Half-year Report

Released : 29 Nov 2016

RNS Number : 3540Q
Acal PLC
29 November 2016

29 NOVEMBER 2016

ACAL plc

Interim results for the six months ended 30 September 2016

Further underlying earnings growth in challenging markets
Strategic targets revised upwards

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 2016.

	H1 2016/17	H1 2015/16	Growth %
Revenue	**£156.7m**	£142.2m	+10%
Underlying operating profit[1]	**£8.8m**	£7.7m	+14%
Underlying profit before tax[1]	**£7.3m**	£6.8m	+7%
Reported profit before tax*	**£1.9m**	£4.8m	n/a
Underlying EPS[1]	**8.5p**	7.7p	+10%
Reported fully diluted EPS*	**1.8p**	5.4p	n/a
Interim dividend per share	**2.45p**	2.33p	+5%

** Includes the cost of the Group's efficiency and cost reduction programme.*

Highlights

- Further increases in sales, orders, margins, underlying profitability and earnings
  - Sales up 10% (+1% CER) on orders up 18% (+8% CER)
  - Gross margin up 1.4ppts to 33.0%
  - Underlying operating profit up 14% (+1% CER)
  - Underlying earnings per share up 10%
- Organic sales[2] slowed as expected, reducing some 7%, in challenging trading conditions
  - Organic orders grew in second quarter - up 3% driving H2 as expected
- Further progress with key strategic and performance targets
  - Underlying operating margin increased to 5.6% (H1 2015/16: 5.4%)
  - Design & Manufacturing ("D&M") sales now 52% of Group sales (H1 2015/16: 46%)
  - D&M margin at 12.2% (H1 2015/16: 11.7%)
  - Operating cash flow[3] at 107% of underlying operating profit in the last 12 months
- Upward revisions to mid-term strategic targets
- Group well positioned for further growth
  - Highest ever period end order book at £94m
  - Group efficiency programme underway to deliver annualised savings of £4m
  - Syndicated debt facility increased to £120m with term extended to July 2021

- Developing acquisition opportunities

- First half dividend increased by 5%

Nick Jefferies, Group Chief Executive, commented:

"With underlying earnings per share up 10%, the Group is making good progress and we remain on track for the full year. Whilst, as expected, organic sales slowed during the period as a consequence of the wider economic uncertainty, we have benefited from the translation of overseas profits at more favourable exchange rates. Orders continue to strengthen and we enter the second half with a record high period end order book.

Margins remain robust, reflecting the strength of our value proposition, and we have taken decisive actions to make the Group more efficient which will deliver benefits next year and beyond.

Acquisition activity was slower in the first half as a consequence of these macro uncertainties, but we are now seeing greater activity and have a pipeline of opportunities being developed.

Over the last three years, underlying EPS has increased by over 70%. We are building a world class electronics business and have many exciting opportunities to deliver value ahead of us."

For further information please contact:

Acal plc 01483 544 500
Nick Jefferies - Group Chief Executive
Simon Gibbins - Group Finance Director

Instinctif Partners 020 7457 2020
Helen Tarbet
James Gray

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) Organic growth for the Group is calculated at Constant Exchange Rates ("CER"), including the pre-acquisition periods of Flux, Contour, and Plitron which were acquired last financial year (on 5 November 2015, 7 January 2016 and 1 February 2016 respectively). The average sterling rate of exchange weakened 11% against the Euro for the 6 months ended 30 September 2016 compared with the average rate for the first half last year (falling from €1.390 to €1.226), weakened 12% against the US Dollar and weakened 10% against Nordic currencies on average.

(3) 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.

(4) Unless stated, growth rates refer to the comparable prior year period.

(5) The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation. Upon the publication of this announcement via Regulatory Information Service, this inside information is now considered to be in the public domain.

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 comes from products and solutions which are created specifically for a customer. Acal works across a range of technologies, namely Communications & Sensors, Power & Magnetics, Electromechanical & Cabling, Microsystems, and Imaging & Photonics.

Acal operates through the following wholly-owned businesses: Acal BFi, Contour, Flux, Foss, Hectronic, MTC, Myrra, Noratel, Plitron, 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 Slovakia as well as in Asia (China, India, South Korea, Sri Lanka and Thailand), North America (the US and Canada) and South Africa.

Chairman's Statement

I am pleased to report that the Group has again delivered a good set of results amidst economic and political conditions that have been characterised by uncertainty.

After twelve years as Chairman of Acal, it was announced today that Malcolm Diamond MBE, who joined the Board a year ago, will succeed me as Chairman on 1 April 2017. I wish Malcolm every success. As Chief Executive and Executive Chairman of Trifast plc for many years, Malcolm has a successful record of growing an international business supplying manufacturing customers and is therefore well suited to lead Acal in the next phase of its ambitious growth plans.

The organic and acquisitive growth strategy which began seven years ago under this management team, has now fundamentally transformed Acal, from a volume electronics & IT distributor into a designer, manufacturer and supplier of niche electronics to global industries. In that time, the Group has completed twelve acquisitions, five non-core disposals, and created a niche market position that has delivered strong growth in value over this seven year period. Acal has an exciting future ahead.

The Group continued to deliver growth in the first half despite weaker demand which reflected macro uncertainties. Management was quick to

react to the weaker demand levels, implementing an efficiency and cost reduction programme that will deliver sustainable benefits in the years ahead.

Following three acquisitions towards the end of the last financial year, the Design & Manufacturing division, in line with our strategy, now accounts for over half of Group revenues and we expect this growing trend to continue.

Group Results

Group sales for the first half increased by 10% to £156.7m and by 1% at constant exchange rates ("CER"), the difference reflecting the benefit of Sterling weakness since last year.

First half underlying operating profit, which excludes acquisition-related costs, exceptional costs and IAS19 pension cost, increased by £1.1m to £8.8m (up 14% and up 1% CER). Underlying profit before tax increased by £0.5m to £7.3m (up 7%).

Underlying operating margin increased by 0.2ppts to 5.6% reflecting the focus on higher margin products and solutions, a key differentiator for the Group.

