30 NOVEMBER 2021

discoverIE Group plc

Interim results for the six months ended 30 September 2021

Record growth and order book, targets upgraded

discoverIE Group plc (LSE: DSCV, "discoverIE" or "the Group"), a leading international designer and manufacturer of customised electronics to industry, today announces its interim results for the six months ended 30 September 2021 ("H1 2021/22" or "the period").

Continuing Operations[1]	**H1 2021/22**	H1 2020/21	Growth %	H1 2019/20	Growth %
Revenue	**£174.3m**	£143.8m	+21%	£149.4m	+17%
Underlying operating profit[2]	**£18.0m**	£13.6m	+32%	£14.2m	+27%
Underlying operating margin[2]	**10.3%**	9.5%	+0.8ppts	9.5%	+0.8ppts
Underlying profit before tax[2]	**£16.1m**	£11.7m	+38%	£12.0m	+34%
Underlying EPS[2]	**13.0p**	9.5p	+37%	11.0p	+18%
Reported profit before tax	**£6.4m**	£5.6m	+14%	£6.8m	(6%)
Total Operations					
Reported fully diluted EPS	**6.6p**	5.8p	+14%	9.1p	(27%)
Interim dividend per share	**3.35p**	3.15p	+6%	2.97p	+13%

Highlights

- **Record growth in orders and sales driving strong financial performance**
  - Organic[3] orders: +64% (v H1 2020/21) and +34% (v pre-Covid period H1 2019/20)
  - Organic sales: +15% (v H1 2020/21) and +8% (v H1 2019/20)
  - Underlying operating profit from continuing operations: +32%
  - Underlying EPS from continuing operations: +37%

- **Further progress made towards key targets; strategic targets now upgraded**
  - Underlying operating margin increased to 10.3% (with target increased to 13.5%)
  - Good progress towards carbon emissions target reduction of 50% by 2025
  - Sales beyond Europe increased to 38% of total sales (with target increased to 45%)
  - Sales into target markets[4] of 77% (H1 2020/21: 68%)
  - Excellent free cash conversion[5] of 95% of PAT, well ahead of 85% target

- **Three international acquisitions completed for £85m**
  - Beacon, Antenova and CPI acquired; integrations progressing well
  - Well supported equity placing in Sept 2021 raising a net £53m

- **Group well positioned for further growth**
  - Announced sale of Acal BFi business for £50m concludes exit from distribution business
  - Record order book of £198m (organic: +71% v Sept 2020; +54% v Sept 2019)
  - Further acquisition opportunities developing with considerable funding headroom
  - Proforma gearing[6] post Acal BFi sale of 0.9x, well below our target of 1.5x to 2.0x

Nick Jefferies, Group Chief Executive, commented:

"These strong results demonstrate the strength of the discoverIE business model, with record growth in orders, order book and underlying earnings per share, which increased by 37% and follows a resilient performance last year through Covid. Revenues and earnings are now well ahead of the pre-Covid period and I would like to thank all employees around the Group for their tremendous effort and flexibility over the last 18 months that has led to these results.

The announced sale of Acal BFi earlier this month concludes the Group's exit from the business of distribution, with discoverIE now becoming a solely focused global designer and manufacturer of customised electronics. We have raised our medium-term strategic targets accordingly and our continuing focus is on achieving organic growth with new design wins in sustainable target markets, together with accretive acquisitions.

The second half has started well with continued order and sales growth over the same period last year and two years ago, and the Group is on track to deliver full year underlying earnings for the continuing operations ahead of the Board's previous expectations despite ongoing supply chain and foreign exchange headwinds.

With a clear strategy focused on long-term, high quality, structural growth markets across Europe, North America and Asia, a diversified customer base, a record order book and a strong pipeline of acquisition opportunities, the Group is well positioned to make further progress on its key priorities."

Analyst and investor presentation

A virtual results briefing for analysts and investors will be held today at 9.30am (UK time) via a live webinar.

If you would like to join the webinar, please contact Buchanan at discoverie@buchanan.uk.com.

Enquiries:

discoverIE Group plc 01483 544 500
Nick Jefferies Group Chief Executive
Simon Gibbins Group Finance Director
Lili Huang Head of Investor Relations

Buchanan 020 7466 5000
Chris Lane, Toto Berger, Jack Devoy
discoverIE@buchanan.uk.com

Notes:

(1) Continuing operations excludes the results of the Acal BFi and Vertec SA businesses following their post period-end disposal announcements. These two businesses comprise the discontinued operations.

(2) 'Underlying Operating Profit', 'Underlying Operating Margin", 'Underlying Operating Expenses', '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 relate to continuing operations and exclude acquisition-related costs (amortisation of acquired intangible assets of £6.4m and acquisition & disposal expenses of £3.3m) totalling £9.7m. Equivalent underlying adjustments within the H1 2020/21 underlying results totalled £6.1m. For further information, see notes 2 and 5 of the attached summary financial statements.

(3) Organic growth for the Group compared with last year is calculated at constant exchange rates ("CER") and is shown excluding the first 12 months of acquisitions post completion (Phoenix was acquired in October 2020, Limitor in February 2021, CPI in May 2021, Antenova in August 2021 and Beacon in September 2021). Organic growth compared with two years ago excludes the first 24 months of acquisitions so also excludes Sens-Tech acquired in October 2019. The average sterling rate of exchange strengthened 4% against the Euro compared with the average rate for the first half last year and strengthened 10% against the US Dollar while remaining in line on average against the three Nordic currencies.

(4) Target markets are renewable energy, medical, transportation, industrial & connectivity.

(5) Free cash flow is cash flow before dividends, acquisitions and equity fund raising.

(6) Gearing ratio is defined as net debt divided by underlying EBITDA (annualised for acquisitions).

