costs.

(6) Sales and underlying operating profit for H1 2015/16 translated at H1 2014/15 average exchange rates (see page 9).

(7) Profit contribution is underlying operating profit before unallocated costs.

Notes to Editors:

About Acal plc

Acal is a leading international supplier of customised electronics to industry. It designs, manufactures and distributes customer-specific electronic products and solutions to 25,000 industrial manufacturers and is listed on the London Stock Exchange (LSE: ACL).

Acal has two divisions: Design & Manufacturing and Custom Distribution. The majority of its sales come from products and solutions which are created uniquely for a customer. Acal works across a range of technologies, namely Power & Magnetics, Communications & Sensors, Electromechanical, Imaging & Photonics, Embedded Computers & Displays.

Acal operates through the following wholly-owned businesses: Acal BFi, Flux, Foss, 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, Slovakia and Spain, as well as in Asia (China, India, Sri Lanka, South Korea and Thailand), the US and South Africa.

Chairman's Statement

This is a strong set of results reflecting the Group's continued progress up the value chain, becoming an international supplier of customised electronics to industry. With 46% of revenues and 75% of profit contribution now being generated from the design and manufacture of our own products, operating margins have doubled over the last five years. The Group strategy is to continue this progress.

Group Results

Group sales for the first half increased by 18% to £142.2m and by 30% at constant exchange rates ("CER"). Like-for-like sales increased by 2%.

First half underlying operating profit, which excludes acquisition related costs, exceptionals and IAS19 pension cost, increased by £2.2m to

£7.7m (up 40%) and by £3.0m CER (up 64%). Underlying profit before tax increased by £2.1m to £6.8m (up 45%) and by £2.8m CER (up 72%).

First half underlying operating margin increased by 0.9ppts to 5.4% (and by 1.1% CER), reflecting the focus on higher margin products and solutions, which is proving to be a key differentiator for the Group.

Underlying earnings per share for the period increased by 18% to 7.7p (up from 6.5p last year) and increased by 40% CER.

On a reported basis, profit before tax for the period was £4.8m (H1 2014/15: £0.1m) with fully diluted earnings per share of 5.4p (H1 2014/15: a fully diluted loss per share of 1.1p).

Net debt at 30 September 2015 was £21.9m, with a Group gearing ratio of 1.1 times, being defined as net debt divided by underlying EBITDA, adjusted for a full year's inclusion from acquisitions.

Acquisition of Flux

On 6 November 2015, the Group completed the acquisition of Flux AS ("Flux"), a designer and manufacturer of customised magnetic components, for a debt-free / cash-free consideration of £3.7m (DKK 39m). We are delighted to welcome its employees into the Group.

Dividend

The Board is recommending an increase in the interim dividend of 6% to 2.33 pence per share (H1 2014/15: 2.2 pence per share). Since 2010, the full year dividend per share has risen by 49%.

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

The interim dividend is payable on 15 January 2016 to shareholders registered on 29 December 2015.

Board changes

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

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

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

Summary

Acal's market proposition is increasingly highly differentiated, being the only electronics business with design, manufacturing and custom distribution capability throughout Europe, and, increasingly, beyond.

The Group's focus on the manufacture and supply of differentiated electronics products and solutions will not only enable it to continue to increase operating margins, but also positions Acal as a leader and a consolidator in the fragmented customised industrial electronics industry.

Richard Moon
Chairman
30 November 2015

Strategic, Operational and Financial Review

Group Strategy

Since 2009 our strategy has been to create an international supplier of customised electronics to industry which is clearly differentiated from the wider market. The strategy comprises four elements:

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

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

3. Acquire businesses - with the opportunity for organic growth and operating efficiencies which broaden and strengthen Acal's technological expertise with complementary products, customers, suppliers and geographies.

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

The Group has made very good progress during the first half with each of these strategic elements:

- The higher-margin Design & Manufacturing division generated 46% of first half Group sales (up from 37% for FY 2014/15) and 75% of Group underlying profit contribution (up from 63% for FY 2014/15); additionally, customer concentration remains relatively low with no one customer accounting for more than 5% of Group sales.

- Cross-selling generated 6% of first half sales (up from 4% for FY 2014/15);
- In terms of acquisitions, Flux AS has joined the Group this month, further strengthening Acal's custom magnetics capabilities;
- International sales now represent 16% of Group sales (up from 12% for FY 2014/15).

The result has been an increase in sales of 30% CER, an increase in underlying operating profit of 64% CER and growth in the Group's underlying operating margin of 1.1% CER to 5.4%.

Key Strategic and Performance indicators

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

Key Strategic Indicators ('KSIs')

	FY10	FY14	FY15	H1 16	Mid term target
1. Increase share of Group revenue from Design & Manufacturing(1)	c. 5%	18%	37%	46%	65%
2. Increase cross-selling and web generated sales(1)	0%	3%	4%	6%	4~5%
3. Build sales beyond Europe(1)	0%	5%	12%	16%	20%

(1) as a proportion of Group revenue

Key Performance Indicators ('KPIs')

	FY10	FY14	FY15	H1 16	3 yr target
1. Organic sales growth	-16%	2%	3%	2%	Well ahead of GDP
2. Increase underlying operating margin	-0.3%	3.4%	4.9%	5.4%	6-7%
3. Attractive ROTCE(1)	-	24%	24%	23%	>25%
4. Generate strong free cash flow(1)	-	86%	76%	74%(3)	> 75% PBT
5. Generate long term value for shareholders: (TSR)(2)	-	42%	19%	6%	Upper quartile
Percentile vs FTSE Small Cap Index(4)	-	Top 27th	Top 21st	Top 34th	

(1) Defined in Note 2 to the interim financial statements
(2) Growth in total shareholder return (TSR) in the period
(3) Measured over a 12 month period
(4) Growth in TSR over the year, for HY16 this is 6 month's growth since 31 March 2015

Divisional results

Divisional and Group performance for the half-year ended 30 September 2015 are set out and reviewed below.