Underlying earnings per share for the period increased by 10% to 8.5p (up from 7.7p last year).

There were exceptional costs for the period of £3.4m mainly related to the Group's efficiency and cost reduction programme, meaning that on a reported basis, profit before tax for the period was £1.9m (H1 2015/16: £4.8m) with fully diluted earnings per share of 1.8p (H1 2015/16: 5.4p).

Net debt at 30 September 2016 was £41.1m, with a Group gearing ratio of 1.9 times, being defined as net debt divided by underlying EBITDA, annualised for acquisitions.

Dividend

The Board is recommending an increase in the interim dividend of 5% to 2.45p per share (H1 2015/16: 2.33p per share). Since 2010, the full year dividend per share has risen by 58%.

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 13 January 2017 to shareholders registered on 23 December 2016.

Summary

There remain many exciting opportunities for the business to grow further in its markets and, with an ambitious Board and management team, we expect to see further development in both the second half and the years ahead.

Richard Moon
Chairman
29 November 2016

Strategic, Operational and Financial Review

Overview

Group revenues increased by 10% to £156.7m and by 1% CER, the difference reflecting the benefit of Sterling weakness this period. Orders increased by 18% (8% CER) in the period. Gross profit increased by 15% (5% CER) driven by stronger gross margins up 1.4ppts to 33.0%. Underlying operating profit increased to £8.8m, up 14% on last year (1% CER), representing a 5.6% operating margin, an increase of 0.2ppts on last year. Underlying EPS increased by 10%.

As expected, organic sales were lower in the first half, by some 7%. However, organic orders were down only 1% in the period and grew 3% in the second quarter. With an order book at the end of September of £94m, the highest period end level since the Group's strategy was launched in 2009, stronger organic sales are expected in the second half of the year.

Group Strategy

Since 2009, our strategy has been to create an international supplier of customised electronics to growth markets which are differentiated from the wider market. The strategy comprises four elements:

1. Continue building revenues in the Design & Manufacturing ("D&M") division where operating margins are higher (typically in the 8 to 12% range).

2. Optimise performance in the Custom Distribution division. Deliver margins in the 3 to 5% range over the cycle and develop cross-selling of D&M division products.

3. Acquire high quality businesses.

4. Internationalise by developing sales in North America and Asia.

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

- The higher-margin D&M division generated 52% of first half Group sales (up from 46% for H1 2015/16) and 86% of Group underlying profit contribution (up from 75% for H1 2015/16); additionally, customer concentration remains relatively low with no one customer accounting for more than 4% of Group sales.

- D&M cross-selling generated £1.9m of first half sales (up from £1.5m for H1 2015/16);

- International sales now represent 18% of Group sales (up from 16% for H1 2015/16).

Key Strategic and Performance indicators

Two years ago, we set out our key strategic objectives for the business as we move the Group further up the value chain. The progress of the Group on its key strategic objectives is measured through our key strategic indicators ("KSIs"), whilst the financial performance of the business is measured through our key performance indicators ("KPIs"). Our KSI targets were set for the mid-terms being a 3 to 5 year period, while KPIs were 3 year targets.

Given the good progress in recent years and the level of opportunities ahead, the Board has increased each of the Group's mid-term KSIs. The target share of D&M sales has increased to 75% from 65%; target underlying operating margin has increased to 8.5% from 7%; and the target for internationalising the business beyond Western Europe has increased to 30% from 20%.

Key Strategic Indicators ('KSIs')

	FY10	FY14	FY15	H1 16	H1 17	Prior Target	New Mid-term Target(2)
1. Increase share of Group revenue from D&M(1)	c. 5%	18%	37%	46%	52%	65%	75%
2. Increase underlying operating margin	-0.3%	3.4%	4.9%	5.4%	5.6%	7.0%	8.5%
3. Build sales beyond Europe(1)	0%	5%	12%	16%	18%	20%	30%

(1) as a proportion of Group revenue
(2) Mid-term is a 3 to 5 year period

Key Performance Indicators ('KPIs')

	FY10	FY14	FY15	H1 16	H1 17	3 yr target (FY20)
1. Organic sales growth	-16%	2%	3%	2%	-7%	Well ahead of GDP
2. Increase cross-selling	-	£0.3m	£0.9m	£1.5m	£1.9m	£10m p.a.
3. Attractive ROTCE(1)	-	24%	24%	23%	22%	>25%
4. Generate strong free cash flow(1)	-	86%	76%	74%	88%	> 75% PBT
5. Generate long term value for shareholders: 3 yr TSR(2)	-	+5%	+101%	+78%	+23%	Upper quartile
(percentile vs FTSE Small Cap Index)	-	Top 71st	Top 20th	Top 18th	Top 39th	

(1) Defined in Note 2 to the interim financial statements
(2) 2 1/2 yr TSR for H1 16 and H1 17.

Divisional results

Divisional and Group performances for the half year ended 30 September 2016 are set out and reviewed below.

	H1 2016/17			H1 2015/16			Revenue growth	CER revenue growth	Organic revenue growth
	Revenue £m	**Underlying operating profit (1) £m**	**Margin**	Revenue £m	Underlying operating profit (1) £m	Margin			
Design & Manufacturing	**81.8**	**10.0**	**12.2%**	65.9	7.7	11.7%	24%	13%	-4%
Custom Distribution	**74.9**	**1.6**	**2.1%**	76.3	2.6	3.4%	-2%	-10%	-10%
Unallocated costs		**(2.8)**			(2.6)				

Total	**156.7**	**8.8**	**5.6%**	142.2	7.7	5.4%	10%	1%	-7%

(1) Underlying operating profit excludes acquisition-related costs, exceptionals and IAS19 pension costs (see below).

With approximately 80% of Group sales being in non-Sterling currencies, the translation of Group results into Sterling has benefited from its weakness following the UK's European Referendum on 23 June 2016 ("Referendum"). In the second half, this benefit, if it continues, will be partially offset by the increased cost of US Dollar purchases by UK operations in both divisions, as discussed in the review of Gross Margin below.