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

(8) The information contained within this announcement is deemed by the Group to constitute inside information as stipulated under the Market Abuse Regulation, Article 7 of EU Regulation 596/2014. 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 discoverIE Group plc

discoverIE Group plc is an international group of businesses that designs and manufactures innovative components for electronic applications.

The Group provides application-specific components to original equipment manufacturers ("OEMs") internationally. By designing components that meet customers' unique requirements, which are then manufactured and supplied throughout the life of their production, a high level of repeating revenue is generated with long term customer relationships.

With a focus on key markets driven by structural growth and increasing electronic content, namely renewable energy, medical, transportation 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 has an ongoing commitment to reducing the impact of its operations on the environment, while its key markets are aligned with a sustainable future.

The Group's continuing operations employs c.4,500 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 FTSE250, classified within the Electrical Components and Equipment subsector.

Strategic, Operational and Financial Review

Overview

The first half saw strong organic growth compared with both the Covid-impacted prior year, and the pre-Covid period two years ago, building on the progress of previous years. Over the last four years as the D&M strategy has gathered momentum, ongoing Group organic sales have grown by 9% CAGR while underlying EPS of continuing operations have grown by 17% CAGR, excluding the Covid year.

With the announcement in November 2021 of the sale of the Acal BFi distribution business, discoverIE is now solely focused on the design and manufacture of customised, innovative electronics. Five higher margin acquisitions were made over the last year (three during the period), further progressing us towards our medium-term goals of becoming a higher margin Group, focused on international and sustainably-aligned target markets, and delivering strong cash generation. To reflect this, our key strategic targets have been upgraded, as detailed in the Key Strategic and Performance Indicators section below. Meanwhile, our low gearing leaves us with considerable headroom for further acquisitions.

First half continuing Group sales increased by 21%, being 15% higher organically than last year and 8% higher than the pre-Covid period two years ago. Performance in our target markets, which now account for 77% of Group sales, has been much stronger than other markets, helping to deliver an underlying operating margin of over 10% for the first time.

Orders grew by 64% organically compared with last year and by 34% compared with two years ago following the build-up of a strong pipeline of design wins over several years. This resulted in a record period-end order book of £198m, respectively 71% and 54% higher organically than 12 months and 24 months previously.

The Group is managing widespread supply chain challenges effectively. While these conditions are expected to continue during the second half, the period has started well with continuing organic growth in orders and sales and the Group is on track to deliver full year underlying earnings for the continuing operations ahead of the Board's previous expectations. To ensure that the Group can continue to grow well into the future, production capacity is being expanded in the US, Germany and India, and production has begun as scheduled at the Group's new larger facility in Nogales, Mexico.

Carbon emissions

Last year the Group introduced a target to reduce carbon emissions by 50% on a like for like basis across the Group by 2025. With numerous manufacturing locations internationally, the primary source (73%) of emissions is from purchased electricity (Scope 2 emissions). The remaining emissions are mainly from vehicles, as well as natural gas and oil consumed on site (Scope 1). Good progress towards our reductions target was made in calendar year 2020 with a 6% like-for-like reduction in underlying carbon emissions and we anticipate further progress when measurements are taken at the end of this calendar year.

Sourcing electricity from clean and lower or zero carbon sources where possible, or installing renewable power generation on site, as well as adopting more energy efficient practices, are the key steps to achieving our emissions target. Of the Group's 30 manufacturing sites, the largest eight are responsible for c.60% of the Group's carbon emissions. Two of these eight sites have now switched to renewable energy tariffs, while the Sri Lankan facility has completed the first phase of solar panel installation and one in Poland has installed a natural source heat pump. When complete, these latter two initiatives alone are expected to reduce the Group's carbon emissions by around 10%. Phase 2 and 3 of the solar panel project in Sri Lanka are both planned for 2022 and, when complete, will reduce site carbon emissions by c. 75%.

Additionally, the switch to electric and hybrid vehicles is underway and EV chargers are being installed at a number of sites around the Group. Likewise, there is an ongoing reduction in flights with the Group's businesses encouraged to use flights only where necessary, continuing with video communication and other channels where possible.

For newly acquired businesses, we aim to increase renewable energy to at least 50% of their total energy consumption within the first five years post acquisition. This target is being integrated into their business plans. Emission audits with the three acquisitions this Period are expected to complete by the year end.

Group Results Summary

Continuing Group sales for the first half increased by 21% to £174.3m (+24% CER), with first half underlying operating profit, which excludes acquisition & disposal-related costs, increasing by 32% to £18.0m. Underlying profit before tax increased by 38% to £16.1m, with underlying earnings per share for the period increasing by 37% to 13.0p (H1 2020/21: 9.5p).

After underlying adjustments for acquisition costs, together with taxation costs and the inclusion of net profits from the discontinued operation, profit after tax for the period on a reported basis increased by 17% to £6.2m (H1 2020/21: £5.3m) with fully diluted earnings per share increasing by 14% to 6.6p (H1 2020/21: 5.8p).

Strong free cash flow of £28.1m over the last 12 months represented 95% of PAT, well ahead of the 85% target. Net debt at 30 September 2021 was £75.6m (30 September 2020: £42.1m) with a gearing ratio of 1.3x, being net debt divided by underlying EBITDA (annualised for acquisitions). Including our post period-end announced disposals of Acal BFi and Vertec SA, proforma gearing at the end of September reduced to 0.9x, well below our target range of 1.5x to 2.0x, leaving considerable headroom for further accretive acquisitions.

Alongside the acquisitions of Antenova in August 2021 and Beacon in September 2021, the balance sheet was strengthened in the period by way of a well-supported equity placing that raised net proceeds of £53.4m. Together with strong organic cash flows, these provide the Group with an excellent platform from which to continue to execute its growth strategy. On behalf of the Board, we would like to thank shareholders for their support.

