Half-year Report

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ACAL plc

Interim results for the six months ended 30 September 2017

Strong sales and earnings growth with record new project wins; Change of name to discoverIE Group plc

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 2017.

	H1 2017/18	H1 2016/17	Growth %	CER[2] Growth %
Revenue	**£190.2m**	£156.7m	+21%	+15%
Underlying operating profit[1]	**£11.8m**	£8.8m	+34%	+23%
Underlying profit before tax[1]	**£10.4m**	£7.3m	+42%	
Underlying EPS[1]	**10.5p**	8.5p	+24%	
Reported profit before tax	**£6.9m**	£1.9m	+£5.0m	
Reported fully diluted EPS	**6.5p**	1.8p	+4.7p	
Interim dividend per share	**2.65p**	2.45p	+8%	

Highlights

- Strong growth in sales, orders, profitability and earnings
  - Sales up 21% (+15% CER[2]) on orders up 22% (+15% CER)
  - Underlying operating profit up 34% (+23% CER)
  - Underlying earnings per share up 24%
  - Interim dividend increased by 8%
- Wide spread organic growth across both divisions
  - Group organic sales[3] up 9%; orders up 10% in both divisions
  - D&M[4] organic sales up 11% - now 57% of Group sales (H1 2016/17: 52%)
  - Custom Supply (previously known as Custom Distribution)[4] organic sales up 7%
- Good progress on key strategic and performance targets
  - Underlying operating margin increased to 6.2% (H1 2016/17: 5.6 %)
  - Cross selling of £4.2m, more than doubled from last year (H1 2016/17: £1.9m)
  - ROCE[5] of 14.5%, up 2.8ppts on last year (H1 2016/17: 11.7%)
  - Operating cash flow[6] at 95% of underlying operating profit in the last 12 months
- Recent acquisition, Variohm, performing well with strong sales and order growth
- Group well positioned for further growth
  - Highest ever period end order book of £111m (+16% CER)
  - New project design wins increased by 30% to over £90m[7]

- Acquisition opportunities developing

- FTSE sector reclassification from Support Services to Electronics and Electrical Equipment effective 18 September 2017 reflecting the scale of our D&M business

- Today, the Company name changes to discoverIE Group plc (LSE: DSCV)
  - Trading under the new ticker (LSE: DSCV) will commence on 29 November 2017

Nick Jefferies, Group Chief Executive, commented:

"This is a strong set of results. Sales increased by 21%, of which 9% was widespread organic growth across the Group, and underlying earnings per share increased by 24%. The second half has started well and we are on track to deliver full year performance in line with our expectations, supported by a record order book of £111m. Together with an increase in new project design wins of over 30%, with an estimated lifetime sales value of over £90m, we are well positioned for continued growth.

Since 2011, we have been building a Design and Manufacturing business that would transform the Group into a higher margin business. D&M now accounts for 78% of Group underlying profit contribution and to reflect this and, more importantly, our further ambitions, we are announcing today that the Company is changing its name to discoverIE Group PLC (LSE: DSCV), recognising how we help our customers to 'discover innovative electronics'. The Group's operating business names, which customers know and rely upon, remain unchanged, preserving trusted brands.

We have many growth opportunities ahead of us as we drive towards our stated targets, and our ambition remains to repeat the performance of the last five years by doubling revenue and underlying earnings per share through a combination of organic growth and value-enhancing acquisitions."

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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 acquisition-related costs (earnouts of £1.1m, amortisation of acquired intangible assets of £2.2m and the IAS19 pension charge relating to a legacy defined benefit scheme of £0.2m) totalling £3.5m for H1 2017/18. Equivalent underlying adjustments within the H1 2016/17 underlying results (which also included exceptional items of £2.6m), totalled £5.4m. For further information see note 2 of the attached summary financial statements.

(2) Growth rates at constant exchange rates ("CER"). The average sterling rate of exchange weakened 7% against the Euro compared with the average rate for last year, weakened 6% against the US Dollar and weakened 7% on average against the three Nordic currencies.

(3) Organic growth for the Group is calculated at CER including the equivalent pre-acquisition period of Variohm which was acquired last financial year (on 20 January 2017) and excluding the sales from Acal BFi Spain which was closed during December 2016.

(4) The Custom Distribution division has been renamed the Custom Supply division during the first half - see page 4. D&M is the Design & Manufacturing division.

(5) Return on capital employed (ROCE) is defined as underlying operating profit as a percentage of net assets (including goodwill) plus net debt.

(6) Operating cash flow is defined as underlying EBITDA adjusted for the investment in, or release of, working capital and less the cash cost of capital expenditure.

(7) The estimated lifetime sales value of project design wins is the estimated sale value of each project design win over the estimated future production life of the project, which is typically five years.

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

(9) 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 (LSE: ACL) is an international group of businesses that designs, manufactures and supplies innovative components for electronic applications. With effect from today, the Company name changes to discoverIE Group plc (LSE: DSCV).

The Group provides application-specific components to original equipment manufacturers ("OEMs") internationally. With in-house engineering capability, we are able to design components to meet customer requirements, which are then manufactured and supplied, usually on a repeating basis, for their ongoing production needs. This generates a high level of recurring revenue and long term customer relationships.

By focussing on key markets which are driven by structural growth and increasing electronic content, namely renewable energy, transportation, medical and industrial connectivity, the Group aims to achieve organic growth that is well ahead of GDP and to supplement that with targeted complementary acquisitions.

The Group employs c.3,800 people and its principal operating units are located in Continental Europe, the UK, China, Sri Lanka, India and North America.

The Group is listed on the Main Market of the London Stock Exchange and is a member of the FTSE Small Cap Index, classified within the Electrical Components and Equipment subsector, and has revenue of c.£400m. Over the last five years, revenue and underlying earnings per share have doubled.

Chairman's Statement

I am pleased to report that the Group has delivered an excellent set of results with strong growth in organic sales, underlying profits and underlying earnings per share. Management continues to make good progress on the Group's strategic and operational objectives with further improvements towards our targets which we increased last year.

Name Change to discoverIE Group plc

It is announced today that the Company is changing its name to discoverIE Group plc. This change reflects the transformation of the Group over recent years into a higher margin business focused on design and manufacturing, and more importantly, the future ambitions of the Board in this direction.

Established in 1986, originally as a distributor of electronic and IT products, since 2011, the Group has disposed of its IT products business and built a successful and growing electronics Design and Manufacturing division ("D&M") through the careful acquisition of high quality businesses and subsequent organic growth. Today that division accounts for 78% of Group profit contribution.

discoverIE, or 'discover innovative electronics', emphasises the Group's focus on being a business that is highly differentiated, customised, and that enables customer solutions. The Group's operating business names, which customers know and rely on, remain unchanged, preserving trusted brands.

Reflecting the changing nature of its business, it is also announced today that the Custom Distribution division is being renamed Custom Supply. With continuing focus on designing customised solutions for customers with our third party suppliers and the growth in cross-selling of complementary products from our D&M division, the new name more accurately reflects the nature of business in this division.

Sector Change

As a consequence of the transformation of the Group into a design and manufacturing business as described above, the Group's FTSE sector classification changed to Electronic and Electrical Equipment from Support Services with effect from 18 September 2017.