	H1 2015/16			H1 2014/15				
	Revenue £m	**Underlying operating profit (1) £m**	**Margin**	Revenue £m	Underlying operating profit (1) £m	Margin	CER Revenue growth	LFL Revenue growth
Design & Manufacturing	**65.9**	**7.7**	**11.7%**	33.8	4.1	12.1%	95%	4%
Custom Distribution	**76.3**	**2.6**	**3.4%**	76.0	2.8	3.7%	0%	0%
Unallocated costs		**(2.6)**			(2.2)			
Total CER(2)	**142.2**	**7.7**	**5.4%**	109.8	4.7	4.3%	30%	2%
Reported FX rate(3)				11.1	0.8	0.2%		
Total reported	**142.2**	**7.7**	**5.4%**	120.9	5.5	4.5%		

1. *Underlying operating profit excludes acquisition related costs, exceptionals and IAS19 pension costs (see below).*
2. *Revenue and operating profit at CER with last year's results translated at this period's average exchange rate.*
3. *The difference between the reported results last year and the results at CER.*

For the last two years, Group results, while being strong, have been significantly impacted by the continuing strength of Sterling. 73% of sales and 100% of profit contribution (that is, underlying operating profits before unallocated Sterling costs) were generated in either Euro or Nordic currencies which have depreciated by 12% and 16% respectively against Sterling in the first half (and by 19% and 29% in the last 18 months).

Design & Manufacturing division

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

First half divisional revenue almost doubled to £65.9m at CER, driven by last year's acquisitions of Noratel and Foss and organic growth of 4%. Underlying operating profit of £7.7m was £3.6m higher than last year at CER (up 88%) with an underlying operating margin of 11.7%, up 0.4ppts on the underlying operating margin for FY 2014/15 of 11.3%. Divisional revenue was 46% of Group revenue (H1 2014/15: 31%; FY 2014/15: 37%) generating 75% of the Group's profit contribution. This is further good progress towards our mid-term divisional targets for Design & Manufacturing to be 65% of Group revenue with underlying operating margins in excess of 10%.

Last year, the Group made two important acquisitions; Noratel, acquired in July 2014 (a global designer and manufacturer of electromagnetic products, specifically transformers and inductors), and Foss, acquired in January 2015 (a designer and manufacturer of fibre optic cables and support products). Both businesses have performed well since acquisition, generating good levels of organic sales and profitability growth over their comparable pre-acquisition periods last year. Noratel's North American business was returned to profitability last year as planned and continues to deliver strong levels of organic growth. Foss has also performed well with strong organic growth driven by demand for greater communication bandwidth in Norway and Eastern Europe.

Custom Distribution division

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

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

First half divisional revenue of £76.3m (54% of Group revenue) was marginally ahead of last year at CER, with continental Europe (that is, excluding the UK) up 4%. Growth rates were impacted by a few large non-repeating orders last year and the discontinuation from the end of last year of Acal BFi's final major non-specialist, low margin supplier, in line with the Group's strategy; these factors will also impact prior year comparative growth rates in the second half of this year. Excluding these factors, ongoing divisional sales in the first half grew by 6% with continental Europe growing by 11% driven by strong growth in Germany and Italy. In the UK, where the market continues to be soft, ongoing sales were down by 6%. Following its restructure last year, sales in the UK business have stabilised with the priority now being on growing and converting the pipeline of new projects into orders.

Underlying operating profit of £2.6m was down £0.2m on last year at CER with an underlying operating margin of 3.4%; this compares with our mid-term target of 5%. On a reported (rather than constant currency) basis, sales were down £6.0m and underlying operating profits down £0.5m, with the division being impacted significantly by the translation effects of a much stronger Sterling compared with the Euro throughout this period, when compared with last year.

Cross-selling

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

i) D&M cross-selling is cross-selling between Group (sister) companies. Programmes are underway to develop sales with the customers of other Group companies. This initiative, which started two and a half years ago, generated first half sales of £1.5m, an increase of £1.2m on the same period last year.

ii) Acal BFi cross-selling, which involves increasing the range of Acal BFi products from different technology areas being sold to existing Acal BFi customers. This initiative, launched four and a half years ago, generated total sales of £6.9m in the first half compared with £4.4m for the first half last year.

In total, £8.4m of first half sales (5.9% of total revenue) were generated from these cross-selling initiatives. This represents growth of £3.7m (79%) on the first half last year, being 2.3% of total revenues.

Acquisitions

The Group sees the opportunity for significant value creation by acquiring complementary Design & Manufacturing businesses which

strengthen its position in each technology area, create access to new geographies and which fit with its organic growth initiatives. Customised electronics is a fragmented market in which Acal is seen by vendors as an attractive acquirer of their businesses. The Group allows companies to continue to develop within the Acal network, providing them with new organic growth opportunities whilst retaining their entrepreneurial culture.

Flux

On 6 November 2015, the Group acquired Flux AS for a consideration of DKK 39m (£3.7m) on a debt free, cash free basis, before expenses. The acquisition was funded from Acal's existing debt facilities. Flux, which is headquartered in Denmark and has a manufacturing facility in Thailand, is a designer and manufacturer of customised magnetic components for use across a range of industrial, high reliability and space grade applications.

