Publication of Circular and Notice of EGM

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discoverIE Group plc
10 July 2018

For Release
7.00am, 10 July 2018

discoverIE Group plc
("discoverIE" or the "Company")
Publication of Circular and Notice of Extraordinary General Meeting

As referred to in the preliminary results announcement on 5 June 2018, the Board of discoverIE has become aware of a technical non-compliance issue that has been identified with respect to distributable reserves of the Group's holding company which resulted in certain historical dividends not being paid in accordance with the Companies Act 2006 (the "Companies Act").

Following the appointment of new auditors for the year ended 31 March 2018 ("FY 2018"), it was identified during the audit that part of the reserves included in the Company's profit and loss reserve were not distributable as they did not meet the conditions to be treated as realised profits per the Companies Act. This is because a dividend which was received three years ago from a subsidiary company had been made by book entry rather than by the payment of cash and the resulting debt due from the dividend-paying subsidiary to the Company was reinvested in another subsidiary company. Had the dividend payment been made in cash and the reinvestment not taken place, the dividend income would have been distributable. As this was not the case, the Company has been advised that the reserves should have been classified as non-distributable. As a consequence of this reclassification, approximately £7.7m of dividends ("the Relevant Dividends") were paid by the Company during its financial years ended 31 March 2017 and 2018 when it did not have sufficient distributable reserves.

These issues only affected the Relevant Dividends and did not affect any other dividends declared and paid by the Company. Furthermore, whilst this technical matter arose in the Company, the discoverIE Group ("the Group") had, at all times, adequate reserves in subsidiary companies to meet the Relevant Dividends.

This issue is of a historical nature and there is no change to the financial outlook of the Company as a consequence of this technical matter. It also has no impact on the Company's intentions or ability to continue paying future dividends. No fines or other penalties have been incurred by the Company.

Since 31 March 2018, dividends have been paid in cash up to the Company by various of the Group's subsidiaries and recorded as realised profits in the Company's accounts. Interim accounts which reflect these distributions are being drawn up to 30 June 2018 and will be filed with Companies House prior to the payment of the final FY 2018 dividend on 31 July 2018.

The Resolution

The Company has been advised that it is in technical breach of the Companies Act and should seek approval from shareholders for the payment of the Relevant Dividends, and other consequential approvals resulting from the technical breach. The Company is today publishing and will post to shareholders an explanatory circular (the "Circular") convening a general meeting to be held on 26 July 2018 (the "General Meeting"), at which a resolution of special business will be proposed (the "Resolution") which will, if passed, put all potentially affected parties, so far as possible, in the position in which they were always intended to be.

Whilst the Company has no intention of doing so, it has been advised that, as a consequence of this technical breach, it may in theory have the potential to make claims against past and present shareholders who were recipients of the Relevant Dividends (the "Recipient Shareholders") and against directors of the Company at the time. The Resolution therefore proposes to give the Board the authority to enter into deeds of release in respect of these parties (the "Shareholders' Deed of Release" and the "Directors' Deed of Release", respectively) such that the relevant parties will be released from any liability[1] arising from this historic matter.

Certain directors of the Company, being Malcolm Diamond, Nick Jefferies, Simon Gibbins, Tracey Graham, Henrietta Marsh and Richard Brooman (the "Related Party Directors") are each classed as a related party for the purposes of the Listing Rules. In addition, one of the Recipient Shareholders, Canaccord Genuity Group Inc is also classed as a related party for the purposes of the Listing Rules. The entry by the Company into the Directors' Deed of Release and the Shareholders' Deed of Release constitute smaller related party transactions for the purposes of paragraph 11.1.10 of the Listing Rules.

Further details are set out in the Circular. Enclosed within the Circular is a notice of the General Meeting of the Company which will be held at the Company's offices, 2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey GU2 7AH on 26 July 2018 at 11.30 am (or as soon thereafter as the Company's Annual General Meeting shall have concluded or been adjourned)

The Circular will be available to view on the Company's website (www.discoverieplc.com) and at the offices of discoverIE Group plc at 2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey GU2 7AH and at the offices of White & Case at 5 Old Broad Street, London, EC2N 1DW. A copy of the Circular and the accompanying Form of Proxy have been submitted to the National Storage Mechanism and will shortly be available for inspection at www.morningstar.co.uk/uk/nsm.

Enquiries:

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Note

1. Up to an amount equal to the amount of Relevant Dividends received in the case of the Shareholders' Deed of Release and £7.9m in the case of the Directors' Deed of Release.

Notes to Editors:

About discoverIE Group plc

discoverIE Group plc (previously Acal plc) is an international group of businesses that designs, manufactures and supplies innovative components for electronic applications.

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 repeating revenue and long term customer relationships.

By focusing 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.4,000 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 £0.4bn. Over the last five years, revenue and underlying earnings per share have more than doubled.

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