Strategy

The Group is an international leader in customised electronics, focusing on markets with sustained growth prospects and increasing electronic content, where there is an essential need for our products. The Group's product range is highly differentiated with the majority being either partly or fully customised for specific customer applications.

With our key markets being worldwide, management continues to see the opportunity to expand beyond Europe, as well as within Europe, to create a growing global designer and manufacturer of differentiated components and electronic products.

Group Results

Group sales for the first half increased by 21% to £190.2m and by 15% at constant exchange rates ("CER").

First half underlying operating profit, which excludes acquisition-related costs, increased by £3.0m to £11.8m (up 34% and up 23% at CER). Underlying profit before tax increased by £3.1m to £10.4m (up 42%).

The underlying operating margin increased by 0.6ppts to 6.2% reflecting the ongoing focus on higher margin products and customer solutions.

Underlying earnings per share for the period increased by 24% to 10.5p (8.5p H1 2016/17).

Underlying adjustments for acquisition-related costs totalled £3.5m such that on a reported basis, profit before tax for the period was £6.9m with fully diluted earnings per share of 6.5p, increases over last year of £5.0m and 4.7p respectively.

Net debt at 30 September 2017 was £37.6m (H1 2016/17: £41.1m), with a Group gearing ratio of 1.3 times, being defined as net debt divided by underlying EBITDA (annualised for acquisitions).

Dividend

The Board is pleased to declare an increase in the interim dividend of 8% to 2.65p per share (H1 2016/17: 2.45p per share). Since 2010, the full year dividend per share has risen by 67%.

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

The interim dividend is payable on 15 January 2018 to shareholders registered on 22 December 2017.

Summary

Strong businesses evolve as the opportunities and trading conditions dictate. The business of Acal, soon to be discoverIE, is no exception. By responding positively and successfully to the market opportunities for customised products in faster growing markets, the Group has evolved into a high quality business that is delivering excellent results.

Naturally, there is much more to do, and the Board and Management continue to be excited by the opportunities ahead to create a more international business, adding value for our customers and growing value for our shareholders.

Malcolm Diamond
Chairman
28 November 2017

Strategic, Operational and Financial Review

Overview

The Group has invested over recent years in initiatives that enhance sales opportunities in our key customers and markets. The results are now evident with good levels of growth and operating leverage being delivered throughout our business units, particularly from within our target markets.

Organic sales in the first half grew by 9% with strong performance across both divisions. Together with a 6% contribution from the acquisition of Variohm Holdings Limited ("Variohm") in January 2017, Group sales increased by 15% CER and including translation benefits from a weaker Sterling since last year, reported revenues were up 21%.

Orders also continued to perform strongly, growing by 10% organically and by 15% (at CER) when including acquisitions, leading to another record period end order book at 30 September 2017 of £111m (up 16% CER year-on-year and up 11% organically).

Project design wins, a proxy measurement for new business creation, also grew strongly during the first half. The estimated lifetime sales value of design wins during the period exceeded £90m, an increase of over 30% compared with the prior year period.

Strong revenue growth has driven a 34% increase in underlying operating profit, rising by £3.0m to £11.8m, (23% CER), representing a 6.2% operating margin, an increase of 0.6ppts on last year.

Underlying EPS increased by 24% to 10.5p.

Group Strategy

The Group designs, manufactures and supplies highly differentiated, innovative components for electronic applications.

Core to our value proposition is the understanding of our customers' design challenges and how to design and manufacture engineered products that meet their needs, which we then supply over the life of the customer's production, typically five to seven years.

In a highly fragmented market, there exists an opportunity to consolidate suppliers offering a product range that is tailored to meet the needs of the Group's common customer base (multinational, large and mid-sized original equipment manufacturers (OEMs)) and operating to uniformly high standards. Our four target markets (renewable energy, transportation, medical, and industrial connectivity), are long term, international growth markets driven by excellent fundamentals where our customers depend upon the Group's products.

Our strategy comprises four elements:

1. Move up the value chain into higher margin products:
   - Continue building revenues in the D&M division where operating margins for our businesses are higher (>10%);

2. Grow sales well ahead of GDP over the economic cycle:
   - Focus on structural growth markets;

3. Acquire businesses with attractive growth prospects;

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

The Group's progress with its strategic objectives is measured through key strategic indicators (KSIs), while progress with the financial performance of the business is measured through key performance indicators (KPIs). These targets were increased last year as we continued to move up the value chain. Our KSIs are mid-term targets over a 3 to 5 year period starting in November 2016 while our KPIs are 3 year targets starting in March 2017.

Key Strategic Indicators

	FY14	FY15	FY 16	FY 17	H1 18	Mid term Target[(2)]
1. Increase share of Group revenue from D&M[(1)]	18%	37%	48%	52%	57%	75%
2. Increase underlying operating margin	3.4%	4.9%	5.7%	5.9%	6.2%	8.5%
3. Build sales beyond Europe[(1)]	5%	12%	17%	19%	20%	30%

(1) As a proportion of Group revenue
(2) Mid-term is a 3 to 5 year period starting in Nov 16

The Group has made further good progress with its KSIs during this period:

- The higher margin D&M division delivered 57% of Group sales (H1 2016/17: 52%), generating 78% of the Group's underlying operating profit contribution; importantly, customer concentration remains low with no one customer accounting for more than 4% of Group sales;

- Following restructuring last year, our operating costs as a percentage of sales reduced by 1.4ppts to 26.0%, our lowest ratio since we

started our new strategy in 2009; this has helped improve the Group operating margin by 0.6ppts since last year to 6.2% (H1 2016/17: 5.6%) and by 0.3ppts over last year (FY 2016/17: 5.9%); and

- Sales beyond Europe increased to 20% of Group sales (from 19% last year) driven by very strong organic growth in North America and Asia of 20%, partly offset by the acquisition of Variohm whose revenue is in Europe. We continue to seek acquisitions with revenues beyond Europe.

Key Performance Indicators

	FY14	FY15	FY 16	FY 17	H1 18	3 yr target (FY20)
1. Sales growth						
CER	17%	36%	14%	6%	15%	
Organic	2%	3%	3%	(1)%	9%	Well ahead of GDP
2. Increase cross-selling	£0.3m	£0.9m	£3.0m	£4.6m	£8.4m(2)	£10m p.a.
3. Underlying EPS growth	20%	31%	10%	13%	24%	>10%
4. Dividend growth	10%	11%	6%	6%	8%	Progressive
5. ROCE(1)	15.2%	12.0%	11.6%	13.0%	14.5%	>15%
6. Operating cash flow(1)	100%	104%	100%	136%	95%	>85% of underlying operating profit

1) Defined in Note 2 of the attached summary financial statements; calculated based on last 12 months.
(2) Annualised sales (H1 18: £4.2m; H1 17 £1.9m)

The Group has also made good progress with its KPIs this period:

- Organic sales growth for the period of 9% was well ahead of GDP, with strong organic growth in both divisions (D&M increasing by 11% and Custom Supply by 7%); revenue growth accelerated as earlier design wins and order book converted into new revenue;
- Cross-selling generated £4.2m of Group sales (more than double the £1.9m of last year); on an annualised basis, cross-sales of £8.4m are closing in on our 3 year target of £10m p.a.; as with organic growth, cross-selling revenue accelerated following the conversion of earlier design wins and order book into new revenue;
- Underlying EPS growth for the period was very strong at 24% and represents our best first half EPS growth in the last 7 years. First half growth is well ahead of our target for the year of exceeding 10% and reflects the strong continuing performance of acquisitions together with widespread organic growth;
- Strong growth in underlying operating profit has driven a 1.5ppts increase in return on capital employed to 14.5% compared with FY 2016/17, well on track for our 3 year target of exceeding 15%; ROCE was up 2.8ppts on H1 2017 (H1 201617: 11.7%); and
- Over the last 12 month period, operating cash flow was 95% of underlying operating profit, ahead of our 85% target; a lower percentage than in previous years reflects investment in working capital to drive further expected growth in the second half.