Increased Dividend

The Board is pleased to declare an increase in the interim dividend of 6% to 3.35p per share (H1 2020/21: 3.15p per share). Since 2010, the annual dividend per share has doubled and the total dividend payment has increased by nearly 400%.

The Board believes that, as an acquisitive growth company, maintaining a progressive dividend policy is appropriate along with a long-term dividend cover of over three times on an underlying basis. This approach will enable funding of both sustainable dividend growth and a higher level of investment in acquisitions from internally generated resources.

The interim dividend is payable on 14 January 2022 to shareholders registered on 17 December 2021.

Board and Group Executive Committee Strengthened

The Board is pleased to report that to support the continued development of the business, two additional senior level appointments have been made.

Rosalind Kainyah MBE will join the Board in January 2022 as a Non-Executive Director. Rosalind brings many years of senior management, executive and board experience in international environments. She has extensive experience in sustainability matters and currently runs Kina Advisory, a consultancy advising on environmental, social and governance matters for businesses. Previously, Rosalind held senior executive roles at Tullow Oil, as Vice President, External Affairs & Corporate Social Responsibility and De Beers SA with various roles, latterly as President of its US business.

Following a period of introduction, Rosalind will chair a new ESG committee of the Board with responsibility for the ESG strategy, policies and performance of discoverIE and helping to drive further progress.

Paul Hill joins the Group Executive Committee (GEC) in December 2021 as Group Commercial Director overseeing a number of the Group's D&M businesses. Paul brings extensive experience in the electronics and technology sector having held senior operational roles in both hardware and software companies. Having started his career in electronics engineering, Paul has worked in electronic components, smart card systems and electronic design and manufacturing businesses. More recently Paul has led private equity held businesses and joins from Antenova, our recent acquisition, where he was Chief Executive Officer.

Following a period of introduction, Paul will also have Groupwide responsibility for evolving our approach to developing design opportunities.

Sustainability and Social Responsibility

The Group provides innovative electronics that help customers create new technologies for a sustainable world. Applications which use our products help to reduce power consumption and increase efficiency, such as wind turbines for renewable energy, charging infrastructure for vehicle electrification and wireless and fibre optic communications. This focus on sustainability forms the core of our target markets where, through targeted growth initiatives, we aim to grow our revenues organically. These trends are reported in our key strategic indicators as target market sales. Additionally, the Group has reduced focus on market areas that are inconsistent with a long-term sustainability agenda.

Our target sales markets are well aligned to the UNGC Sustainable Development Goals with our aim being to achieve 85% of sales from those target markets by the end of FY 2024/25. By the end of this period, sales from target markets were 77% of continuing Group sales, an increase of 9ppts in the last two years. We also aim to increase the proportion of the Group's operations covered by ISO14001, the international standard for environmental management, from 31% in FY 2020/21 to 80% by CY 2025. Please refer to the Group's Impact Report which is published online and which illustrates how the Group is helping meet the sustainability challenges facing the world today.

Also during the period a number of initiatives were undertaken to improve our sustainability and diversity. As mentioned above a new Non-Executive Director has been appointed, Rosalind Kainyah MBE, who will lead a new ESG committee of the Board, to be established in the coming months which will accelerate our progress on ESG matters. We are also prioritising diversity in our businesses with a broader range of inputs and more collaborative working practices. During the period, in addition to a number of new appointments, further work has been undertaken to increase diversity in our operating companies. This is an ongoing and long-term objective.

A range of other ESG activities have taken place, including:

i) Environmental
- Initiated Group Environmental Policy;
- Work commenced on ISO14001 certification in Sri Lanka and Denmark;
- Completed first of three phases to install solar panels in Sri Lanka;
- Natural source heat pump fitted in Poland;
- Continued phase out of R22 refrigerant in Sri Lanka;
- Installed electric car chargers at sites in Norway and at Group's UK headquarters by end of 2021;
- Several sites in Finland, the UK and Denmark switched to renewable tariffs in addition to the two Poland sites;
- Introduced other energy efficient measures such as installing sun screens to reduce the need for cooling and heat exchangers to reduce emissions from heating; and
- Exploring options for grid supply of clean energy and site specific renewable power generation in China.

ii) Social
- Launched Supplier Code of Conduct with Group wide supplier audits due to commence in December 2021;
- Integrated diversity principles into Group hiring practice, starting with the search for female leaders and engineers in the electronics industry;
- Improved health & safety incident reporting;
- Initiated Group policies on Human Rights, Conflict Minerals and Freedom of Association; and
- Supported the Funder Plus Programme through Community Foundation for Surrey, a longstanding partner of the Group.

iii) Governance
- Set up the first externally-facilitated Board evaluation;
- Board Diversity Policy adopted;
- Anti-Bribery and Corruption programme on track – policy updated, benchmarking and risk assessment completed;
- Completed preliminary scoping exercise for BEIS UK Sox proposal and created a roadmap for implementation;
- Continued roll-out of enhanced cyber security software throughout the Group;
- Internal controls manual reviewed. Roll-out of updated policy, including self-assessment surveys.
- Subsidiary risk reporting and Group risk register updated.

Group Strategy

The Group designs and manufactures customised electronics, operating internationally and focusing on structurally growing markets which are driven by increasing electronic content and where there is an essential need for our products. With our target markets and global customer base, the business is expanding both in Europe and beyond, with 38% of first half continuing Group sales being outside Europe, as we build a geographically diverse electronics group.

Acquisitions have made a significant contribution to the development of the Group and, over the past 11 years, we have acquired 19 specialist, high margin design and manufacturing businesses which have been integrated successfully, augmenting our growth alongside our important organic focus. We have a well-developed and disciplined approach to acquisitions and the use of capital, and we see significant scope for further expansion of the Group with a number of acquisition opportunities in development.