Design & Manufacturing division

The Design & Manufacturing division ("D&M") creates custom electronic products that are designed for specific customer requirements. 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 ten businesses which are aligned with the Group's core technology areas, namely Power & Magnetics (comprising Noratel, Myrra, Flux, Plitron and RSG); Communication & Sensors (Foss); Electromechanical & Cabling (Contour, Stortech and MTC); and Microsystems (Hectronic). The division's principal manufacturing facilities are in China, India, Poland, Sri Lanka and Thailand.

First half divisional revenue increased by 24% to £81.8m (H1 2015/16: £65.9m). On a CER basis, sales were up 13% driven by last year's second half acquisitions of Flux, Contour and Plitron, which accounted for 17% growth, with sales reducing 4% organically. Underlying operating profit of £10.0m was £2.3m higher than last year (H1 2015/16: £7.7m) and up £1.5m CER (+18%), with an underlying operating margin of 12.2%, up 0.5ppts on last year and up 0.5ppts on the underlying operating margin for H1 2015/16 of 11.7%. Divisional revenue was 52% of Group revenue (H1 2015/16: 46%; FY 2015/16: 48%) and generated 86% of the Group's profit contribution. This represents further good progress towards our mid-term divisional target for Design & Manufacturing to be 75% of Group revenue.

The slower organic growth in the period was driven by businesses in the Nordic region which were impacted by lower demand levels following a strong prior two years, and as a consequence of the slowing economy following the fall in oil prices. The Nordic region accounts for 35% of divisional sales.

As part of the Group's ongoing focus on efficiency improvements, a restructuring programme is underway across the Group which will be completed in the second half. In the D&M division, this has led to the closure of three smaller Nordic production sites, with the production being transferred to other existing production facilities, and the further integration of purchasing and production processes in the division. Additionally, a number of new large customer contracts were won during the second half of last year, which are expected to support the Group's medium term growth plans with revenue starting as early as this year.

During the second half of the last financial year, the Group made three acquisitions, Flux, Contour and Plitron, and these performed in line with expectations during the first half. Each acquisition should benefit from the access they now have to Acal's broad customer base and international reach, creating new revenue opportunities from cross-selling across the Group.

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 D&M division. A high degree of technical knowledge is required during the sales process, with Acal's engineers helping original equipment 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 D&M businesses) and supplies over 20,000 customers in five technology areas: Communications & Sensors, Power & Magnetics, Electromechanical & Cabling, Microsystems, and Imaging & Photonics. The business operates across Europe, with centralised warehousing, purchasing, finance, customer contact management and IT systems. Vertec supplies exclusively-sourced medical imaging and radiotherapy products into medical and healthcare markets in the UK and South Africa.

First half divisional revenue was 2% lower at £74.9m (H1 2015/16: £76.3m), a reduction of 10% CER. Growth rates were impacted by strong comparatives last year, including one large order which is expected to repeat in this second half. Excluding this timing factor, divisional sales were 6% lower, impacted by Spain, where sales reduced by 35% in the period, as well as a general market slowdown throughout Europe. The Custom Distribution business is generally more cyclical than the Design & Manufacturing businesses due to the greater number of smaller customers which see more variability in their trading. Those same customers are often the first to see and react to improving trading conditions as was the case during the second quarter of the year.

Excluding operations in Spain, which are to be closed during the second half, first half orders for the division were flat compared with last year, with second quarter orders increasing by 4%. Pleasingly, the UK returned to sales growth in the second quarter following prior year restructuring and continues to see improving demand as the changes take effect.

Underlying operating profit for the period of £1.6m was down £1.0m on last year (H1 2015/16: £2.6m), and down £1.2m CER. Underlying operating margin was 2.1% compared with the Divisional mid-term target of 5%.

In this division, the Group's restructuring programme will reduce management headcount, close the underperforming Spanish business and reduce administrative costs whilst maintaining customer and sales focus.

Target markets

Our key target markets are transportation, medical, renewable energy and industrial connectivity which underpin our plan for 'GDP plus' organic growth rate. These are all markets with long term growth characteristics, driven by the need for technology as well as by global macro trends such as a growing middle class population, a growing older affluent population, a growing need for renewable sources of energy and a reducing cost of technology through its widespread adoption.

i) Transportation

Transportation, which covers road, rail, air, automotive and electric vehicles, is expected to continue both its rapid growth in carrying capacity

and its use of technology. As an example, in the automotive sector, electronics content is forecast to grow by 8% per annum to 2019 (source: Gartner, PWC).

ii) Medical

This market is driven by an increasingly affluent and ageing global population which accounts for the majority of healthcare spending in developed economies, along with the increasing use of technology in diagnosing, monitoring and controlling medical conditions. The medical semiconductor market, a proxy for the medical electronics market, is forecast to grow by 12% per annum between 2012 and 2018 (Source: IC Insights).

iii) Renewable Energy

In 2015, the International Energy Authority predicted that renewable energy will be the largest source of global power generation by 2030, provided primarily by three technologies; hydro, wind and solar. Wind power generation is expected to account for 50% of the incremental power generated over this period.

iv) Industrial Connectivity

New technologies are creating new markets and applications. For example, the emergence of affordable wireless electronics has enabled the smart utility meter market to become a commercial reality and additionally, the internet of things is leading to a boom in the connectivity of devices across a wide range of applications. As an example, Gartner & PWC are forecasting demand for industrial semiconductors to grow by 10% CAGR 2014 - 2019.

Cross-selling

Cross-selling broadens the range of products which the Group sells to existing customers, developing more valuable customer relationships. For acquired businesses, cross-selling provides access to new customers, often in different countries. Both MTC, acquired in October 2011, and Myrra, acquired in April 2013, now count Acal BFi distribution among their top 3 customers, bringing them additional, new business in new countries.

Having achieved its overall 5% target last year (which included cross-selling within Acal BFi), the focus of our new strategic target is on D&M cross-selling between Group companies. This initiative generated first half sales of £1.9m (1.2% of revenues), an increase of £0.4m on the same period last year.