Divisional Results

Divisional and Group performances for the half year ended 30 September 2017 are set out and reviewed below.

	H1 2017/18			H1 2016/17			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	**108.2**	**11.8**	**10.9%**	81.8	10.0	12.2%	32%	25%	11%
Custom Supply	**82.0**	**3.3**	**4.0%**	74.9	1.6	2.1%	9%	4%	7%
Unallocated costs		**(3.3)**			(2.8)				
Total	**190.2**	**11.8**	**6.2%**	156.7	8.8	5.6%	21%	15%	9%

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

With approximately 80% of Group sales in non-Sterling currencies, the translation of Group results into Sterling has benefited from continuing Sterling weakness and increases Group revenue growth from 15% CER to 21% on a reported basis. Conversely, weaker Sterling put pressure on our UK import costs in the final quarter of last year and the first half of this year, impacting UK gross margins where approximately 90% of the cost of goods is non-Sterling. Over time, we expect to mitigate these effects through a combination of manufacturing and purchasing

efficiencies, and in some cases, justifiable price increases to customers.

Design & Manufacturing Division

The D&M division designs, manufactures and supplies highly differentiated, innovative components for electronic applications. Over 80% of the products are manufactured in-house, the balance being manufactured by approved third party contractors. The division's principal manufacturing facilities are in China, India, Poland, Sri Lanka and Thailand.

A number of operational investments are underway which include expanding fibre optic production capacity in Slovakia (due to be operational by the end of this financial year), expanding magnetics production capacity in India (due to become operational by the beginning of the next financial year), and also in China (due to become operational towards the end of the next financial year). In June 2017, the expansion of our electromagnetic shielding production capacity in South Korea was completed, ahead of schedule.

Trading in the first half was strong, generating 11% organic sales growth and continuing the momentum started in the second half of last year. This growth was driven by new project wins, mostly in our target markets, and product cross selling, supported by favourable market conditions. Strong growth was seen in the Nordic region, Germany, Asia and the US. Orders for the division increased by 10% organically year-on-year.

Organic sales growth of 11%, combined with 14% sales growth contribution from the acquisition of Variohm in January 2017, resulted in overall sales increasing by 25% CER. Including the benefit of translation gains, reported divisional revenue increased by 32% to £108.2m (H1 2016/17: £81.8m).

Variohm was acquired in early 2017 and has been integrated into the D&M division. It performed ahead of our expectations during the first half, with double digit organic growth in orders and sales. As with previous acquisitions, Variohm is expected to benefit from the access it now has to the Group's broad customer base and international reach, creating new revenue opportunities from cross-selling within the Group.

Divisional revenue was 57% of Group revenue (FY 2016/17: 52%) and generated 78% of the Group's underlying profit contribution. This represents further good progress towards our mid-term target for D&M to be 75% of Group revenue.

Underlying operating profit of £11.8m was £1.8m (+18%) higher than last year (H1 2016/17: £10.0m) and up £1.3m CER (+12%). The underlying operating margin of 10.9% was lower than last year as expected (H1 2016/17: 12.2%), due to Sterling weakness impacting UK import pricing as was the case during the final quarter of last year. The first half operating margin was in line with that reported for second half of last year (H2 2016/17: 10.9%).

Custom Supply Division

Reflecting the changing nature of its business, it is announced today that the Custom Distribution division is being renamed Custom Supply. With continuing focus on designing customised solutions for customers with our third party suppliers, and the growth in cross-selling of complementary products from our D&M division, the new name more accurately reflects the nature of business in this division.

The Custom Supply division provides technically demanding customised electronic, photonic and medical products to the industrial, medical and healthcare markets. The business operates similarly to that of the D&M division, but mostly with third party manufacturers rather than being manufactured in-house. As such, operating margins are lower than in D&M. A key element of the division's strategy is to grow the proportion of cross-sales from Group manufactured products (from the D&M division) in a manner that complements, but does not compete with our highly valued third party suppliers, thereby enhancing the Group's overall value proposition to customers and suppliers.

A high degree of technical knowledge is required during the sales process, with the division's in house engineers assisting original equipment manufacturers (OEMs) to solve their design challenges. The Group 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 Supply revenue. It supplies products from a selected group of manufacturers (including the Group's D&M businesses) to 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.

The division's trading performance in the first half was strong, generating 7% organic sales growth and continuing the momentum from the second half of last year, with good growth across Continental Europe, although the UK remained slow. Orders for the division grew by 10% organically compared with last year, with a positive book to bill ratio.

Organic sales growth of 7% was partly offset by last year's sales from our Spanish business which was closed during December 2016 as part of our efficiency and cost reduction programme. This closure impacted sales by 3%, resulting in overall divisional sales being up 4% at CER. Including the benefit of translation gains from weaker Sterling since last year, reported divisional revenue increased by 9% to £82.0m (H1 2016/17: £74.9m).

Underlying operating profit of £3.3m was £1.7m (+106%) higher than last year (H1 2016/17: £1.6m) and up £1.4m CER (+74%). The underlying operating margin was 4.0%, 1.9ppts higher than the same period last year and in line with the operating margin for the second half of last year (H2 2016/17: 4.1%). The mid-term target margin for this division is 5%.

Target Markets

Our addressable market is estimated to be worth £20bn internationally, representing the niche electronic components market, and in itself representing less than 10% of the total global electronic components market. Needless to say, there remain numerous opportunities for growth across a wide range of markets and applications. The Group identifies customer opportunities where we can create differentiated, engineered products.

In particular, the Group focuses on four target markets, which account for around half of Group turnover: transportation, medical, renewable energy and industrial connectivity. These are expected to drive the Group's organic revenue well ahead of GDP over the economic cycle and create acquisition opportunities. Growth in these markets is driven by the increasing electronic content in products, and by global macro trends such as a growing middle class population, an ageing affluent population, an expanding transport infrastructure, and the increasing need for renewable sources of energy.

i) Transportation

Transport markets continue to grow around the world, driven by increasing demand and falling costs, whether it be rail, air or automotive. The electronics content is rising, for instance to add convenience features, or for safety or security. IC Insights, a leading electronic market research company, expects integrated circuit sales, a proxy for electronic content, into the automotive market to rise by a CAGR of 10.4% between 2015 and 2020.

ii) Medical

This market is driven by the increasing use of technology in diagnosing, monitoring and controlling medical conditions, as well as an increasingly affluent and ageing global population which now accounts for the majority of healthcare spending in developed economies. A recent report by IC Insights forecasts the sales of electronics into medical applications to rise by a CAGR of 7.3% between 2015 and 2020.

iii) Renewable Energy

The combination of increased need for electricity, reducing acceptance of nuclear and coal as sources, and falling costs all favour the demand for renewable energy. So much so, that the International Energy Agency expects renewable electricity generation to outpace all other sources and surpass coal as the largest power source by around 2030, and to account for 50% of the additional energy created by then.

iv) Industrial Connectivity

Technology is creating opportunities for connectivity everywhere, and is becoming increasingly important in industry. A recent report by leading research firm MarketsandMarkets expects the overall market size for global machine-to-machine connections to rise by 11.6% CAGR between 2015 and 2020.