Following the announced disposals of the Acal BFi and Vertec SA businesses, the Group's strategy continues to comprise four elements:

1. Grow sales well ahead of GDP over the economic cycle by focussing on the structural growth markets that form our target markets;

2. Move up the value chain into higher margin products;

3. Acquire businesses with attractive growth prospects and strong operating margins;

4. Further internationalise the business by developing operations in North America and Asia.

These elements are underpinned by a core objective of generating strong cash flows from a capital-light business model, and delivering long-term sustainable returns.

Target Markets

Our four focus target markets of renewable energy, medical, transportation, and industrial & connectivity account for 77% of continuing Group sales. These markets are expected to drive the Group's organic revenue growth well ahead of GDP over the economic cycle and create acquisition opportunities. With

continuing sales growing organically by 8% over the pre-Covid period two years ago, target market sales have grown by 13% organically in this time while non-target markets have declined by 6%.

Growth in these target markets is driven by increasing electronic content and by global trends such as the accelerating need for renewable sources of energy, an ageing affluent population, vehicle electrification and industrial automation.

Key Strategic and Performance Indicators

Since 2014, the Group's progress with its strategic objectives and its financial performance has been measured through key strategic indicators ("KSIs") and key performance indicators ("KPIs"). The KSI targets have been raised each time they are achieved, and in June 2020, upwardly revised targets for FY 2024/25 were set. With the announcement in November 2021 of the planned sale of Acal BFi, the targets have again been upwardly revised. For tracking purposes, these KSIs and KPIs remain as reported at the time rather than adjusted for the recently announced disposals. Given the one-off impact of Covid last year, we have shown this period's growth relative to the pre-Covid period two years ago (H1 2019/20) to illustrate the underlying development of the Group.

Key Strategic Indicators – targets now upwardly revised

	FY14	FY15	FY16	FY17	FY18	FY19	H1 20	H1 22[(1)]	Prior FY25 Targets	Revised FY25 Targets
1. Increase share of Group revenue from D&M[(2)]	18%	37%	48%	52%	57%	61%	63%	100%	>75%	100%
2. Increase underlying operating margin	3.4%	4.9%	5.7%	5.9%	6.3%	7.0%	7.6%	10.3%	12.5%	13.5%
3. Build sales beyond Europe[(2)]	5%	12%	17%	19%	19%	21%	24%	38%	40%	45%
4. Target market sales[(2)]				56%	62%	66%	66%	77%	85%	85%

(1) Continuing operations
(2) As a percentage of Group revenue

The Group made further significant progress against its KSIs during this period. Alongside strong organic growth, the announced exit from distribution by way of the disposals of Acal BFi and Vertec South Africa has resulted in a positive step change in the KSIs, which is explained as follows:

- Following this exit, the Group is now wholly focused on the design and manufacture of customised electronics.

- First half underlying operating margin exceeded 10% for the first time benefiting both from the strong organic sales growth delivered during the period and the planned exit from the lower margin distribution business. With this exit, the FY2024/25 margin target has been increased to 13.5%.

- Sales beyond Europe in the first half increased by 10ppts to 38% of Group revenue from 28% last year (24% two years ago) driven by three factors. Firstly, the planned exit from distribution which is a UK/European focused business (c.7ppts increase); secondly, the five acquisitions in the last year (c.2ppts) in particular Beacon, Phoenix and CPI which are all US based; thirdly, organic growth during the period was strongest in Asia accounting for 22% of ongoing Group sales (c.1ppt). On an annualised basis, the recent acquisitions increase our sales beyond Europe to 40% and accordingly the target for FY2024/25 has been increased to 45%.

- Target market sales in the first half increased by 9ppts to 77% of Group revenue from 68% last year (66% two years ago) of which 5ppts reflects the planned exit from the distribution businesses. A further 4ppts improvement has been delivered through a combination of organic growth being more weighted to these long-term structural growth markets and from the five acquisitions in the last year which are well aligned with these markets.

Key Performance Indicators

	FY14	FY15	FY16	FY17	FY18	FY19	H1 20	H1 22[1]	Target
1. Sales growth									
CER	17%	36%	14%	6%	11%	14%	9%	20%	Well ahead of GDP
Continuing organic	3%	9%	3%	(1%)	11%	10%	7%	8%	
2. Underlying EPS growth	20%	31%	10%	13%	16%	22%	11%	18%	>10%
3. Dividend growth	10%	11%	6%	6%	6%	6%	6%[2]	6%	Progressive
4. ROCE[3]	15.2%	12.0%	11.6%	13.0%	13.7%	15.4%	15.8%	14.8%[4]	>15%
5. Operating profit conversion[3]	100%	104%	100%	136%	85%	93%	101%	124%	>85% of underlying operating profit
6. Free cash conversion[3]						94%	104%	125%	>85% of underlying PAT
7.Carbon emissions								Annual test[5]	50% reduction v CY19

(1) Continuing operations. H1 2021/22 shown as growth over the pre-Covid period H1 2019/20 to illustrate the underlying growth of the business
(2) 6% increase in the H1 2019/20 interim dividend; a final dividend was not proposed for FY 2019/20 due to Covid
(3) Defined in note 2 of the attached summary financial statements; operating cash conversions are calculated based on the last 12 months
(4) Excludes the acquisitions of Beacon and Antenova which only completed towards the end of the period
(5) Annual carbon emissions for CY 2020 reduced by 19% (like-for-like) compared to CY 2019 and by 6% on an underlying basis (adjusted to normalise the impact of Covid).

The Group made further significant progress against its KPIs during this period. Given the one-off impact of Covid last year, this period's growth is shown relative to the pre-Covid period H1 2019/20 thus illustrating the underlying development of the Group.