Revenues for the year ended 31 December 2014 were DKK 89m (£8.5m) generating a pre-tax profit of DKK 7.2m (£0.7m) and £0.5m on an underlying basis (excluding foreign exchange and discontinued activities). Gross assets at 31 December 2014 were DKK 53m (£5.0m).

The business will operate within the Design & Manufacturing division and builds on Acal's growing custom magnetics capabilities following the acquisitions of Noratel in July 2014 and Myrra in April 2013. With Flux benefitting from access to Acal's broad customer base and international reach, the acquisition is expected to create new revenue opportunities from cross-selling across the Group.

The effect of including the acquisition of Flux in the calculation of Group gearing ratio would have resulted in a ratio of approximately 1.3 times as at 30 September 2015.

Group results

Revenue

Group revenue for the first half increased by 30% CER and by 18% at reported rates (the difference reflecting the impact of Sterling strength since last year). Like-for-like revenue grew by 2% with the acquisitions of Noratel and Foss contributing the additional 28%.

Gross profit and gross margin

Gross profit for the period increased by 32% CER over last year. This growth rate is higher than the corresponding revenue growth rate of 30%, due to further improvements in gross margin which increased 0.7ppts to 31.6%. This is the Group's highest gross margin, which has increased by 5.3ppts in the last five years, and is a reflection of the increasingly differentiated nature of the business.

Underlying operating costs

Group underlying operating costs increased by 27% CER reflecting the inclusion of the cost bases of acquired companies since last year (Noratel and Foss). Like-for-like underlying operating costs increased by 2% CER with increased investment in the Design & Manufacturing division and related central costs. Costs in Custom Distribution were unchanged year-on-year at CER.

Group operating profit and margin

Group underlying operating profit for the period was £7.7m, up £2.2m (+40%) on last year, delivering a Group underlying operating margin of 5.4%, up 0.9ppts on last year. At CER, the increase in underlying operating profit was £3.0m (+64%) with the operating margin up 1.1ppts.

Reported Group operating profit for the period (after accounting for the underlying adjustments discussed below) was £5.8m, an increase of £4.8m on last year.

£m	**H1 2015/16**			H1 2014/15		
	Operating profit	**Finance cost**	**Profit before tax**	Operating profit	Finance cost	Profit before tax
Underlying	7.7	(0.9)	6.8	5.5	(0.8)	4.7
Underlying adjustments						
Exceptional items	(0.4)	-	(0.4)	(3.6)	-	(3.6)
Amortisation of acquired intangibles	(1.3)	-	(1.3)	(0.8)	-	(0.8)
IAS 19 pension cost	(0.2)	(0.1)	(0.3)	(0.1)	(0.1)	(0.2)
Reported	5.8	(1.0)	4.8	1.0	(0.9)	0.1

Translation impact of foreign exchange

In the first half, over 80% of revenues were generated in non-Sterling currencies of which around 50% are in Euro and 23% in Nordic currencies. In terms of profit contribution (that is, operating profit before unallocated costs), approximately 100% was generated in Euro and Nordic currencies. All unallocated costs are Sterling. In the first half, the average Sterling rate of exchange strengthened 12% against the Euro for the 6 months ended 30 September 2015 compared with the average rate for the first half last year (rising from €1.244 to €1.390) and strengthened 16% against Nordic currencies on average, together negatively affecting reported sales for this period by around 9% and underlying operating profit by around 15%. The following table illustrates this impact; had this period's exchange rates been the same as for the first half last year, revenue would have been higher by £13.4m and underlying operating profit higher by £1.4m.

£m	**H1 2015/16**	
	Revenue	**Underlying operating**

	£m	profit [1] £m
Revenue (H1 15 rates)	155.6	9.1
Translation impact	(13.4)	(1.4)
Reported revenue (H1 16 rates)	142.2	7.7
Translation impact %	-9%	-15%

Conversely, last year's first half revenue and underlying operating profit, restated at this period's average exchange rates, would have been lower by £11.1m and £0.8m respectively (see the divisional results table on page 6).

Through its centralised treasury function, the Group continues to hedge its material transactional exposures from order to payment using forward contracts.

Underlying adjustments

Underlying adjustments for the period comprise exceptional items of £0.4m (H1 2014/15: £3.6m), the amortisation of acquired intangibles of £1.3m (H1 2014/15: £0.8m) and IAS19 legacy pension costs of £0.3m (H1 2014/15: £0.2m).

Exceptional items for the period were £0.4m being an accrual for acquisition earn out payments of £0.3m and acquisition costs of £0.1m.

The £0.5m increase in the amortisation charge since last year relates to the amortisation of intangibles identified as part of the acquisitions of Noratel and Foss.

The IAS 19 pension administration cost increased by £0.1m in the period following an increase in the PPF levy (pension protection fund) payable to the regulator.

Financing costs

Net finance costs for the half year were £1.0m (H1 2014/15: £0.9m) being an underlying finance cost of £0.9m and an IAS 19 pension finance cost 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 £0.1m to £0.9m due mainly to the debt funding of the Foss acquisition in January 2015. Included within finance costs is the amortisation of the upfront arrangement fees associated with the Group's £70m syndicated banking facility of approximately £0.2m per annum.

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

Underlying tax rate

The underlying effective tax rate for the first half of 24% was 1ppt higher than last year, principally because the underlying tax rates of the Noratel and Foss businesses are higher than that of the Acal Group prior to the acquisitions.

The overall tax rate was 25%, reflecting the non-tax deductibility of exceptional acquisition costs.