Acquisitions

There are numerous opportunities, in the UK and internationally, to acquire businesses that will enhance, strengthen and build the Group. Good acquisitions, at the right price, which build complementary product and/or geographic capability and supply common markets and customers, create future organic growth opportunities and build value for shareholders.

We acquire businesses that are successful, profitable and growing in our existing and adjacent technology areas, with good growth prospects and long term growth drivers similar to the Group's target markets.

Often the businesses we look to acquire are led by entrepreneurial managers who wish to remain with the business following acquisition. We encourage this, as it helps to retain a successful, decentralised, entrepreneurial culture.

Our primary acquisition focus is for growth, with operational improvement. As such, the Group operates a decentralised structure with business units operating to pre-agreed business plans. We support growth investment requirements and develop operational performance according to the requirements of each business unit. Depending upon the circumstances, we add value in some or all of the following areas:

- Internationalising sales channels and expanding the customer base, including via Group cross-selling initiatives (see below);
- Developing and expanding the product range;
- Investing in management capability ('scaling up') and succession planning;
- Capital investment in manufacturing & infrastructure;
- Enabling growth with existing large customers as a consequence of the stronger Group balance sheet;
- Improving manufacturing efficiency;
- Infrastructure efficiency, such as warehousing and freight;
- Finance and administrative support, such as treasury, banking, legal, pension, tax & insurance, risk & control; and
- Expanding the business through further acquisitions.

In January 2017, Variohm was acquired and has been integrated into the D&M division. It performed ahead of our expectations during the first half, with double digit organic growth in orders and sales. As with previous acquisitions, Variohm is expected to benefit from the access it now has to the Group's broad customer base and international reach, creating new revenue opportunities from cross-selling within the Group.

Cross-selling

For acquired businesses, cross-selling through our Custom Supply division or to other D&M businesses provides new customer and geographic opportunities as a straightforward route to expanding organic growth opportunities. For businesses already within the Group, cross-selling expands the sales opportunity by widening the range of products for sale to customers. In both cases, cross-selling creates stronger, stickier customer relationships.

It takes around three years for cross-selling to become established within a business unit, due to project design lead-in cycles, but then proceeds to add a significant additional revenue channel, as evidenced by the Group's longer standing acquisitions of MTC and Myrra, which both now count Acal BFi as one of their largest customers. In the first half of this year, a significant step forward was achieved with run rate revenues more than doubling to £4.2m from the previous year as new designs and order book came into production. Cross-selling now accounts for 2.2% of Group revenue.

With annualised cross-selling revenue of £8.4m, we are making very good progress towards our 3 year target of £10m per annum.

Group Results

Revenue and Orders

Organic sales increased by 9% in the period and with a 6% growth contribution from Variohm, net of the closure of ABFi Spain in December 2016, sales increased by 15% CER. Including translation benefits of the weaker Sterling, reported revenues increased by 21% year-on-year.

£m	H1 2017/18	H1 2016/17	%
Reported revenue	**190.2**	156.7	21%
FX translation impact		9.1	
Underlying revenue (CER)	**190.2**	165.8	15%
Acquisition/closure		8.4	
Organic revenue	**190.2**	174.2	9%

Group orders increased by 10% organically and by 15% CER to £195.0m with a positive book to bill ratio.

Consequently, the Group's order book increased by 16% CER, 11% organically, to reach another record period end.

Gross Margin and Profit

Group gross margin was stable during the first half at 32.2%, although 0.8ppts lower than the prior year. Gross profit grew by 18% to £61.2m, up 11% CER.

Following the fall in the value of Sterling after the EU Referendum in June 2016 (notably the US Dollar but also the Euro) and, six months later, the expiry of our foreign exchange hedging contracts put in place prior to that date, Group gross margin declined in the final quarter of last year, reflecting the higher UK import costs. As expected, this effect has continued into the first half of this year with average US Dollar rates being 10% lower than in the 3 months prior to the Referendum.

The Group continues with its active hedging policy, which hedges transactions from the point of order through to payment, typically aiming to hedge around six months of the order book.

Underlying Operating Costs

Group underlying operating costs increased by 9% CER. Excluding the impact of the Variohm acquisition, underlying operating costs increased by 3% organically reflecting investment in D&M businesses to support strong revenue growth. The increase is mainly sales growth related and the higher cost accrual for UK national insurance on share based payments following a 38% increase in share price in the period, partially offset by restructuring savings from last year's efficiency and cost reduction programme of £1.6m for the first half. A further £0.7m of annualised savings are expected to arise in the second half.

As a percentage of sales, underlying operating costs for the period reduced by 1.4ppts to 26.0%, the Group's lowest percentage since the outset of the current strategy in 2009, as the business continues to improve its efficiency.

Group Operating Profit and Margin

Group underlying operating profit for the period was £11.8m, an increase of £3.0m (+34%) on last year, and up 23% CER, delivering a Group underlying operating margin of 6.2%, up 0.6ppts on last year.

Reported Group operating profit for the period (after accounting for the underlying adjustments discussed below) was £8.4m, an increase of £5.0m over last year (H1 2016/17: £3.4m). Last year was particularly impacted by exceptional restructuring costs of £2.6m, of which there are none this year. Excluding exceptional costs, reported Group operating profit increased by £1.9m (+29%).

£m	H1 2017/18			H1 2016/17		
	Operating profit	**Finance cost**	**Profit before tax**	Operating profit	Finance cost	Profit before tax
Underlying	11.8	(1.4)	10.4	8.8	(1.5)	7.3
Underlying adjustments						
Earn-out accruals	(1.1)	-	(1.1)	(0.3)		(0.3)
Exceptional integration	-	-	-	(0.5)		(0.5)
Exceptional restructuring	-	-	-	(2.6)	-	(2.6)
Amortisation of acquired intangibles	(2.2)	-	(2.2)	(1.8)	-	(1.8)
IAS 19 pension cost	(0.1)	(0.1)	(0.2)	(0.2)	-	(0.2)
Reported	8.4	(1.5)	6.9	3.4	(1.5)	1.9

Underlying Adjustments

Underlying adjustments for the period comprise earn-out accruals of £1.1m (H1 2016/17: £0.3m), the amortisation of acquired intangibles of £2.2m (H1 2016/17: £1.8m) and the IAS19 legacy pension cost of £0.2m (H1 2016/17: £0.2m). Additionally, last year there was £3.1m of exceptional costs of which £2.6m related to the Group's efficiency and cost reduction programme, which was completed in the second half of last year, and £0.5m related to the integration of acquisitions.

Earn-out accruals of £1.1m relate to the acquisitions of Foss, Contour and Variohm.