The performance of each of our Group KPIs for this period are as follows:

- Organic sales increased by 8% compared with the pre-Covid period H1 2019/20 (comprising 15% organic growth this year offsetting an 8% organic reduction during the Covid period). This follows average annual organic growth of 9% for the preceding three years and illustrates the strong through cycle organic growth of the business.

- Underlying EPS increased by 18% compared with the pre-Covid period H1 2019/20 (comprising 37% growth this year offsetting a 14% reduction during the Covid period).

- The dividend is being increased by 6%, continuing our progressive policy whilst providing for a higher proportion of investment in acquisitions from internally generated resources. This progressive policy has seen a doubling of the dividend over the last 11 years, whilst dividend cover on an underlying basis has increased.

- ROCE of the continuing operations for the period was 14.8% compared with 15.8% two years ago, and was 2.5ppts higher than that for the Covid-impacted last year (H1 2020/21: 12.3%). The reduction compared to two years ago is as a result of recent larger acquisitions and the discontinuation of Custom Supply.

- Operating profit conversion into cash has been very strong again at 124% of underlying operating profit on average over the last 24 months (comprising 95% in the last 12 months during a period of strong organic growth with the need for increased working capital, and 159% in the prior 12 month (Covid) period during which working capital was released). This is significantly above the 85% target, reflecting tight management of working capital and expenditure during this period. Over the last nine years, operating cash conversion has been consistently strong.

- Free cash conversion has also been very strong at 125% of underlying profit after tax, on average over the last 24 months (comprising 95% conversion in the last 12 months and 174% conversion in the prior 12 month period). Again, this is significantly above the 85% target. This is an important metric as we seek to increasingly self-fund acquisitions.

- A new target was introduced last year for the reduction of carbon emissions from the Group's existing businesses by 50% over five years. Additionally, for new acquisitions, we are targeting that within the first five years of ownership, at least 50% of their energy demand is generated from renewable sources. For calendar year 2020, carbon emissions reduced by 19% and by 6% on an underlying basis adjusted for the effects of Covid. During this period, capital has been invested in projects to reduce carbon emissions by switching to clean energy, including solar panel installations in Sri Lanka, and an air source heat pump in Poland, two of the Group's major manufacturing facilities.

Divisional Results (Continuing Group)

The divisional results and results for the Continuing Group for the half year ended 30 September 2021 are set out and reviewed below.

	H1 2021/22			H1 2020/21					
	Revenue £m	**Underlying operating profit (1) £m**	**Margin**	Revenue £m	Underlying operating profit (1) £m	Margin	Revenue growth	Organic revenue growth	Organic order growth
D&M(2)	**174.3**	**23.9**	**13.7%**	140.5	17.3	12.3%	24%	15%	64%
Unallocated costs		**(5.9)**			(3.9)				
FX				3.3	0.2		(3%)		
Total	**174.3**	**18.0**	**10.3%**	143.8	13.6	9.5%	21%	15%	64%

(1) Underlying operating profit excludes acquisition-related costs and results of the discontinued operations
(2) The residual ongoing business within Custom Supply has been transferred to D&M with sales in H1 2020/21 of £2.5m, underlying operating profit of £0.3m

Orders and Order Book

Organic orders grew very strongly in the period, increasing by 64% organically to £221.2m with a book to bill ratio of 1.27:1. Compared with the pre-Covid period two years ago, orders have grown by 34% organically.

During the period, the Group order book for continuing operations also grew very strongly and finished the period at a record level of £198m, being 108% (CER) higher than a year ago. Organically the order book increased by 71% in a year and by 54% compared with 30 September 2019, prior to the start of Covid. Sequentially, the order book increased by 44% (CER) since the year end.

Since the second half of last year, customers resumed placing longer term orders. Over 80% of the order book is for delivery within twelve months from the time of order.

Divisional Revenue and Operating profit

The strong order performance has led to sales increasing organically by 15%. Combined with a 9% sales increase from acquisitions, overall sales increased by 24% CER. Including the impact of translation, reported divisional revenue increased by 21% to £174.3m (H1 2020/21: £143.8m).

Compared to the pre-Covid period two years ago, sales grew by 8% organically. Growth was widespread across the Group although in certain businesses was offset by supply chain shortages of raw materials and external components and a slower post Covid recovery in some of our UK based businesses.

Underlying operating profit of £23.9m was £6.6m (+38% CER) higher than last year (H1 2020/21: £17.3m at CER) with an underlying operating margin of 13.7%, 1.4ppts higher than last year (H1 2020/21: 12.3% at CER) reflecting the positive effect of organic growth and higher margin acquisitions. On an organic basis, operating margin increased by 0.5ppt.

Design Wins

Project design wins are a measurement of new business creation. By working with customers at an early stage in their project design cycle, opportunities are identified for our products to be specified into their designs, which in turn lead to future recurring revenue streams.

The Group has a strong bank of design wins built up over several years that creates the basis for the strong through cycle growth and the growth in orders and sales now being experienced. During the period, design wins increased by 56% over the prior year and by 10% on the pre-Covid period two years prior. 80% were in the Group's target markets, led by the renewable energy and industrial & connectivity sectors.

Additionally, during the period, new project design activity increased strongly, being broad based across all markets. The total pipeline of ongoing projects in development is now at a record high level.

Operations

The D&M division designs, manufactures and supplies highly differentiated, innovative components for electronic applications. Over 85% of the products are manufactured in-house, with the division's principal manufacturing facilities being in China, Hungary, India, Mexico, the Netherlands, Poland, Slovakia, Sri Lanka, Thailand, the US and the UK. Geographically, 11% of sales are in the UK, 51% in Europe, 16% in North America and 22% in Asia. 77% of sales in the period were made into the Group's target markets.