Profit before tax and EPS

Underlying profit before tax for the half year of £6.8m was an increase of £2.1m (+45%) compared with last year and an increase of 72% CER. With the higher underlying tax rate and the increased weighted average number of shares (up 18% on last year following the rights issue in July 2014), underlying diluted earnings per share for the half year of 7.7 pence was up 18% on last year and up 40% CER.

After the underlying adjustments discussed above, reported profit before tax was £4.8m up from £0.1m last year, with reported fully diluted earnings per share of 5.4 pence comparing favourably to a loss per share last year of 1.1 pence.

£m	H1 2015/16		H1 2014/15	
	PBT	EPS	PBT	EPS
Underlying	6.8	7.7p	4.7	6.5p
Underlying adjustments				
Exceptional items	(0.4)		(3.6)	
Amortisation of acquired intangibles	(1.3)		(0.8)	
IAS 19 pension cost	(0.3)		(0.2)	
Reported	4.8	5.4p	0.1	(1.1p)

Working capital

Working capital of £45.3m at 30 September 2015 (H1 2014/15: £41.8m) was 15.9% of first half annualised sales (H1 2014/15: 14.6%). This ratio is higher than last year due to the increasing size of the more profitable Design & Manufacturing division (with 21% working capital as a percentage of sales, compared to 12% in Custom Distribution), primarily because of higher inventory requirements. In the first half, Design & Manufacturing accounted for 46% of sales, compared with 31% in the first half last year.

Cash flow

Net debt at 30 September 2015 was £21.9m, compared with £19.0m at 31 March 2015 and £14.0m at 30 September 2014.

	H1 2015/16	H1 2014/15
Net debt at 31 March	(19.0)	2.3
Free cash flow (see table below)	3.1	1.8
Acquisition/disposal related cash flow	(0.9)	(65.9)
Net equity proceeds	-	52.7
Exceptional payments	(0.9)	(1.1)
Legacy pension	(0.8)	(0.7)
Dividends	(3.4)	(2.1)
Foreign exchange impact	-	(1.0)
Net debt at 30 Sept	**(21.9)**	**(14.0)**

Net acquisition costs of £0.9m reflect the cost of earn out payments made for RSG (£0.2m), final settlement for the acquisition of Foss working capital (£0.5m) and settlement of acquisition expenses (£0.2m). Exceptional cash payments in the period totalled £0.9m and related mainly to the cash cost of Acal BFi restructuring costs which were accounted for last year.

The increase in the dividend cash payment by £1.3m to £3.4m reflects the increase in dividend per share (increased by 12% last year) and the increased number of shares following the rights issue in July 2014. Total dividend payments made in the last 12 months were £4.9m. The Group will continue to review the level of future dividend increases in relation to its policy of long term dividend cover of 2 to 3 times.

Operating cash flow and free cash flow (see definitions in note 2 to the interim financial statements) for the period, compared with the first half last year and the last 12 months, are shown below.

£m	H1 2015/16	H1 2014/15	Last 12 Months
Underlying profit before tax	**6.8**	**4.7**	**13.9**
Finance costs	0.9	0.8	1.7
Non cash items*	1.9	1.4	3.9
Underlying EBITDA	**9.6**	**6.9**	**19.5**
Working capital	(2.2)	(1.9)	(0.8)
Capital expenditure	(1.1)	(1.3)	(2.2)
Operating cash flow	**6.3**	**3.7**	**16.5**
Finance costs	(0.9)	(0.8)	(1.7)
Taxation	(2.3)	(1.1)	(4.5)
Free cash flow	**3.1**	**1.8**	**10.3**

* Non-cash items are depreciation, amortisation, loss on disposal of fixed assets and share based payments

Underlying EBITDA of £9.6m was 39% higher than last year. Similar to last year, £2.2m was invested into working capital, principally to support growth in the Design & Manufacturing division in the second half of the year. Capital expenditure at £1.1m was £0.2m lower than last year; investment of £1.8m is expected in the second half to support new production capability in Design & Manufacturing.
Operating cash flow of £6.3m was £2.6m higher than last year and 82% of first half underlying operating profit. Typically, the Group benefits from greater free cash generation in the second half of a year (subject to working capital requirements) with the second half of last year generating £10.2m of operating cash. In the last 12 months, £16.5m of operating cash has been generated being 106% of underlying operating profit during that period; this compares favourably to a 3 year target of 85%.

The increase in tax cash payments of £1.1m reflects the higher effective tax rates of Noratel and Foss which joined the Group during last year.

Free cash flow for the half year (after finance costs and taxation) totalled £3.1m and was £1.3m higher than last year. Free cash flow for the last 12 months was £10.3m, being 74% of underlying profit before tax earned in the same period.

Banking facilities

The Group has a five year syndicated banking facility of £70m which was established in June 2014. This facility is available both for acquisitions and for working capital purposes, including inter-month outflows of working capital. Such outflows resulted in a net average debt balance of £27m across the first half.

With net debt at 30 September 2015 of £21.9m, the Group's gearing ratio was 1.1 times, being defined as net debt divided by underlying EBITDA, adjusted for a full year's inclusion from acquisitions. On a pro forma basis, this ratio rises to 1.3 times with the inclusion of the Flux acquisition.