The £0.4m increase in the amortisation charge since last year to £2.2m relates to the amortisation of intangibles acquired with Variohm.

Financing Costs

Financing costs comprise underlying finance costs (being interest and facility fees arising from the Group's banking facilities) of £1.4m, together with an IAS19 legacy pension finance charge of £0.1m. For the half year, total finance costs were £1.5m (H1 2016/17: £1.5m).

Underlying finance costs for the period of £1.4m were £0.1m lower than last year due to reduced debt levels.

Underlying Tax Rate

The underlying effective tax rate for the first half was 24%, in line with last year's rate for the full year. This was 2ppts higher than last year's first half rate (H1 2016/17: 22%) due to the beneficial impact last year from favourable resolutions of certain tax audits.

The overall effective tax rate of 29% was higher than the underlying effective tax rate of 24% due to no tax relief being available for earn-out accruals (within underlying adjustments).

Profit Before Tax and EPS

Underlying profit before tax for the period increased £3.1m (+42%) to £10.4m compared with last year (H1 2016/17: £7.3m), driving growth in underlying EPS for the period of 24% to 10.5p (H1 2016/17 : 8.5p). The increase in underlying EPS was lower than the increase in underlying profit before tax partly due to the increased underlying effective tax rate for the period and partly due to the increased equity base following the acquisition-related equity placing in January 2017.

After the underlying adjustments discussed above, reported profit before tax was £6.9m, £5.0m above last year, with reported fully diluted earnings per share increasing by 4.7p to 6.5p compared to last year (H1 2016/17: 1.8p).

£m	H1 2017/18		H1 2016/17	
	PBT	EPS	PBT	EPS
Underlying	10.4	10.5p	7.3	8.5p
Underlying adjustments				
Earn-out accruals	(1.1)		(0.3)	
Exceptional items	-		(3.1)	
Amortisation of acquired intangibles	(2.2)		(1.8)	
IAS 19 pension cost	(0.2)		(0.2)	
Reported	6.9	6.5p	1.9	1.8p

Working Capital

Working capital at 30 September 2017 was £65.1m, equivalent to 17% of second quarter sales at CER. This compares with working capital of £58.3m at 30 September 2016, 17% of last year's second quarter sales and £55.5m at 31 March 2017, 15% of last year's final quarter sales. The increase results from strong organic growth, particularly in the D&M division, and also from the investment in inventory to drive expected growth levels for the second half of the year, as indicated by the order book.

The D&M division working capital was 21% of sales, compared with 12% in Custom Supply reflecting the higher inventory requirements of raw materials as well as finished goods which leads to higher Group working capital as the percentage of D&M sales in the Group rises: this year, D&M sales grew to 57% of Group sales from 52% of Group sales 12 months ago.

Cash flow

Net debt at 30 September 2017 was £37.6m, compared with £30.0m at 31 March 2017 and £41.1m at 30 September 2016. The impact of foreign exchange on net debt balances in the period was £1.4m.

	H1 2017/18	H1 2016/17
Net debt at 31 March	(30.0)	(38.1)
Free cash flow (see table below)	-	6.4
Acquisition related cash flow	(0.4)	(1.8)
Exceptional payments	(0.7)	(3.0)
Legacy pension	(0.8)	(0.8)
Dividends	(4.3)	(3.7)
Foreign exchange impact	(1.4)	(0.1)
Net debt at 30 Sept	**(37.6)**	**(41.1)**

Net acquisition costs of £0.4m were mainly earn-out payments made in respect of Noratel. Exceptional cash costs of £0.7m reflect the payment of accruals made last year for the Group's efficiency and cost reduction programme, mainly redundancies in Custom Supply.

Dividend payments increased by £0.6m (+16%) to £4.3m following the 6% increase of the final dividend last year and the 10% increase in the number of shares following the equity placing in January 2017. Total dividend payments made in the last 12 months were £5.8m. The Group will continue to review the level of future dividend growth in relation to its policy of maintaining a 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 of last year, and the last 12 months, are shown below:

H1	H1	Last 12

£m	2017/18	2016/17	Months
Underlying profit before tax	**10.4**	**7.3**	**20.2**
Finance costs	1.4	1.5	2.8
Non-cash items*	2.2	2.1	4.6
Underlying EBITDA	**14.0**	**10.9**	**27.6**
Working capital	(9.0)	(1.0)	(2.1)
Capital expenditure	(1.6)	(1.3)	(3.6)
Operating cash flow	**3.4**	**8.6**	**21.9**
Finance costs	(1.4)	(1.5)	(2.7)
Taxation	(2.0)	(0.7)	(4.3)
Free cash flow	**-**	**6.4**	**14.9**

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

Underlying EBITDA of £14.0m was 28% higher than last year. Some £9.0m was invested into working capital, partly as a result of increased first half sales and partly to support expected sales growth in the second half of the year. Capital expenditure at £1.6m was £0.3m higher than last year; investment of £2.1m is expected in the second half to support increased production capability in the D&M division. Tax payments were £1.3m higher in the first half compared with last year, due to tax receipts received last year following the conclusion of certain tax audits and increased first half profitability.

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 £18.5m of operating cash. In the last 12 months, £21.9m of operating cash has been generated being 95% of underlying operating profit during that period, ahead of our target of 85%. Free cash flow for the last 12 months was £14.9m representing 97% of underlying profit after tax for the same period, also ahead of our target of 90%.

Banking Facilities

The Group has a 5-year £120m syndicated banking facility which extends out to July 2021. 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 2017 of £37.6m, the Group's gearing ratio was 1.3 times (FY 2016/17: 1.2 times), being defined as net debt divided by underlying EBITDA (annualised for acquisitions).

Balance Sheet

Net assets of £125.1m at 30 September 2017 were £1.3m higher than at the end of the last financial year (31 March 2017: £123.8m). The increase primarily relates to the net profit for the period partly offset by the payment of last year's final dividend. The movement in net assets is summarised below:

£m	H1 2017/18
Net assets at 31 March 2017	123.8
Net profit after tax	4.9
Dividend paid	(4.3)
Currency net assets - translation impact	(0.4)
Gain on defined benefit scheme	0.8
Share based payments (inc tax)	0.3
Net assets at 30 Sep 2017	**125.1**

The Group's IAS19 pension liability, associated with its legacy defined benefit pension scheme, reduced during the period by £1.4m, from £6.4m at 31 March 2017 to £5.0m at 30 September 2017. This mainly follows improvements in gilt and corporate bond rates during the period which has reduced the value of longer term pension liabilities. Annual payments of £1.7m are payable (growing by 3% each year in accordance with the plan agreed with the pension trustee in 2009) until March 2022. 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 28 to 32 of the Group's Annual Report for year ended 31 March 2017, 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 UK's decision to leave the European Union; 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.

The Group'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 its 5-year committed banking facility of £120m.

Summary and Outlook

This is a strong set of results. Sales increased by 21%, of which 9% was widespread organic growth across the Group, and underlying earnings per share increased by 24%. The second half has started well and we are on track to deliver full year performance in line with our expectations, supported by a record order book of £111m. Together with an increase in new project design wins of over 30%, with an estimated lifetime sales value of over £90m, we are well positioned for continued growth.