Acquisitions

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

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

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

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

Group results

Orders and revenue

Group revenue for the first half increased 10% over last year, and by 1% CER (the difference reflecting the translation benefit of Sterling weakness since last year). Organic revenue was 7% lower with the acquisitions of Flux, Contour and Plitron contributing the balancing 8%. Group orders increased by 18% (8% CER) with a book to bill ratio of 1.02. Organically, orders were down 1% in the period, reducing 4% in the first quarter but growing 3% in the second quarter.

Gross profit and margin

Gross profit for the period increased by 15% over last year, and by 5% CER, while reducing 5% organically. These growth rates are higher than the corresponding revenue growth rates due to further improvements in gross margin, which increased 1.4ppts to 33.0% (H1 2015/16: 31.6%). This is the Group's highest gross margin, which has increased by nearly 7ppts in the last six years, and is a reflection of the increasingly differentiated nature and quality of the business.

Significant Sterling weakness following the Referendum, saw it fall by 12% on average against the US dollar in the first half compared with last year and by 13% from 23 June to the end of the period. The US dollar is the principal purchasing currency used by UK operating subsidiaries. The Group continues with its active hedging policy, which hedges transactions from the point of order through to payment. Whilst this protected gross margins in the first half, second half sales arising from post Referendum orders will be hedged at lower rates and, accordingly, some impact on gross margins in the second half is expected.

Underlying operating costs

Group underlying operating costs increased by 15% (6% CER) reflecting the inclusion of the cost bases of acquired companies since last

year (Flux, Contour and Plitron). Excluding the impact of acquisitions, underlying operating costs reduced by 3% organically as a result of tight management control of expenditure and from the initial impact of the Group's efficiency and cost reduction programme detailed above, which partly commenced during the period.

Group operating profit and margin

Group underlying operating profit for the period was £8.8m, up £1.1m (+14%) on last year, and up 1% CER, delivering a Group underlying operating margin of 5.6%, up 0.2ppts on last year.

Reported Group operating profit for the period (after accounting for the underlying adjustments discussed below) was £3.4m, compared with £5.8m last year, primarily reflecting exceptional costs related to the Group's efficiency and cost reduction programme.

£m	H1 2016/17			H1 2015/16		
	Operating profit	**Finance cost**	**Profit before tax**	Operating profit	Finance cost	Profit before tax
Underlying	8.8	(1.5)	7.3	7.7	(0.9)	6.8
Underlying adjustments						
Exceptional items	(3.4)	-	(3.4)	(0.4)	-	(0.4)
Amortisation of acquired intangibles	(1.8)	-	(1.8)	(1.3)	-	(1.3)
IAS 19 pension cost	(0.2)	-	(0.2)	(0.2)	(0.1)	(0.3)
Reported	3.4	(1.5)	1.9	5.8	(1.0)	4.8

Underlying adjustments

Underlying adjustments for the period comprise exceptional items of £3.4m (H1 2015/16: £0.4m), the amortisation of acquired intangibles of £1.8m (H1 2015/16: £1.3m) and IAS19 legacy pension cost of £0.2m (H1 2015/16: £0.3m).

Exceptional items for the period were £3.4m of which £2.6m related to the Group's restructuring programme in both divisions. In the D&M division, this includes the closure of three small Nordic production sites and the further integration of purchasing and production processes. In the Custom Distribution division, a restructuring programme is being implemented which will reduce management headcount, close the Spanish business and reduce administrative costs whilst maintaining customer and sales focus. The net exceptional cash cost associated with this programme is estimated to be around £8m in total, and is expected to deliver around £4m of annualised savings.

Additionally within exceptionals, there are accruals for acquisition-related expenditure, namely integration costs of £0.5m, related principally to the acquisition of Flux, and earn-out payments of £0.3m.

The £0.5m increase in the amortisation charge since last year relates to the amortisation of intangibles identified as part of the acquisitions of Flux, Contour and Plitron.

Financing costs

Finance costs comprise underlying finance costs (being interest and facility fees arising from the Group's banking facilities), together with an IAS19 pension finance charge. For the half year, finance costs were £1.5m (H1 2015/16: £1.0m).

Underlying finance costs for the period were £1.5m and were up £0.6m due mainly to the debt funding of the Flux, Contour and Plitron acquisitions during the second half of last year. Included within finance costs is the amortisation of the upfront arrangement fees associated with the Group's syndicated banking facility of approximately £0.2m per annum for the first half, rising to £0.3m per annum in the second half following the extension of the Group facility from £90m to £120m during this period, as discussed below.

Whilst last year's net finance cost included an IAS19 pension finance cost of £0.1m, there was no net charge this period.

Underlying tax rate

The underlying effective tax rate for the first half was 22%. This was 2ppts lower than last year's rate (H1 20115/16: 24%) due to favourable resolutions of certain tax audits.

The overall effective tax rate of 37% was higher than the underlying effective tax rate of 22% due to no tax relief recognised for exceptional costs (within underlying adjustments) in countries with unrecognised tax losses.

Profit before tax and EPS

Underlying profit before tax for the half year of £7.3m was an increase of £0.5m (7%) compared with last year. This increase, together with the reduced underlying effective tax rate this period, resulted in underlying diluted earnings per share for the half year of 8.5p, up 10% on last year.

After the underlying adjustments discussed above, reported profit before tax was £1.9m, £2.9m below last year, with reported fully diluted earnings per share of 1.8p compared to 5.4p last year.

£m	H1 2016/17		H1 2015/16	
	PBT	**EPS**	**PBT**	**EPS**
Underlying	7.3	8.5p	6.8	7.7p
Underlying adjustments				
Exceptional items	(3.4)		(0.4)	
Amortisation of acquired intangibles	(1.8)		(1.3)	
IAS 19 pension cost	(0.2)		(0.3)	

Reported	1.9	1.8p	4.8	5.4p

Working capital

Working capital at 30 September 2016 was £58.3m, equivalent to 17% of second quarter sales at CER. This compares with working capital of £53.2m at 31 March 2016, 17% of last year's final quarter sales at CER. Continued tight management of working capital has seen this ratio maintained even though sales were greater in the more capital intensive D&M division (52% of Group sales in the first half compared with 48% last year). The D&M division has 21% working capital as a percentage of sales, compared to 13% in Custom Distribution because of higher inventory requirements (raw material and finished goods).