The Group's production facilities have established "new normal" ways of operating after the disruption of Covid. Some sites are still feeling the effects of higher absence rates but overall, the Group's production has returned to output growth capable of satisfying the strong sales growth rates. To meet future growth, capacity is being expanded in the US, Germany and India, and production has begun as scheduled at the Group's new larger facility in Nogales, Mexico.

Acquisitions

The businesses we acquire are typically led by entrepreneurs who wish to remain following acquisition. We encourage this as it helps retain a decentralised, entrepreneurial, dynamic culture. The market is highly fragmented with many opportunities to acquire and consolidate.

We acquire businesses that are successful and profitable with good growth prospects and where we invest for growth and operational performance development. According to the circumstances, we add value in some of or all of the following areas:

- Internationalising sales channels and expanding the customer base, including via cross-selling initiatives and focussing sales development onto target market areas;

- Developing and expanding the product range;
- Investing in management capability ('scaling up') and succession planning;
- Implementing ESG initiatives;
- Capital investment in manufacturing and infrastructure;
- Improving manufacturing efficiency;
- Enabling growth with larger customers;
- Infrastructure efficiencies, such as warehousing and freight;
- Finance & administrative support, such as treasury, banking, legal, pension, tax, insurance, risk & control; and
- Expanding the business through further acquisitions.

During the period, the Group completed three acquisitions:-

1) In May 2021, Control Products Inc ("CPI"), a New Jersey, US-based designer and manufacturer of custom, rugged sensors and switches, for $11.4m (£8.1m) on a debt free, cash free basis.

2) In August 2021, Antenova, a UK-based designer and manufacturer of antennas and radio frequency (RF) modules for industrial connectivity applications, for £18.2m on a debt free, cash free basis.

3) In September 2021, Beacon EmbeddedWorks ("Beacon"), a US-based designer, manufacturer and supplier of custom System-on-Module (SOM) embedded computing boards and related software, principally supplying the medical and industrial markets in the US. Beacon was acquired for $80.5m (£58.8m) on a debt free, cash free basis.

All three have retained their distinct brand identities and high-quality management. Their complementary product ranges and wider access to customers will create cross-selling opportunities in our target markets which are expected to drive further growth.

The Group has completed 19 acquisitions since 2011, contributing to growth in continuing Group revenues from £15m in FY 2012/13 to £303m in FY 2020/21. The Group's operating model is well established and has facilitated the smooth integration of acquired businesses. Through a combination of investment in efficiency and leveraging of the broader Group's commercial infrastructure, the businesses acquired since 2011 and owned for at least two years delivered an average return on investment of 16% by FY 2020/21 over the life of those acquisitions, ahead of our target of 15%.

Group Financial Results

Revenue and Orders

Continuing Group sales of £174.3m were 15% higher organically than last year (H1 2020/21: £143.8m), and with acquired businesses (Phoenix and Limitor acquired last year, and CPI, Antenova and Beacon added this year) adding 9%, continuing sales increased by 24% CER. A stronger Sterling during the period, particularly compared with the US Dollar and Euro, reduced sales by 3% on translation for a net growth in reported continuing Group sales of 21%. Compared with two years ago, sales increased by 20% CER with 8% organic growth and 12% through acquisitions (the five acquisitions above together with Sens-Tech which was acquired in the last two years).

Continuing Revenue (£m)	**H1 2021/22**	**H1 2020/21**	**%**
Reported	174.3	143.8	21%
FX translation impact		(3.3)	
Underlying (CER)	174.3	140.5	24%
Acquisitions: last 12mths	(12.9)		
Acquisitions: last 24mths			
Organic	161.4	140.5	15%

H1 2021/22	**H1 2019/20**	**%**
174.3	149.4	17%
	(4.6)	
174.3	144.8	20%
(18.1)		
156.2	144.8	8%

Sales were driven by very strong order rates. Continuing orders increased by 75% CER to £221.2m, and by 64% organically compared with the Covid-impacted prior period and importantly, by 49% CER and 34% organically compared with the pre-Covid period 2 years ago.

The book to bill ratio for the period was 1.27:1 building on the improvement seen in the second half last year (book to bill: 1.16:1) as the Group recovered from the sharp impact of Covid in the first half last year (book to bill: 0.90:1). Two years ago the comparable book to bill ratio was 1.02:1.

Continuing Group Gross Margin and Gross Profit

The continuing Group's gross margin increased 1.1ppts in the first half to 38.6% (H1 2020/21: 37.5%). Organically, gross margin decreased by 0.1ppts, with higher gross margin acquisitions adding 1.2ppts.

Gross profit for the period was £67.2m, 25% higher than last year (H1 2020/21: £53.9m), being a combination of the 21% increase in continuing reported sales with 4% from the improvements in the continuing Group gross margin.

The Group continues with its policy of currency hedging transactional exposures from the point of order through to payment, typically hedging around six months of the order book.

Underlying Operating Costs

At the outset of Covid last year, the Group took prudent actions to preserve cash and reduce expenditure including deferral of discretionary spend, deferral of pay rises, a hiring freeze, and a three month 20% salary reduction for the Board and Group Executive Committee, the cumulative effect of which was to reduce Group underlying operating costs by 4% organically and by 7% sequentially (H2 2019/20 to H1 2020/21).

£m	H1 2021/22	H1 2020/21	%
Organic operating costs (pre LTIP/HO)	42.8	39.8	8%
Incremental LTIP related charges	1.6		
Central team investment	0.7		
Operating costs (inc LTIP/HO)	45.1	39.8	13%
Acquisition operating costs	4.1		
Underlying operating costs (CER)	49.2	39.8	24%
FX translation		0.5	
Underlying adjustments (see below)	9.7	6.1	
Reported operating costs	58.9	46.4	27%

£m	H1 2021/22	H1 2020/21
Selling and distribution costs	18.0	15.3
Administrative expenses	40.9	31.1
Reported operating costs	58.9	46.4

This period we have invested carefully in operating expenditure to ensure capacity to deliver strong sales growth, this year and in future, with costs increasing by 5% organically compared with the pre-Covid period, H1 2019/20, and 8% relative to last year. This excludes upscaling of central capabilities and incremental LTIP related charges.