Balance sheet

Net assets of £90.3m at 30 September 2015 were £2.4m lower than at the end of the last financial year (31 March 2015: £92.7m). The decrease primarily relates to the translation losses on currency net assets and the payment of last year's final dividend, partly offset by the net profit after tax for the period. The movement in net assets is summarised below:

£m	H1 2015/16
Net assets at 1 April 2015	92.7
Net profit after tax	3.6
Dividend paid	(3.4)
Currency net assets - translation impact	(3.6)
Gain on defined benefit scheme	1.1

Changes in value of cash flow hedges	(0.4)
Share based payments (inc tax)	0.3
Net assets at 30 Sep 2015	**90.3**

Risks and uncertainties

The principal risks faced by the Group are set out on pages 24 to 25 of the Group's Annual Report for year ended 31 March 2015, a copy of which is available on the Group's website: www.acalplc.co.uk. These risks include but are not limited to: the economic environment, particularly within Europe; the performance of acquired companies, including the recent acquisitions of Noratel, Foss and Flux; loss of major customers or suppliers; liquidity and debt covenants; 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; and loss of key personnel.

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, given its strong balance sheet and committed banking facility of £70m at the end of the period.

Summary and Outlook

As a result of the strategy we have been pursuing since 2009, Acal continues to move up the value chain. Operating margins have doubled in the past five years, and 75% of profit contribution is now generated from the design and manufacture of our own products. Progress continued in the first half with an increase in underlying operating profit of 64% at constant exchange rates.

Growth has been driven by successful acquisitions and from organic initiatives, both of which are also increasing our international presence beyond Europe.

We are encouraged by European macro indicators although remain cautious over the international economic environment and the continuing impact of foreign exchange translation headwinds. Accordingly, our earnings forecast for the full year remains unchanged and in line with our expectations.

With several value-enhancing acquisition opportunities in the pipeline with the resources to fund them, and further scope to drive organic growth from our differentiated offering we are confident of making further progress in line with our strategy.

Nick Jefferies
Group Chief Executive

Simon Gibbins
Group Finance Director

30 November 2015

Condensed consolidated income statement
for the six months ended 30 September 2015

	notes	**Unaudited six months ended 30 Sept 2015 £m**	Unaudited six months ended 30 Sept 2014 £m	Audited year ended 31 Mar 2015 £m
Revenue	3	**142.2**	120.9	271.1
Cost of sales		**(97.3)**	(83.5)	(186.7)
Gross profit		**44.9**	37.4	84.4
Selling and distribution costs		**(21.0)**	(19.6)	(44.0)
Administrative expenses (including exceptional items)		**(18.1)**	(16.8)	(34.3)
Operating profit	3	**5.8**	1.0	6.1
Finance revenue		**-**	0.1	0.1
Finance costs		**(1.0)**	(1.0)	(1.9)
Profit before tax		**4.8**	0.1	4.3
Tax expense	6	**(1.2)**	(0.7)	(1.4)
Profit/(loss) for the period		**3.6**	(0.6)	2.9
Earnings/(loss) per share				
Basic	8	**5.7p**	(1.1)p	5.0p
Diluted	8	**5.4p**	(1.1)p	4.8p

Supplementary income statement information

Underlying Performance Measure	Notes	**Unaudited six months ended 30 Sept 2015 £m**	Unaudited six months ended 30 Sept 2014 £m	Audited year ended 31 Mar 2015 £m
Operating profit	3	**5.8**	1.0	6.1
Add: Exceptional items	4	**0.4**	3.6	5.0
Amortisation of acquired intangible assets		**1.3**	0.8	2.1
IAS 19 pension administrative charge		**0.2**	0.1	0.2
Underlying operating profit		**7.7**	5.5	13.4
Profit before tax		**4.8**	0.1	4.3
Add: Exceptional items	4	**0.4**	3.6	5.0
Amortisation of acquired intangible assets		**1.3**	0.8	2.1
Total IAS 19 pension charge		**0.3**	0.2	0.4
Underlying profit before tax		**6.8**	4.7	11.8
Underlying earnings per share				
Basic	8	**8.2p**	6.9p	16.3p
Diluted	8	**7.7p**	6.5p	15.4p

Condensed consolidated statement of comprehensive income
for the six months ended 30 September 2015

	Unaudited six months ended 30 Sept 2015 £m	Unaudited six months ended 30 Sept 2014 £m	Audited year ended 31 Mar 2015 £m
Profit/(loss) for the period	**3.6**	(0.6)	2.9
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss:			
Re-measurement gain/(loss) on defined benefit pension scheme	**1.3**	(0.9)	(2.0)
Deferred tax relating to defined benefit pension scheme	**(0.2)**	-	0.4
	1.1	(0.9)	(1.6)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign subsidiaries	**(3.6)**	(2.5)	(8.0)
Effective portion of changes in fair value of cash flow hedges	**(0.4)**	-	0.6
Other comprehensive income for the period, net of tax	**(2.9)**	(3.4)	(9.0)
Total comprehensive income for the period, net of tax	**0.7**	(4.0)	(6.1)

Condensed consolidated statement of financial position
at 30 September 2015

	notes	**Unaudited at 30 Sept 2015 £m**	Unaudited at 30 Sept 2014 £m	Audited at 31 March 2015 £m
Non-current assets				
Property, plant and equipment		**13.1**	13.8	13.8
Intangible assets - goodwill		**49.5**	50.3	51.6
Intangible assets - other		**16.0**	18.7	18.3
Deferred tax assets		**4.6**	4.9	4.9
		83.2	87.7	88.6
Current assets				
Inventories		**39.1**	35.1	39.8
Trade and other receivables		**55.7**	58.1	60.2
Other financial assets		**0.2**	-	0.6
Cash and cash equivalents	10	**14.2**	16.2	26.7
		109.2	109.4	127.3
Total assets		**192.4**	197.1	215.9