Since 2011, we have been building a Design and Manufacturing business that would transform the Group into a higher margin business. D&M now accounts for 78% of Group underlying profit contribution and to reflect this and, more importantly, our further ambitions, we are

announcing today that the Company is changing its name to discoverIE Group PLC (LSE: DSCV), recognising how we help our customers to 'discover innovative electronics'. The Group's operating business names, which customers know and rely upon, remain unchanged, preserving trusted brands.

We have many growth opportunities ahead of us as we drive towards our stated targets, and our ambition remains to repeat the performance of the last five years by doubling revenue and underlying earnings per share through a combination of organic growth and value-enhancing acquisitions.

Nick Jefferies
Group Chief Executive

Simon Gibbins
Group Finance Director

28 November 2017

Condensed consolidated income statement
for the six months ended 30 September 2017

	notes	**Unaudited six months ended 30 Sept 2017 £m**	Unaudited six months ended 30 Sept 2016 £m	Audited year ended 31 Mar 2017 £m
Revenue	3	**190.2**	156.7	338.2
Cost of sales		**(129.0)**	(105.0)	(227.2)
Gross profit		**61.2**	51.7	111.0
Selling and distribution costs		**(26.4)**	(23.2)	(49.4)
Administrative expenses (including exceptional items)		**(26.4)**	(25.1)	(53.9)
Operating profit	3	**8.4**	3.4	7.7
Finance revenue		**0.1**	0.1	0.2
Finance costs		**(1.6)**	(1.6)	(3.1)
Profit before tax		**6.9**	1.9	4.8
Tax expense	6	**(2.0)**	(0.7)	(1.3)
Profit for the period		**4.9**	1.2	3.5
Earnings per share				
Basic	8	**6.9p**	1.9p	5.3p
Diluted	8	**6.5p**	1.8p	5.1p

Supplementary income statement information

Underlying Performance Measure	Notes	**Unaudited six months ended 30 Sept 2017 £m**	Unaudited six months ended 30 Sept 2016 £m	Audited year ended 31 Mar 2017 £m
Operating profit	3	**8.4**	3.4	7.7
Add: Exceptional items	4	**-**	3.1	6.9
Acquisition costs	4	**1.1**	0.3	1.2
Amortisation of acquired intangible assets	4	**2.2**	1.8	3.9
IAS 19 pension administrative charge		**0.1**	0.2	0.3
Underlying operating profit		**11.8**	8.8	20.0
Profit before tax		**6.9**	1.9	4.8
Add: Exceptional items	4	**-**	3.1	6.9
Acquisition costs	4	**1.1**	0.3	1.2
Amortisation of acquired intangible assets	4	**2.2**	1.8	3.9
Total IAS 19 pension charge	4	**0.2**	0.2	0.4
Underlying profit before tax		**10.4**	7.3	17.2
Underlying earnings per share				
Basic	8	**11.2p**	8.9p	20.0p
Diluted	8	**10.5p**	8.5p	19.2p

Condensed consolidated statement of comprehensive income
for the six months ended 30 September 2017

	Unaudited six months ended 30 Sept 2017 £m	Unaudited six months ended 30 Sept 2016 £m	Audited year ended 31 Mar 2017 £m
Profit for the period	**4.9**	1.2	3.5
Other comprehensive income:			
Items that will not be subsequently reclassified to profit or loss:			

Re-measurement gain/(loss) on defined benefit pension scheme	**0.8**	(3.3)	(2.0)
Deferred tax credit relating to defined benefit pension scheme	**-**	0.8	0.3
	0.8	(2.5)	(1.7)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign subsidiaries	**(0.4)**	11.7	11.4
	(0.4)	11.7	11.4
Other comprehensive income for the period, net of tax	**0.4**	9.2	9.7
Total comprehensive income for the period, net of tax	**5.3**	10.4	13.2

Condensed consolidated statement of financial position

at 30 September 2017

	Notes	**Unaudited at 30 Sept 2017 £m**	Unaudited at 30 Sept 2016 £m	Audited at 31 March 2017 £m
Non-current assets				
Property, plant and equipment		**15.7**	15.6	16.0
Intangible assets - goodwill		**73.2**	67.9	72.6
Intangible assets - other		**25.7**	26.1	28.1
Deferred tax assets		**5.4**	6.4	5.5
		120.0	116.0	122.2
Current assets				
Inventories		**54.6**	45.4	50.1
Trade and other receivables		**75.8**	68.6	77.3
Cash and cash equivalents	10	**16.3**	20.7	22.2
		146.7	134.7	149.6
Total assets		**266.7**	250.7	271.8
Current liabilities				
Trade and other payables		**(65.3)**	(55.7)	(71.9)
Other borrowings	10	**(2.6)**	(1.7)	(1.3)
Current tax liabilities		**(3.2)**	(3.2)	(2.6)
Provisions		**(3.5)**	(3.7)	(2.6)
		(74.6)	(64.3)	(78.4)
Non-current liabilities				
Other borrowings	10	**(51.3)**	(60.1)	(50.9)
Pension liability		**(5.0)**	(8.3)	(6.4)
Provisions		**(4.8)**	(1.7)	(5.8)
Deferred tax liabilities		**(5.9)**	(7.4)	(6.5)
		(67.0)	(77.5)	(69.6)
Total liabilities		**(141.6)**	(141.8)	(148.0)
Net assets		**125.1**	108.9	123.8
Equity				
Share capital		**3.5**	3.2	3.5
Share premium account		**108.9**	95.6	108.9
Merger reserve		**3.0**	3.0	3.0
Currency translation reserve		**6.6**	7.3	7.0
Retained earnings		**3.1**	(0.2)	1.4
Total equity		**125.1**	108.9	123.8

Condensed consolidated statement of changes in equity

for the six months ended 30 September 2017

	Attributable to equity holders of the Company					
	Share capital £m	Share premium £m	Merger reserve £m	Currency translation reserve £m	Retained earnings £m	Total Equity £m
At 1 April 2017	**3.5**	**108.9**	**3.0**	**7.0**	**1.4**	**123.8**
Profit for the period	**-**	**-**	**-**	**-**	**4.9**	**4.9**
Other comprehensive income	**-**	**-**	**-**	**(0.4)**	**0.8**	**0.4**
Total comprehensive income	**-**	**-**	**-**	**(0.4)**	**5.7**	**5.3**
Share-based payments	**-**	**-**	**-**	**-**	**0.3**	**0.3**
Dividends	**-**	**-**	**-**	**-**	**(4.3)**	**(4.3)**
At 30 September 2017 - unaudited	**3.5**	**108.9**	**3.0**	**6.6**	**3.1**	**125.1**

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 2016	3.2	95.6	3.0	(4.4)	4.5	101.9
Profit for the period	-	-	-	-	3.5	3.5
Other comprehensive income	-	-	-	11.4	(1.7)	9.7
Total comprehensive income	-	-	-	11.4	1.8	13.2
Shares issued	0.3	13.3	-	-	-	13.6
Share-based payments	-	-	-	-	0.3	0.3
Dividends	-	-	-	-	(5.2)	(5.2)
At 31 March 2017 - audited	3.5	108.9	3.0	7.0	1.4	123.8

Condensed consolidated statement of cash flows
for the six months ended 30 September 2017