Cash flow

Net debt at 30 September 2016 was £41.1m, compared with £38.1m at 31 March 2016 and £21.9m at 30 September 2015. The impact of foreign exchange on net debt balances in the period was only £0.1m.

	H1 2016/17	H1 2015/16
Net debt at 31 March	(38.1)	(19.0)
Free cash flow (see table below)	6.4	3.1
Acquisition/disposal related cash flow	(1.8)	(0.9)
Exceptional payments	(3.0)	(0.9)
Legacy pension	(0.8)	(0.8)
Dividends	(3.7)	(3.4)
Foreign exchange impact	(0.1)	-
Net debt at 30 Sept	**(41.1)**	**(21.9)**

Net acquisition costs of £1.8m reflect the cost of earn-out payments made for Myrra (£1.4m) and Foss (£0.4m). Exceptional cash payments in the period totalled £3.0m and related mainly to the cash cost of the Group's efficiency and cost reduction programme.

Dividend payments increased by £0.3m to £3.7m following the 6% increase of the final dividend last year. Total dividend payments made in the last 12 months were £5.0m. The Group will continue to review the level of future dividend growth in relation to its policy of long term dividend cover of 2 to 3 times underlying earnings per share.

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 2016/17	H1 2015/16	Last 12 Months
Underlying profit before tax	**7.3**	**6.8**	**15.0**
Finance costs	1.5	0.9	2.4
Non cash items*	2.1	1.9	3.7
Underlying EBITDA	**10.9**	**9.6**	**21.1**
Working capital	(1.0)	(2.2)	-
Capital expenditure	(1.3)	(1.1)	(2.5)
Operating cash flow	**8.6**	**6.3**	**18.6**
Finance costs	(1.5)	(0.9)	(2.4)
Taxation	(0.7)	(2.3)	(2.7)
Free cash flow	**6.4**	**3.1**	**13.5**

* Non-cash items are depreciation, amortisation and share based payments

Underlying EBITDA of £10.9m was 14% higher than last year. £1.0m was invested into working capital, principally to support growth in the D&M division in the second half of the financial year. Capital expenditure at £1.3m was £0.2m higher than last year; investment of £2.0m is expected in the second half to support increased production capability in the D&M division. Tax payments were £1.6m lower in the first half compared with last year due to the use of tax losses brought forward, together with tax receipts from prior years following the conclusion of certain tax audits.

Operating cash flow of £8.6m was £2.3m higher than last year (up 37%), representing 98% of first half underlying operating profit. Free cash flow for the first half (after finance costs and taxation) was £6.4m, which was £3.3m higher than last year and represented 88% of underlying profit before tax.

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 £10.0m of operating cash. In the last 12 months, £18.6m of operating cash has been generated being 107% of underlying operating profit during that period; this compares favourably to our three year average target of 85%. Free cash flow for the last 12 months was £13.5m representing 90% of underlying profit before tax for the same period. This also compares favourably to our three year average target of 75%.

Banking facilities

During the first half of the year, the Group increased its syndicated banking facility from £90m to £120m and extended the term of the facility to five years ending in July 2021; previously the facility, which was put in place in July 2014, ended in July 2019. In addition, the Group has a £30m accordion facility which it can use to extend the total facility up to £150m. The syndicated facility is available both for acquisitions and for working capital purposes.

With net debt at 30 September 2016 of £41.1m, the Group's gearing ratio was 1.9x (FY 2015/16: 1.7x), being defined as net debt divided by underlying EBITDA (annualised for acquisitions).

Balance sheet

Net assets of £108.9m at 30 September 2016 were £7.0m higher than at the end of the last financial year (31 March 2016: £101.9m). The increase primarily relates to the translation gains on currency net assets due to the weakness in Sterling since last year, offset by the payment of last year's final dividend and an increase in the Group's legacy defined benefit scheme discussed below. The movement in net assets is summarised as follows:

£m	H1 2016/17
Net assets at 31 March 2016	101.9
Net profit after tax	1.2
Dividend paid	(3.7)
Currency net assets - translation impact	11.7
Loss on defined benefit scheme	(2.5)
Share based payments (inc tax)	0.3
Net assets at 30 Sep 2016	**108.9**

The Group's IAS19 pension liability, associated with its legacy defined benefit pension scheme, increased during the period by £3.3m, from £4.9m at 31 March 2016 to £8.2m at 30 September 2016. This follows the sharp fall in gilt and corporate bond rates during the period, particularly following the Referendum, which has driven up the value of longer term pension liabilities. Together with an associated deferred tax liability of £0.1m (31 March 2016: £0.7m), the Group's overall pension liability increased from £5.6m at 31 March 2016 to £8.3m at 30 September 2016. Annual payments of £1.6m are due this year growing by 3% each year in accordance with the plan agreed with the pension Trustee in 2009. The next triennial valuation will be at 31 March 2018.

Risks and uncertainties

The principal risks faced by the Group are set out on pages 25 to 26 of the Group's Annual Report for year ended 31 March 2016, 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 impact arising from the Referendum to leave Europe; the performance of acquired companies; loss of major customers or suppliers; technological change; major business disruption; cyber security; liquidity and debt covenants; exposure to adverse foreign currency movements; 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 £120m at the end of the period.

Summary and Outlook

With underlying earnings per share up 10%, the Group is making good progress and we remain on track for the full year. Whilst, as expected, organic sales slowed during the period as a consequence of the wider economic uncertainty, we have benefited from the translation of overseas profits at more favourable exchange rates. Orders continue to strengthen and we enter the second half with a record high period end order book.

Margins remain robust, reflecting the strength of our value proposition, and we have taken decisive actions to make the Group more efficient which will deliver benefits next year and beyond.