Current liabilities				
Trade and other payables		**(49.5)**	(50.1)	(56.2)
Other financial liabilities	10	**(0.3)**	(9.9)	(0.2)
Current tax liabilities		**(1.0)**	(2.8)	(2.3)
Provisions		**(2.6)**	(2.9)	(3.4)
		(53.4)	(65.7)	(62.1)
Non-current liabilities				
Other financial liabilities	10	**(35.8)**	(20.3)	(45.5)
Pension liability		**(5.6)**	(7.0)	(7.4)
Provisions		**(2.1)**	(2.0)	(2.7)
Deferred tax liabilities		**(5.2)**	(5.9)	(5.5)
		(48.7)	(35.2)	(61.1)
Total liabilities		**(102.1)**	(100.9)	(123.2)
Net assets		**90.3**	**96.2**	**92.7**
Equity				
Share capital		**3.1**	3.1	3.1
Share premium account		**92.7**	92.7	92.7
Merger reserve		**3.0**	3.0	3.0
Currency translation reserve		**(11.4)**	(2.3)	(7.8)
Retained earnings		**2.9**	(0.3)	1.7
Total equity		**90.3**	**96.2**	**92.7**

Condensed consolidated statement of changes in equity
for the six months ended 30 September 2015

	Share capital	Share premium	Merger reserve	Currency translation reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m
At 1 April 2015	**3.1**	**92.7**	**3.0**	**(7.8)**	**1.7**	**92.7**
Profit for the period	-	-	-	-	3.6	3.6
Other comprehensive income	-	-	-	(3.6)	0.7	(2.9)
Total comprehensive income	-	-	-	(3.6)	4.3	0.7
Share-based payments	-	-	-	-	0.3	0.3
Dividends	-	-	-	-	(3.4)	(3.4)
At 30 September 2015 - unaudited	**3.1**	**92.7**	**3.0**	**(11.4)**	**2.9**	**90.3**
At 1 April 2014	1.6	40.7	3.0	0.2	3.0	48.5
Loss 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 2014	1.6	40.7	3.0	0.2	3.0	48.5
Profit for the period	-	-	-	-	2.9	2.9
Other comprehensive income	-	-	-	(8.0)	(1.0)	(9.0)
Total comprehensive income	-	-	-	(8.0)	1.9	(6.1)
Share-based payments	-	-	-	-	0.4	0.4
Dividends	-	-	-	-	(3.6)	(3.6)
Shares issued	1.5	54.4	-	-	-	55.9
Share issue costs	-	(2.4)	-	-	-	(2.4)
At 31 March 2015 - audited	**3.1**	**92.7**	**3.0**	**(7.8)**	**1.7**	**92.7**

Condensed consolidated statement of cash flows
for the six months ended 30 September 2015

	Notes	**Unaudited six months ended 30 Sept 2015 £m**	Unaudited six months ended 30 Sept 2014 £m	Audited year ended 31 Mar 2015 £m
Net cash inflow/(outflow) from operating activities	9	**2.3**	(1.2)	1.6
Investing activities				
Acquisitions of shares in subsidiaries and businesses		**(0.7)**	(34.0)	(42.7)
Proceeds from the disposal of Supply Chain businesses (net of costs)		**-**	5.0	5.3
Purchase of property, plant and equipment		**(1.0)**	(1.2)	(2.2)
Purchase of intangible assets - software		**(0.1)**	(0.1)	(0.3)
Proceeds from disposal of property plant and equipment		**-**	-	0.1
Interest received		**-**	0.1	0.1
Net cash used in investing activities		**(1.8)**	(30.2)	(39.7)
Financing activities				
Net proceeds from the issue of shares		**-**	52.7	52.7
Proceeds from borrowings		**-**	20.5	56.2
Repayment of borrowings		**(9.2)**	(44.4)	(51.2)
Dividends paid		**(3.4)**	(2.1)	(3.6)
Net cash (used in)/from financing activities		**(12.6)**	26.7	54.1
Net (decrease)/increase in cash and cash equivalents		**(12.1)**	(4.7)	16.0
Cash and cash equivalents at beginning of period		**26.6**	11.9	11.9
Net foreign exchange differences		**(0.4)**	(0.5)	(1.3)
Cash and cash equivalents at end of period		**14.1**	6.7	26.6
Reconciliation to cash and cash equivalents in the condensed consolidated statement of financial position				
Cash and cash equivalents shown above		**14.1**	6.7	26.6
Add bank overdrafts		**0.1**	9.5	0.1
Cash and cash equivalents in the condensed consolidated statement of financial position		**14.2**	16.2	26.7

Further information on the condensed consolidated statement of cash flows is provided in note 10.

Notes to the interim condensed consolidated financial statements
for the six months ended 30 September 2015

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 2015 were approved by the Board of Directors for issue on 30 November 2015. 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 2015 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 2015, which were prepared in accordance with IFRS as adopted by the European Union.

The results for the year ended 31 March 2015 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 2015 ("FY15 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 2015. 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 2015.

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 EBITDA

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

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.

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.

Operating cash flow

"Operating cash flow" is defined as free cash flow before taxation and financing costs.

Return on trading capital employed ("ROTCE")

"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

For management purposes, the Group is organised into two divisions:

- The Design & Manufacturing division creates custom electronic products that are designed for a specific customer requirement. The products are manufactured at one of our in-house manufacturing facilities, or in a few cases, by third party contractors.
- The Custom Distribution division provides technically demanding, customised electronic, photonic and medical products to the industrial, medical and healthcare markets, both from a range of high quality, international suppliers (often on an exclusive basis) and from Acal's Design & Manufacturing division.