	Notes	**Unaudited six months ended 30 Sept 2017 £m**	Unaudited six months ended 30 Sept 2016 £m	Audited year ended 31 Mar 2017 £m
Net cash (outflow)/inflow from operating activities	9	**(0.3)**	2.3	14.5
Investing activities				
Acquisitions of shares in subsidiaries and businesses		**(0.1)**	-	(11.6)
Acquisition related contingent consideration		**-**	(0.3)	(0.3)
Purchase of property, plant and equipment		**(1.5)**	(1.1)	(2.8)
Purchase of intangible assets - software		**(0.1)**	(0.2)	(0.6)
Proceeds from disposal of property plant and equipment		**-**	-	0.1
Interest received		**0.1**	0.1	0.2
Net cash used in investing activities		**(1.6)**	(1.5)	(15.0)
Financing activities				
Net proceeds from the issue of shares		**-**	-	13.6
Repayment of borrowings		**(0.1)**	-	(9.2)
Dividends paid		**(4.3)**	(3.7)	(5.2)
Net cash used in financing activities		**(4.4)**	(3.7)	(0.8)
Net decrease in cash and cash equivalents		**(6.3)**	(2.9)	(1.3)
Cash and cash equivalents at beginning of period		**21.0**	19.2	19.2
Net foreign exchange differences		**(0.9)**	3.0	3.1
Cash and cash equivalents at end of period		**13.8**	19.3	21.0
Reconciliation to cash and cash equivalents in the condensed consolidated statement of financial position				
Cash and cash equivalents shown above		**13.8**	19.3	21.0
Add bank overdrafts		**2.5**	1.4	1.2
Cash and cash equivalents in the condensed consolidated statement of financial position		**16.3**	20.7	22.2

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"). With effect from 29 November the company name changed to discoverIE Group plc.

The interim condensed consolidated financial statements for the six months ended 30 September 2017 were authorised for issue by the Board of Directors on 28 November 2017. 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 2017 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 2017, which were prepared in accordance with IFRS as adopted by the European Union.

The results for the year ended 31 March 2017 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 was unqualified and which does not contain a statement under section 498 of the Companies Act 2006. The consolidated financial statements of the Group for the year ended 31 March 2017 ("FY17 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 2017. 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 2017.

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 excluding acquisition-related costs (including earn-out accruals, amortisation of acquired intangible assets and the IAS 19 pension administration charge relating to the Group's legacy defined benefit pension scheme) and exceptional costs.

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 excluding acquisition-related costs (including earn-out accruals, amortisation of acquired intangible assets and the total IAS 19 pension charge relating to the Group's legacy defined benefit pension scheme), and exceptional costs.

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.

Operational cash flow

"Operational cash flow" is defined as Underlying EBITDA adjusted for the investment in, or release of, working capital and less the cash cost of capital expenditure.

Free cash flow

"Free cash flow" is defined as net cash flow before the payment/receipt of acquisition costs, exceptional items, payments to the legacy defined benefit pension scheme, dividend payments, net proceeds from equity fund raising, the cost of acquisitions and proceeds from business disposals.

Return on capital employed ("ROTCE")

"ROCE" is defined as underlying operating profit as a percentage of net assets (including goodwill) plus net debt.

Exceptional items

The Group discloses exceptional items by virtue of their nature, size or incidence so as to allow a better understanding of the underlying trading performance of the Group. The Group includes, where material, the profit or loss on disposal of property, investments or businesses and other financial assets, asset impairments, significant restructuring and acquisition-related integration costs in exceptional items.

3. Segmental reporting

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

- The Design & Manufacturing division designs, manufactures and supplies highly differentiated, innovative components for electronic applications. Over 80% of the products are manufactured in-house, the balance being manufactured by approved third party contractors.

- The Custom Supply 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 aggregated business units with similar characteristics such as the method of acquiring products for sale (manufacturing versus supply), 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 2017 - unaudited

	Design & Manufacturing £m	Custom Supply £m	Unallocated costs £m	Total operations £m
Revenue	**108.2**	**82.0**	**-**	**190.2**
Underlying operating profit/(loss)	**11.8**	**3.3**	**(3.3)**	**11.8**
Exceptional items	-	-	-	-
Acquisition costs	(1.1)	-	-	(1.1)
Amortisation of acquired intangible assets	(2.2)	-	-	(2.2)
IAS 19 pension charge	-	-	(0.1)	(0.1)
Operating profit/(loss)	**8.5**	**3.3**	**(3.4)**	**8.4**

Six months to 30 September 2016 - unaudited

	Design & Manufacturing £m	Custom Supply £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	(1.4)	(1.2)	-	(2.6)
Acquisition costs	(0.8)	-	-	(0.8)
Amortisation of acquired intangible assets	(1.8)	-	-	(1.8)
IAS 19 pension charge	-	-	(0.2)	(0.2)
Operating profit/(loss)	**6.0**	**0.4**	**(3.0)**	**3.4**

Year to 31 March 2017 - audited

	Design & Manufacturing £m	Custom Supply £m	Unallocated costs £m	Total operations £m
Revenue	**175.6**	**162.6**	**-**	**338.2**
Underlying operating profit/(loss)	**20.2**	**5.2**	**(5.4)**	**20.0**
Exceptional items	(2.1)	(4.8)	-	(6.9)
Acquisition costs	(1.2)	-	-	(1.2)
Amortisation of acquired intangible assets	(3.9)	-	-	(3.9)
IAS 19 pension charge	-	-	(0.3)	(0.3)
Operating profit/(loss)	**13.0**	**0.4**	**(5.7)**	**7.7**

4. Underlying profit before tax

		Unaudited six months ended 30 Sept 2017 £m	Unaudited six months ended 30 Sept 2016 £m	Audited year ended 31 Mar 2017 £m
Profit for before tax		**6.9**	1.9	4.8
Add back: Exceptional items	(a)	**-**	3.1	6.9
Acquisition costs	(b)	**1.1**	0.3	1.2
Amortisation of acquired intangibles	(c)	**2.2**	1.8	3.9
IAS19 pension costs	(d)	**0.2**	0.2	0.4
Underlying profit before tax		**10.4**	7.3	17.2

The tax impact of the underlying profit adjustments above is a credit of £0.5m (FY 2016/17: £2.8m).

a) Last year, restructuring costs relating to Acal BFi totalling £4.8m, included the closure of the Spanish business, management headcount reduction and integration of the purchasing department. Restructuring in the Noratel Group totalling £1.6m included closure of three smaller Noratel production sites, with the production being transferred to other existing production facilities. £0.5m costs relate to acquisition-related integration of Flux.

b) £1.1m of accrued contingent consideration costs relating to the acquisitions of Foss, Contour and Variohm (FY 2016/17: £0.3m costs incurred in relation to the acquisition of Variohm and £0.9m charge provided for contingent consideration relating to the acquisitions of the Noratel Group, Foss and Contour).

c) Amortisation charge for intangible assets recognised for business combinations.

d) Pension costs related to the Group's legacy defined benefit pension scheme (see note 11).

5. Business combinations

There were no new business combinations during the period. There were no 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 £2.5m (H1 2016/17: £1.6m) giving an underlying effective tax rate on underlying profit before tax of 24% (H1 2016/17: 22%). The underlying effective tax rate is consistent with FY 2016/17.