Acquisition activity was slower in the first half as a consequence of these macro uncertainties, but we are now seeing greater activity and have a pipeline of opportunities being developed.

Over the last three years, underlying EPS has increased by over 70%. We are building a world class electronics business and have many exciting opportunities to deliver value ahead of us.

Nick Jefferies
Group Chief Executive

Simon Gibbins
Group Finance Director

29 November 2016

Condensed consolidated income statement
for the six months ended 30 September 2016

	notes	**Unaudited six months ended 30 Sept 2016 £m**	Unaudited six months ended 30 Sept 2015 £m	Audited year ended 31 Mar 2016 £m
Revenue	3	**156.7**	142.2	287.7
Cost of sales		**(105.0)**	(97.3)	(195.1)
Gross profit		**51.7**	44.9	92.6
Selling and distribution costs		**(23.2)**	(21.0)	(43.4)
Administrative expenses (including exceptional items)		**(25.1)**	(18.1)	(37.8)
Operating profit	3	**3.4**	5.8	11.4
Finance revenue		**0.1**	-	0.3
Finance costs		**(1.6)**	(1.0)	(2.3)
Profit before tax		**1.9**	4.8	9.4
Tax expense	6	**(0.7)**	(1.2)	(2.2)
Profit for the period		**1.2**	3.6	7.2
Earnings per share				
Basic	8	**1.9p**	5.7p	11.4p
Diluted	8	**1.8p**	5.4p	10.9p

Supplementary income statement information

Underlying Performance Measure	Notes	**Unaudited six months ended 30 Sept 2016 £m**	Unaudited six months ended 30 Sept 2015 £m	Audited year ended 31 Mar 2016 £m
Operating profit	3	**3.4**	5.8	11.4
Add: Exceptional items	4	**3.4**	0.4	1.8
Amortisation of acquired intangible assets		**1.8**	1.3	2.8
IAS 19 pension administrative charge		**0.2**	0.2	0.3
Underlying operating profit		**8.8**	7.7	16.3
Profit before tax		**1.9**	4.8	9.4
Add: Exceptional items	4	**3.4**	0.4	1.8
Amortisation of acquired intangible assets		**1.8**	1.3	2.8
Total IAS 19 pension charge		**0.2**	0.3	0.5
Underlying profit before tax		**7.3**	6.8	14.5
Underlying earnings per share				
Basic	8	**8.9p**	8.2p	17.9p
Diluted	8	**8.5p**	7.7p	17.0p

Condensed consolidated statement of comprehensive income
for the six months ended 30 September 2016

	Unaudited six months ended 30 Sept 2016 £m	Unaudited six months ended 30 Sept 2015 £m	Audited year ended 31 Mar 2016 £m
Profit for the period	**1.2**	3.6	7.2
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss:			
Re-measurement (loss)/gain on defined benefit pension scheme	**(3.3)**	1.3	0.7
Deferred tax credit/(charge) relating to defined benefit pension scheme	**0.8**	(0.2)	(0.2)
	(2.5)	1.1	0.5
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign subsidiaries	**11.7**	(3.6)	3.4
Effective portion of changes in fair value of cash flow hedges	**-**	(0.4)	(0.7)
	11.7	(4.0)	2.7

Other comprehensive income for the period, net of tax	**9.2**	(2.9)	3.2
Total comprehensive income for the period, net of tax	**10.4**	0.7	10.4

Condensed consolidated statement of financial position

at 30 September 2016

	Notes	**Unaudited at 30 Sept 2016 £m**	Unaudited at 30 Sept 2015 £m	Audited at 31 March 2016 £m
Non-current assets				
Property, plant and equipment		**15.6**	13.1	14.7
Intangible assets - goodwill		**67.9**	49.5	63.6
Intangible assets - other		**26.1**	16.0	24.6
Deferred tax assets		**6.4**	4.6	5.5
		116.0	83.2	108.4
Current assets				
Inventories		**45.4**	39.1	42.9
Trade and other receivables		**68.6**	55.7	65.5
Other financial assets		**-**	0.2	-
Cash and cash equivalents	10	**20.7**	14.2	19.9
		134.7	109.2	128.3
Total assets		**250.7**	192.4	236.7
Current liabilities				
Trade and other payables		**(55.7)**	(49.5)	(55.2)
Other financial liabilities	10	**(1.7)**	(0.3)	(0.8)
Current tax liabilities		**(3.2)**	(1.0)	(2.7)
Provisions		**(3.7)**	(2.6)	(3.0)
		(64.3)	(53.4)	(61.7)
Non-current liabilities				
Other financial liabilities	10	**(60.1)**	(35.8)	(57.2)
Pension liability		**(8.3)**	(5.6)	(5.6)
Provisions		**(1.7)**	(2.1)	(3.5)
Deferred tax liabilities		**(7.4)**	(5.2)	(6.8)
		(77.5)	(48.7)	(73.1)
Total liabilities		**(141.8)**	(102.1)	(134.8)
Net assets		**108.9**	90.3	101.9
Equity				
Share capital		**3.2**	3.1	3.2
Share premium account		**95.6**	92.7	95.6
Merger reserve		**3.0**	3.0	3.0
Currency translation reserve		**7.3**	(11.4)	(4.4)
Retained earnings		**(0.2)**	2.9	4.5
Total equity		**108.9**	90.3	101.9