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

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

Six months to 30 September 2015 - unaudited

	Design & Manufacturing £m	Custom Distribution £m	Unallocated costs £m	Total operations £m
Revenue	**65.9**	**76.3**	**-**	**142.2**
Underlying operating profit/(loss)	**7.7**	**2.6**	**(2.6)**	**7.7**
Exceptional items - acquisition and related integration costs	-	-	(0.1)	(0.1)

Exceptional items - Earn-outs	(0.3)	-	-	(0.3)
Amortisation of acquired intangible assets	(1.1)	(0.2)	-	(1.3)
IAS 19 pension administration costs	-	-	(0.2)	(0.2)
Operating profit/(loss)	**6.3**	**2.4**	**(2.9)**	**5.8**

Six months to 30 September 2014 - unaudited

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

Year to 31 March 2015 - audited

	Design & Manufacturing £m	Custom Distribution £m	Unallocated costs £m	Total operations £m
Revenue	**101.4**	**169.7**	**-**	**271.1**
Underlying operating profit/(loss)	11.4	6.7	(4.7)	13.4
Exceptional items - Earn-outs	(0.8)	-	-	(0.8)
Exceptional items - acquisition and related integration costs	(2.1)	(0.4)	-	(2.5)
Exceptional items - restructuring costs	-	(1.7)	-	(1.7)
Amortisation of acquired intangible assets	(1.6)	(0.5)	-	(2.1)
IAS 19 pension administration costs	-	-	(0.2)	(0.2)
Operating profit/(loss)	**6.9**	**4.1**	**(4.9)**	**6.1**

4. Exceptional items

	Unaudited six months ended 30 Sept 2015 £m	Unaudited six months ended 30 Sept 2014 £m	Audited year ended 31 Mar 2015 £m
Administrative expenses:			
Acquisition and related integration costs	**(0.1)**	(2.3)	(2.5)
Restructuring costs	**-**	(1.1)	(1.7)
Earn-outs	**(0.3)**	(0.2)	(0.8)
Exceptional costs included in administrative expenses	**(0.4)**	(3.6)	(5.0)
Tax impact of exceptional costs	-	0.1	0.1
Exceptional costs after tax	**(0.4)**	(3.5)	(4.9)

Exceptional costs of £0.4m in the period relate to acquisitions and related earn-out costs.

Details of exceptional items in relation to the full year results for the year ending 31 March 2015 were provided in note 6 on page 81 of the FY15 Annual Accounts.

5. Business acquisitions

There were no new business acquisitions during the period. On 6 November 2015, the Group completed the acquisition of Flux AS (see note 13).

6. Taxation

The underlying tax charge for the period was £1.6m (H1 2014/15: £1.1m) giving an underlying effective tax rate on underlying profit before tax of 24% (H1 2014/15: 23%). The underlying effective tax rate was 1ppt higher than last year principally because the underlying tax rate of the Noratel and Foss businesses are higher than that of the Acal Group prior to the acquisitions.

The tax credit in respect of the underlying adjustments was £0.4m (H1 2014/15: £0.4m). This gives an overall tax charge for the period of £1.2m (H1 2014/15: £0.7m) on profit before tax of £4.8m (H1 2014/15: £0.1m) which is an effective tax rate of 25%.

7. Dividends

The Directors have declared an interim dividend of 2.33 pence per share (H1 2014/15: 2.2 pence) payable on 15 January 2016 to shareholders

on the register at 29 December 2015.

In accordance with IAS 10, this dividend has not been reflected in the interim results. The cash cost of the interim dividend will be £1.5m (H1 2014/15: £1.4m).

8. 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 2015 £m	Unaudited Six months ended 30 Sept 2014 £m	Audited Year ended 31 Mar 2015 £m
Profit/(loss)for the period attributable to equity holders of the parent:	**3.6**	**(0.6)**	**2.9**
		No	No
Weighted average number of shares for basic earnings per share	**63,060,527**	52,243,199	57,631,407
Effect of dilution - share options	**4,051,605**	3,379,834	3,318,230
Adjusted weighted average number of shares for diluted earnings per share	**67,112,132**	55,623,033	60,949,637
Earnings per share - basic	**5.7p**	(1.1)p	5.0p
Earnings per share - diluted	**5.4p**	(1.1)p	4.8p

At the period end, there were 4.1 million ordinary share options in issue that could potentially dilute earnings per share in the future, of which 4.1 million are currently dilutive (30 September 2014: 3.6 million in issue and 3.4 million dilutive, 31 March 2015: 4.2 million in issue and 3.3 million dilutive).

Underlying earnings per share

Underlying earnings per share are calculated as follows:

	Unaudited Six months ended 30 Sept 2015 £m	Unaudited Six months ended 30 Sept 2014 £m	Audited Year ended 31 Mar 2015 £m
Profit/(loss) for the period	**3.6**	(0.6)	2.9
Exceptional items	**0.4**	3.6	5.0
Amortisation of acquired intangible assets	**1.3**	0.8	2.1
IAS 19 pension costs	**0.3**	0.2	0.4
Tax effects of exceptional items, amortisation of acquired intangible assets and IAS 19 pension costs	**(0.4)**	(0.4)	(1.0)
Underlying profit for the period	**5.2**	3.6	9.4
		No	No
Weighted average number of shares for basic earnings per share	**63,060,527**	52,243,199	57,631,407
Effect of dilution - share options	**4,051,605**	3,379,834	3,318,230
Adjusted weighted average number of shares for diluted earnings per share	**67,112,132**	55,623,033	60,949,637
Underlying earnings per share - basic	**8.2p**	6.9p	16.3p
Underlying earnings per share - diluted	**7.7p**	6.5p	15.4p