We have invested in additional central resource to support our growth plans, including M&A, risk & internal audit, and ESG. Further investment is anticipated in the next 12 months in particular additional

Board and Group Executive Committee members as referred to above and additional IT resources to support D&M system upgrades.

With a share price which, by 30 September 2021, had risen 60% since the start of the year and 150% since the start of last year, the accrued cost of national insurance contributions ("NIC") on LTIPs, the increased rate of NIC from April 2022 and the EPS growth impact on share based payment accruals, has added an additional cost of £1.6m relative to last year.

Continuing Group Operating Profit and Margin

Continuing Group underlying operating profit for the period was £18.0m, a 32% increase on last year (H1 2020/21: £13.6m), delivering an underlying operating margin of 10.3%, 0.8ppts higher than last year (H1 2020/21: 9.5%).

Reported Group continuing operating profit for the period (after accounting for the underlying adjustments discussed below) was £8.3m, £0.8m (+11%) higher than last year.

Continuing operations £m	**H1 2021/22**			H1 2020/21		
	Operating profit	**Finance Cost**	**Profit before tax**	Operating profit	Finance cost	Profit before tax
Underlying	18.0	(1.9)	16.1	13.6	(1.9)	11.7
Underlying adjustments						
Acquisition expenses	(3.3)	–	(3.3)	(0.6)	–	(0.6)
Amortisation of acquired intangibles	(6.4)	–	(6.4)	(5.3)	–	(5.3)
IAS 19 pension cost				(0.2)	–	(0.2)
Reported	8.3	(1.9)	6.4	7.5	(1.9)	5.6

Underlying Adjustments

Underlying adjustments for the period comprise acquisition expenses of £3.3m (H1 2020/21: £0.6m), and the amortisation of acquired intangibles of £6.4m (H1 2020/21: £5.3m). From this period, the IAS 19 pension cost of £0.3m has been taken as a continuing cost of the business.

Acquisition expenses of £3.3m are the costs associated with the acquisitions during the period of CPI, Antenova and Beacon (£1.6m), accrued contingent consideration costs of £1.3m (mainly relating to the acquisitions of Cursor and Limitor) and the integration of Hobart into Noratel (£0.4m). The £1.1m increase in the amortisation charge since last year to £6.4m relates to the amortisation of intangibles relating to the five acquisitions since the first half last year. The annualised amortisation charge for next year is approximately £16.5m.

Financing Costs

Net finance costs for the period were £1.9m (H1 2020/21: £1.9m) and include a £0.4m charge for leased assets under IFRS 16 (H1 2020/21: £0.3m). Finance costs related to our banking facilities of £1.5m (H1 2020/21: £1.6m) reflect marginally lower average net debt during the period.

Underlying Tax Rate

The underlying effective tax rate for continuing operations in the first half was 25%, in line with last year's rate.

The overall effective tax rate for continuing operations was 53% (H1 2020/21: 34%). This was higher than the underlying effective tax rate due to there being tax relief on only a small amount of acquisition-related expenses and a lower rate of tax relief on the amortisation of acquired intangibles (both within

underlying adjustments above). The effective tax rate ("ETR") on intangibles was further impacted this period by the enactment of the increase in the UK corporate tax rate from 1 April 2023, resulting in a one-off increase in the deferred tax liability (a non-cash item).

£m	H1 2021/22		H1 2020/21	
	PBT	ETR	PBT	ETR
Continuing operations	16.1	25%	11.7	25%
Acquisition expenses	(3.3)	4%	(0.6)	0%
Amortisation of acquired intangibles	(6.4)	7%	(5.3)	19%
IAS 19 pension cost			(0.2)	19%
Total reported	6.4	53%	5.6	34%

Continuing Group Profit Before Tax and EPS

Underlying profit before tax for the period of £16.1m was £4.4m higher (+38%) than last year (H1 2020/21: £11.7m), with underlying EPS for the period increasing by 37% to 13.0p (H1 2020/21: 9.5p). The increase in underlying EPS was slightly lower than that for underlying profit before tax due to the issuance of new equity in September 2021 increasing fully diluted shares by 1% to 93.3m shares (H1: 2020/21: 92.2m shares). The annualised fully diluted shares for the full year is expected to be c. 96m shares.

After the underlying adjustments above, reported profit before tax on continuing operations was £6.4m, an increase of £0.8m (+14%) compared with last year (H1 2020/21: £5.6m). With the reported effective tax rate for the period of 53% being higher than last year's rate of 34% (for the reasons mentioned above), the resulting reported fully diluted earnings per share on continuing operations was 3.2p, 0.8p lower than last year (H1 2020/21: 4.0p).

Continuing operations £m	H1 2021/22		H1 2020/21	
	PBT	EPS	PBT	EPS
Underlying	16.1	13.0p	11.7	9.5p
Underlying adjustments				
Acquisition expenses	(3.3)		(0.6)	
Amortisation of acquired intangibles	(6.4)		(5.3)	
IAS 19 pension cost			(0.2)	
Reported	6.4	3.2p	5.6	4.0p

Discontinued Operations

Since the end of the period, the Group has announced the disposals of the Acal BFi and Vertec SA distribution businesses which have been treated for accounting purposes together as a discontinued operation. In accordance with IFRS 5, net profits of the discontinued operation have been shown separately to the results of the continuing operations.