Condensed consolidated statement of changes in equity

for the six months ended 30 September 2016

	Share capital	Share premium	Merger reserve	Currency translation reserve	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m
At 1 April 2016	**3.2**	**95.6**	**3.0**	**(4.4)**	**4.5**	**101.9**
Profit for the period	**-**	**-**	**-**	**-**	**1.2**	**1.2**
Other comprehensive income	**-**	**-**	**-**	**11.7**	**(2.5)**	**9.2**
Total comprehensive income	**-**	**-**	**-**	**11.7**	**(1.3)**	**10.4**
Share-based payments	**-**	**-**	**-**	**-**	**0.3**	**0.3**
Dividends	**-**	**-**	**-**	**-**	**(3.7)**	**(3.7)**
At 30 September 2016 - unaudited	**3.2**	**95.6**	**3.0**	**7.3**	**(0.2)**	**108.9**
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 2015	3.1	92.7	3.0	(7.8)	1.7	92.7
Profit for the period	-	-	-	-	7.2	7.2
Other comprehensive income	-	-	-	3.4	(0.2)	3.2
Total comprehensive income	-	-	-	3.4	7.0	10.4
Shares issued	0.1	2.9	-	-	-	3.0
Share-based payments	-	-	-	-	0.7	0.7
Dividends	-	-	-	-	(4.9)	(4.9)
At 31 March 2016 - audited	3.2	95.6	3.0	(4.4)	4.5	101.9

Condensed consolidated statement of cash flows
for the six months ended 30 September 2016

	Notes	**Unaudited six months ended 30 Sept 2016 £m**	Unaudited six months ended 30 Sept 2015 £m	Audited year ended 31 Mar 2016 £m
Net cash inflow from operating activities	9	**3.8**	2.3	8.2
Investing activities				
Acquisitions of shares in subsidiaries and businesses		**(1.8)**	(0.7)	(19.9)
Purchase of property, plant and equipment		**(1.1)**	(1.0)	(1.6)
Purchase of intangible assets - software		**(0.2)**	(0.1)	(0.7)
Proceeds from disposal of property plant and equipment		**-**	-	0.1
Interest received		**0.1**	-	0.3
Net cash used in investing activities		**(3.0)**	(1.8)	(21.8)
Financing activities				
Proceeds from borrowings		**-**	-	9.9
Repayment of borrowings		**-**	(9.2)	-
Dividends paid		**(3.7)**	(3.4)	(4.9)
Net cash (used in)/from financing activities		**(3.7)**	(12.6)	5.0
Net decrease in cash and cash equivalents		**(2.9)**	(12.1)	(8.6)
Cash and cash equivalents at beginning of period		**19.2**	26.6	26.6
Net foreign exchange differences		**3.0**	(0.4)	1.2
Cash and cash equivalents at end of period		**19.3**	14.1	19.2
Reconciliation to cash and cash equivalents in the condensed consolidated statement of financial position				
Cash and cash equivalents shown above		**19.3**	14.1	19.2
Add bank overdrafts		**1.4**	0.1	0.7
Cash and cash equivalents in the condensed consolidated statement of financial position		**20.7**	14.2	19.9

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

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 2016 were approved by the Board of Directors for issue on 29 November 2016. 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 2016 have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Conduct 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 2016, which were prepared in accordance with IFRS as adopted by the European Union.

The results for the year ended 31 March 2016 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 2016 ("FY16 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 2016. 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 2016.

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 at CER. 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 2016 - unaudited

	Design & Manufacturing £m	Custom Distribution £m	Unallocated costs £m	Total operations £m
Revenue	**81.8**	**74.9**	**-**	**156.7**
Underlying operating profit/(loss)	**10.0**	**1.6**	**(2.8)**	**8.8**
Exceptional items - restructuring	(1.4)	(1.2)	-	(2.6)
Exceptional items - acquisition and related integration costs	(0.5)	-	-	(0.5)
Exceptional items - earn-outs	(0.3)	-	-	(0.3)
Amortisation of acquired intangible assets	(1.8)	-	-	(1.8)
IAS 19 pension administration costs	-	-	(0.2)	(0.2)
Operating profit/(loss)	**6.0**	**0.4**	**(3.0)**	**3.4**

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**

Year to 31 March 2016 - audited

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

4. Exceptional items

Acquisition and related integration costs	**Unaudited six months ended 30 Sept 2016 £m**	Unaudited six months ended 30 Sept 2015 £m	Audited year ended 31 Mar 2016 £m
Administrative expenses:			
Restructuring costs	**(2.6)**	-	(0.2)
Acquisition and related integration costs	**(0.5)**	(0.1)	(1.0)
Earn-outs	**(0.3)**	(0.3)	(0.6)
Exceptional costs included in administrative expenses	**(3.4)**	(0.4)	(1.8)
Tax impact of exceptional costs	**0.5**	-	-
Exceptional costs after tax	**(2.9)**	(0.4)	(1.8)

Exceptional costs of £3.4m in the period relate to restructuring, acquisitions and related earn-out costs. Details of exceptional items in relation to the full year results for the year ending 31 March 2016 were provided in note 6 on page 87 of the FY16 Annual Accounts.

5. Business combinations

There were no new business combinations during the period. The provisional fair value of acquired intangible assets in business combinations

completed in the prior year was increased by £1.3m with a corresponding decrease in goodwill. There were no other changes to the fair value of acquired assets and liabilities relating to business combinations completed in the prior year.

6. Taxation

The underlying tax charge for the period was £1.6m (H1 2015/16: £1.6m) giving an underlying effective tax rate on underlying profit before tax of 22% (H1 2015/16: 24%). The underlying effective tax rate was 2ppt lower than last year principally due to favourable resolutions of certain tax audits.

The tax credit in respect of the underlying adjustments was £0.9m (H1 2015/16: £0.4m). This gives an overall tax charge for the period of £0.7m (H1 2015/16: £1.2m) on profit before tax of £1.9m (H1 2015/16: £4.8m) which is an effective tax rate of 37%.

7. Dividends

The Directors have declared an interim dividend of 2.45 pence per share (H1 2015/16: 2.33 pence) payable on 13 January 2017 to shareholders on the register at 23 December 2016.

In accordance with IAS 10, this dividend has not been reflected in the interim results. The cash cost of the interim dividend will be £1.6m (H1 2015/16: £1.5m).