The tax credit in respect of the underlying adjustments was £0.5m (H1 2016/17: £0.9m). This gives an overall tax charge for the period of £2.0m (H1 2016/17: £0.7m) on profit before tax of £6.9m (H1 2016/17: £1.9m) which is an effective tax rate of 29%.

7. Dividends

The Directors have declared an interim dividend of 2.65 pence per share (H1 2016/17: 2.45 pence) payable on 15 January 2018 to shareholders on the register at 22 December 2017.

In accordance with IAS 10, this dividend has not been reflected in the interim results. The cash cost of the interim dividend will be £1.9m (H1 2016/17: £1.6m).

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 2017 £m	Unaudited Six months ended 30 Sept 2016 £m	Audited Year ended 31 Mar 2017 £m
Profit for the period attributable to equity holders of the parent:	**4.9**	1.2	**3.5**
	No.	No.	No.
Weighted average number of shares for basic earnings per share	**70,688,381**	64,231,754	65,427,064
Effect of dilution - share options	**4,333,577**	3,085,171	2,790,308
Adjusted weighted average number of shares for diluted earnings per share	**75,021,958**	67,316,925	68,217,372
Earnings per share - basic	**6.9p**	1.9p	5.3p
Earnings per share - diluted	**6.5p**	1.8p	5.1p

At the period end, there were 4.8 million ordinary share options in issue that could potentially dilute earnings per share in the future, of which 4.3 million are currently dilutive (30 September 2016: 4.6 million in issue and 3.1 million dilutive, 31 March 2017: 4.8 million in issue and 2.8 million dilutive).

Underlying earnings per share

Underlying earnings per share are calculated as follows:

	Unaudited Six months ended 30 Sept 2017 £m	Unaudited Six months ended 30 Sept 2016 £m	Audited Year ended 31 Mar 2017 £m
Profit for the period	**4.9**	1.2	3.5
Exceptional items	**-**	3.1	6.9
Acquisition costs	**1.1**	0.3	1.2
Amortisation of acquired intangible assets	**2.2**	1.8	3.9
IAS 19 pension costs	**0.2**	0.2	0.4
Tax effects of exceptional items, amortisation of acquired intangible assets and IAS 19 pension costs	**(0.5)**	(0.9)	(2.8)
Underlying profit for the period	**7.9**	5.7	13.1
	No	No	No
Weighted average number of shares for basic earnings per share	**70,688,381**	64,231,754	65,427,064
Effect of dilution - share options	**4,333,577**	3,085,171	2,790,308
Adjusted weighted average number of shares for diluted earnings per share	**75,021,958**	67,316,925	68,217,372
Underlying earnings per share - basic	**11.2p**	8.9p	20.0p
Underlying earnings per share - diluted	**10.5p**	8.5p	19.2p

9. Reconciliation of cash flow from operating activities

	Unaudited Six months ended 30 Sept 2017 £m	Unaudited Six months ended 30 Sept 2016 £m	Audited Year ended 31 Mar 2017 £m
Profit for the period	**4.9**	1.2	3.5
Taxation expense	**2.0**	0.7	1.3
Net finance costs	**1.5**	1.5	2.9

Depreciation of property, plant and equipment	**1.6**	1.5	3.0
Amortisation of intangible assets	**2.5**	2.1	4.6
Loss on disposal of tangible and intangible assets	**-**	-	0.2
Acquisition related contingent consideration - earn-outs	**(0.3)**	(1.5)	(1.6)
Change in provisions	**0.4**	0.4	1.4
Pension scheme funding	**(0.8)**	(0.8)	(1.6)
IAS 19 pension administration charge	**0.1**	0.2	0.3
Equity-settled share based payment expense	**0.3**	0.3	0.6
Operating cash flows before changes in working capital	**12.2**	5.6	14.6
(Increase)/decrease in inventories	**(5.1)**	1.1	(0.1) 1.7
Decrease/(increase) in trade and other receivables	**2.2**	1.3	(3.8)
(Decrease)/ increase in trade and other payables	**(6.1)**	(3.4)	9.8
(Increase)/decrease in working capital	**(9.0)**	(1.0)	5.9
Cash generated from operations	**3.2**	4.6	20.5
Interest paid	**(1.5)**	(1.6)	(3.0)
Net income taxes paid	**(2.0)**	(0.7)	(3.0)
Net cash (outflow)/inflow from operating activities	**(0.3)**	2.3	14.5

10. Closing net debt

	At 30 Sept 2017 £m	At 30 Sept 2016 £m	At 31 Mar 2017 £m
Borrowings - current - overdrafts	**(2.5)**	(1.4)	(1.2)
Borrowings - current portion of long term debt	**(0.1)**	(0.3)	(0.1)
Borrowings - non current	**(51.3)**	(60.1)	(50.9)
Cash and cash equivalents	**16.3**	20.7	22.2
Closing net debt	**(37.6)**	(41.1)	(30.0)

Reconciliation of movement in cash and net debt

	Six months ended 30 Sept 2017 £m	Six months ended 30 Sept 2016 £m	Year ended 31 Mar 2017 £m
Net decrease in cash and cash equivalents	**(6.3)**	(2.9)	(1.3)
Repayment of borrowings	**0.1**	-	9.2
(Decrease)/increase in net cash before translation differences	**(6.2)**	(2.9)	7.9
Translation differences	**(1.4)**	(0.1)	0.2
(Decrease)/increase in net cash	**(7.6)**	(3.0)	8.1
Net debt at beginning of the period	**(30.0)**	(38.1)	(38.1)
Net debt at end of the period	**(37.6)**	(41.1)	(30.0)

Supplementary information to the statement of cash flows

Underlying Performance Measure	**Six months ended 30 Sept 2017 £m**	Six months ended 30 Sept 2016 £m	Year ended 31 Mar 2017 £m
(Decrease)/increase in net cash before translation differences	**(6.2)**	(2.9)	7.9
Add: Business acquisitions	**0.4**	1.8	13.8
Exceptional cash flow	**0.7**	3.0	6.4
Legacy pension scheme funding	**0.8**	0.8	1.6
Dividends paid	**4.3**	3.7	5.2
Less: Net proceeds from share issue	**-**	-	(13.6)
Free cash flow	**-**	6.4	21.3
Net finance costs	**1.4**	1.5	2.8
Taxation	**2.0**	0.7	3.0
Operating cash flow	**3.4**	8.6	27.1

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 2017.

The IAS 19 defined benefit pension scheme liability at 30 September 2017 was £5.0m (31 March 2017: £6.4m). The movement principally relates to the changes in actuarial movements and cash contributions in the period.

12. Exchange rates

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

	Six months ended 30 Sept 2017		Six months ended 30 Sept 2016		Year ended 31 March 2017	
	Closing rate	**Average rate**	Closing rate	Average rate	Closing rate	Average rate
Euro	**1.1341**	**1.1149**	1.1614	1.2262	1.1689	1.1921
US dollar	**1.3389**	**1.3273**	1.2962	1.3778	1.2496	1.3096

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 2017 interim results published on 28 November 2017 will not be sent to shareholders. The 2017 interim results and other information about Acal plc are available on the Company's website at www.acalplc.co.uk.

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