9. Reconciliation of cash flow from operating activities

	Unaudited Six months ended 30 Sept 2015 £m	Unaudited Six months ended 30 Sept 2014 £m	Audited Year ended 31 Mar 2015 £m
Profit/(loss) for the period	**3.6**	(0.6)	2.9
Taxation expense	**1.2**	0.7	1.4
Net finance costs	**1.0**	0.9	1.8
Depreciation of property, plant and equipment	**1.2**	0.9	2.1
Amortisation of intangible assets - other	**1.6**	1.0	2.6
Loss on disposal of tangible and intangible assets	**0.1**	-	0.1
Movement in provisions	**(0.7)**	0.1	0.3
Loss on disposal of business	**-**	0.1	0.1
Pension scheme funding	**(0.8)**	(0.7)	(1.6)
IAS 19 pension administration charge	**0.2**	0.1	0.2
Equity-settled share based payment expense	**0.3**	0.3	0.6
Operating cash flows before changes in working capital	**7.7**	2.8	10.5
(Increase)/decrease in inventories	**(0.1)**	0.9	(2.3)
Decrease in trade and other receivables	**3.8**	4.2	1.1
Decrease in trade and other payables	**(5.9)**	(7.1)	(2.7)
Increase in working capital	**(2.2)**	(2.0)	(3.9)

Cash generated from operations	**5.5**	0.8	6.6
Interest paid	**(0.9)**	(0.9)	(1.7)
Net income taxes paid	**(2.3)**	(1.1)	(3.3)
Net cash inflow/(outflow) from operating activities	**2.3**	(1.2)	1.6

10. Closing net debt

	At 30 Sept 2015 £m	At 30 Sept 2014 £m	At 31 Mar 2015 £m
Borrowings - current - overdrafts	**(0.1)**	(9.5)	(0.1)
Borrowings - current portion of long term debt	**(0.2)**	(0.4)	(0.1)
Borrowings - non current	**(35.8)**	(20.3)	(45.5)
Cash and cash equivalents	**14.2**	16.2	26.7
Closing net debt	**(21.9)**	(14.0)	(19.0)

Reconciliation of movement in cash and net debt

	Six months ended 30 Sept 2015 £m	Six months ended 30 Sept 2014 £m	Year ended 31 Mar 2015 £m
Net decrease in cash and cash equivalents	**(12.1)**	(4.7)	16.0
Debt acquired with subsidiaries	**-**	(34.5)	(34.5)
Proceeds from borrowings	**-**	(20.5)	(56.2)
Repayment of borrowings	**9.2**	44.4	51.2
Decrease in net cash before translation differences	**(2.9)**	(15.3)	(23.5)
Translation differences	**-**	(1.0)	2.2
Decrease in net cash	**(2.9)**	(16.3)	(21.3)
Net (debt)/cash at beginning of the period	**(19.0)**	2.3	2.3
Net debt at end of the period	**(21.9)**	(14.0)	(19.0)

Supplementary information to the statement of cash flows

Underlying Performance Measure	**Six months ended 30 Sept 2015 £m**	Six months ended 30 Sept 2014 £m	Year ended 31 Mar 2015 £m
Decrease in net cash before translation differences	**(2.9)**	(15.3)	(23.5)
Add: Business acquisitions	**0.9**	68.5	79.5
Exceptional cash flow	**0.9**	3.3	2.4
Legacy pension scheme funding	**0.8**	0.7	1.6
Customer prepayment	**-**	**-**	3.2
Dividends paid	**3.4**	2.1	3.6
Less: Net proceeds from share issue	**-**	(52.7)	(52.7)
Net cash flow from disposal of business	**-**		(5.3)
Net cash flow from discontinued operations	**-**	(4.8)	0.2
Free cash flow from continuing operations	**3.1**	1.8	9.0

11. 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 2015 updated to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme as at 30 September 2015.

The IAS 19 defined benefit pension scheme liability at 30 September 2015 was £5.0m (31 March 2015: £6.8m). Together with a deferred tax liability of £0.6m (31 March 2015: £0.6m) in relation to a funding surplus under IAS 19 based on the agreed funding plan, pension liabilities totalled £5.6m (31 March 2015: £7.4m).

12. Exchange rates

The principal exchange rates used to translate the results of overseas businesses are as follows:

	Six months ended 30 Sept 2015		Six months ended 30 Sept 2014		Year ended 31 March 2015	
	Closing rate	**Average rate**	Closing rate	Average rate	Closing rate	Average rate
Euro	**1.3541**	**1.3901**	1.2865	1.2440	1.3750	1.2751
NOK	**12.897**	**12.309**	10.445	10.261	11.967	11.030
SEK	**12.740**	**13.019**	11.767	11.361	12.773	11.774
US dollar	**1.5170**	**1.5414**	1.6188	1.6744	1.4793	1.6135

13. Post balance sheet event

On 6 November 2015, the Group completed the acquisition of Flux A/S ("Flux") for a consideration of DKK 39m (£3.7m) on a debt free, cash free basis, before expenses. Flux, which is headquartered in Denmark and has a manufacturing facility in Thailand, is a designer and manufacturer of customised magnetic components for use across the range of industrial, high reliability and space grade applications.

Due to the timing of the acquisition, the initial accounting of the fair value of the consideration, net assets acquired and goodwill has not been completed. The acquisition will be accounted for in H2 and disclosed in the FY16 Annual Accounts.

14. 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 2015 interim results published on 30 November 2015 will not be sent to shareholders. The 2015 interim results and other information about Acal plc are available on the Company's website at www.acalplc.co.uk.

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