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 2016 £m	Unaudited Six months ended 30 Sept 2015 £m	Audited Year ended 31 Mar 2016 £m
Profit for the period attributable to equity holders of the parent:	**1.2**	3.6	**7.2**
	No	No	No
Weighted average number of shares for basic earnings per share	**64,231,754**	63,060,527	63,304,752
Effect of dilution - share options	**3,085,171**	4,051,605	3,008,388
Adjusted weighted average number of shares for diluted earnings per share	**67,316,925**	67,112,132	66,313,140
Earnings per share - basic	**1.9p**	5.7p	11.4p
Earnings per share - diluted	**1.8p**	5.4p	10.9p

At the period end, there were 4.6 million ordinary share options in issue that could potentially dilute earnings per share in the future, of which 3.1 million are currently dilutive (30 September 2015: 4.1 million in issue and 4.1 million dilutive, 31 March 2016: 4.5 million in issue and 3.0 million dilutive).

Underlying earnings per share

Underlying earnings per share are calculated as follows:

	Unaudited Six months ended 30 Sept 2016 £m	Unaudited Six months ended 30 Sept 2015 £m	Audited Year ended 31 Mar 2016 £m
Profit for the period	**1.2**	3.6	7.2
Exceptional items	**3.4**	0.4	1.8
Amortisation of acquired intangible assets	**1.8**	1.3	2.8
IAS 19 pension costs	**0.2**	0.3	0.5
Tax effects of exceptional items, amortisation of acquired intangible assets and IAS 19 pension costs	**(0.9)**	(0.4)	(1.0)
Underlying profit for the period	**5.7**	5.2	11.3
	No	No	No
Weighted average number of shares for basic earnings per share	**64,231,754**	63,060,527	63,304,752
Effect of dilution - share options	**3,085,171**	4,051,605	3,008,388
Adjusted weighted average number of shares for diluted earnings per share	**67,316,925**	67,112,132	66,313,140
Underlying earnings per share - basic	**8.9p**	8.2p	17.9p
Underlying earnings per share - diluted	**8.5p**	7.7p	17.0p

9. Reconciliation of cash flow from operating activities

	Unaudited Six months ended 30 Sept 2016 £m	Unaudited Six months ended 30 Sept 2015 £m	Audited Year ended 31 Mar 2016 £m
Profit for the period	**1.2**	3.6	7.2

Taxation expense	**0.7**	1.2	2.2
Net finance costs	**1.5**	1.0	2.0
Depreciation of property, plant and equipment	**1.5**	1.2	2.2
Amortisation of intangible assets - other	**2.1**	1.6	3.4
Loss on disposal of tangible and intangible assets	**-**	0.1	-
Change in provisions	**0.4**	(0.7)	(0.5)
Pension scheme funding	**(0.8)**	(0.8)	(1.6)
IAS 19 pension administration charge	**0.2**	0.2	0.3
Equity-settled share based payment expense	**0.3**	0.3	0.7
Operating cash flows before changes in working capital	**7.1**	7.7	15.9
Decrease/(increase) in inventories	**1.1**	(0.1)	1.7
			1.7
Decrease in trade and other receivables	**1.3**	3.8	3.4
Decrease in trade and other payables	**(3.4)**	(5.9)	(6.4)
Increase in working capital	**(1.0)**	(2.2)	(1.3)
Cash generated from operations	**6.1**	5.5	14.6
Interest paid	**(1.6)**	(0.9)	(2.1)
Net income taxes paid	**(0.7)**	(2.3)	(4.3)
Net cash inflow from operating activities	**3.8**	2.3	8.2

10. Closing net debt

	At 30 Sept 2016 £m	At 30 Sept 2015 £m	At 31 Mar 2016 £m
Borrowings - current - overdrafts	**(1.4)**	(0.1)	(0.7)
Borrowings - current portion of long term debt	**(0.3)**	(0.2)	(0.1)
Borrowings - non current	**(60.1)**	(35.8)	(57.2)
Cash and cash equivalents	**20.7**	14.2	19.9
Closing net debt	**(41.1)**	(21.9)	(38.1)

Reconciliation of movement in cash and net debt

	Six months ended 30 Sept 2016 £m	Six months ended 30 Sept 2015 £m	Year ended 31 Mar 2016 £m
Net decrease in cash and cash equivalents	**(2.9)**	(12.1)	(8.6)
Proceeds from borrowings	**-**	-	(9.9)
Repayment of borrowings	**-**	9.2	-
Decrease in net cash before translation differences	**(2.9)**	(2.9)	(18.5)
Translation differences	**(0.1)**	-	(0.6)
Decrease in net cash	**(3.0)**	(2.9)	(19.1)
Net debt at beginning of the period	**(38.1)**	(19.0)	(19.0)
Net debt at end of the period	**(41.1)**	(21.9)	(38.1)

Supplementary information to the statement of cash flows

Underlying Performance Measure	**Six months ended 30 Sept 2016 £m**	Six months ended 30 Sept 2015 £m	Year ended 31 Mar 2016 £m
Decrease in net cash before translation differences	**(2.9)**	(2.9)	(18.5)
Add: Business acquisitions	**1.8**	0.9	20.8
Exceptional cash flow	**3.0**	0.9	1.4
Legacy pension scheme funding	**0.8**	0.8	1.6
Dividends paid	**3.7**	3.4	4.9
Free cash flow from continuing operations	**6.4**	3.1	10.2

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 triennial 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 2016.

The IAS 19 defined benefit pension scheme liability at 30 September 2016 was £8.2m (31 March 2016: £4.9m). Together with a deferred tax liability of £0.1m (31 March 2016: £0.7m) in relation to a funding surplus under IAS 19 based on the agreed funding plan, pension liabilities totalled £8.3m (31 March 2016: £5.6m).

12. Exchange rates

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

	Six months ended 30 Sept 2016		Six months ended 30 Sept 2015		Year ended 31 March 2016	
	Closing rate	**Average rate**	Closing rate	Average rate	Closing rate	Average rate
Euro	**1.1614**	**1.2262**	1.3541	1.3901	1.2633	1.3665
US dollar	**1.2962**	**1.3778**	1.5170	1.5414	1.4383	1.5081

13. 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 2016 interim results published on 29 November 2016 will not be sent to shareholders. The 2016 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
The company news service from the London Stock Exchange

END

IR LLFVDLSLTFIR