£m	H1 2021/22		H1 2020/21	
	PAT	EPS	PAT	EPS
Continuing operations	3.0	3.2p	3.7	4.0p
Discontinued operations	3.2	3.4p	1.6	1.8p
Total operations	6.2	6.6p	5.3	5.8p

In accordance with IFRS 5, net assets of the discontinued operation of £55.8m as at 30 September 2021 (including cash in the operation of £26.2m) have been categorised on the Group balance sheet as assets held for sale comprising assets of £91.2m and liabilities of £35.4m.

Working Capital

D&M divisional working capital at 30 September 2021 was £60.5m, equivalent to 16.9% of sales, an efficiency improvement of 0.8ppts since last year (30 September 2020: £48.4m of working capital at 17.7% of sales). Absolute working capital has increased to support the strong organic growth in sales, and also by incorporating the working capital of five acquisitions since the first half last year. Working capital KPIs have remained robust with debtors days of 50, creditor days of 71 and stock turns of 3.3.

Cash Flow

Net debt at 30 September 2021 was £75.6m compared with £47.2m at 31 March 2021 and £42.1m at 30 September 2020. Excluding dividends, acquisitions and equity raised, free cash flow over the last 12 months was £28.1m, at 95% of underlying profit after tax (including disposals), demonstrating continuing strong cash generation by the Group.

	H1 2021/22	H1 2020/21	Last 12 Months
Opening net debt	(47.2)	(61.3)	(42.1)
Free cash flow (see table below)	10.6	20.1	28.1
Acquisition-related costs	(86.7)	(0.2)	(108.3)
Equity issuance	53.4	–	53.5
Dividends	(6.2)	–	(9.0)
Foreign exchange impact	0.5	(0.7)	2.2
Net debt at 30 Sept	**(75.6)**	**(42.1)**	**(75.6)**

Net acquisition-related costs of £86.7m in the period comprised £58.8m for the acquisition of Beacon in September 2021, £18.2m for Antenova in August 2021 and £8.1m for CPI in May 2021 (all on debt free, cash free bases). Additionally there were £1.6m of expenses associated with acquisitions and disposals during the period. Together with the acquisitions of Phoenix and Limitor during the six month period ended 31 March 2021, a total of £108.3m has been spent on acquisitions during the last 12 months.

A 6% placing of shares in September 2021 raised net equity proceeds of £53.4m, while the final dividend for the last financial year of £6.2m was paid in July 2021, being a 6% increase on the final dividend for the year ended 31 March 2019; no final dividend was declared for the year ended 31 March 2020 as management sought to preserve cash at the outset of Covid.

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 for the last 12 months, are shown below:

£m	H1 2021/22	H1 2020/21	Last 12 Months
Underlying profit before tax	16.1	11.7	32.3
Discontinued profit before tax	4.6	2.1	6.1
Total profit before tax	**20.7**	**13.8**	**38.4**
Net finance costs	2.0	2.0	3.7
Non-cash items	7.8	6.9	14.1
Total EBITDA	**30.5**	**22.7**	**56.2**
IFRS 16	(3.5)	(3.4)	(6.8)
EBITDA (pre IFRS16)	**27.0**	**19.3**	**49.4**
Working capital	(8.1)	7.9	(4.4)
Capital expenditure	(2.8)	(1.5)	(4.9)
Operating cash flow	**16.1**	**25.7**	**40.1**
Finance costs	(1.6)	(1.7)	(3.0)
Taxation	(3.0)	(3.0)	(7.2)
Legacy pensions	(0.9)	(0.9)	(1.8)
Free cash flow	**10.6**	**20.1**	**28.1**

Total EBITDA of £30.5m was 34% higher than the Covid-impacted last year (H1 2020/21: £22.7m) and 26% higher than the pre-Covid period two years ago (H1 2019/20: £24.2m) reflecting strong organic sales growth combined with contributions from the five acquisitions made since the first half last year.

During the period, the Group invested £8.1m in working capital to support the organic sales growth contrasting with last year's £7.9m inflow resulting from the reduction in sales following the onset of the Covid. In total, a net £4.4m has been invested in working capital in the last 12 months.

Capital expenditure of £2.8m was invested during the period including capacity expansions in Mexico and on ESG initiatives including solar panels in Sri Lanka, the largest Group facility. While ahead of last year (£1.5m), when expenditure was reduced to maintenance spend only, this was still below our spend of two years ago (H1 2019/20: £3.2m). Capital expenditure levels are expected to increase in the second half to around £8.0m for the full year as we continue to invest in additional capacity and roll out of our ESG initiatives.

£16.1m of operating cash was generated in the first half; together with £24.0m generated in the second half of last year, a total of £40.1m of operating cash was generated over the last 12 months. While this was below last year's £55.8m, this was due to working capital inflows last year of £18.0m resulting from the reduction in sales due to Covid. Excluding working capital, operating cash in the last 12 months was up 18% on last year. It was also 19% higher than for the pre-Covid 12-month period two years ago (12 month operating cash to 30 Sept 2019: £33.8m). £40.1m of operating cash flow represents 95% of underlying operating profit during the last 12 months (including disposals), above our 85% target. Over the last eight years, the Group has consistently achieved high levels of cash conversion, averaging in excess of 100%.

Finance cash costs of £1.6m were marginally below last year while corporate income tax payments of £3.0m were in line with last year. Further payment of taxes in the second half of c.£4m are expected.

Free cash flow (being cash flow before dividends, acquisitions and equity) for the last 12 months was £28.1m. which was 29% higher than last year excluding working capital. Compared with the pre-Covid period two years ago, free cash flow was up 16% (12 month free cash flow to 30 Sept 2019: £24.2m). Our free cash conversion over the last 12 months was 95% of underlying profit after tax (including disposals), again well ahead of our 85% target.

Banking Facilities

The Group has a £180m syndicated banking facility which extends to June 2024, together with a £60m accordion increasing the total facility to £240m if required. The syndicated facility is available both for acquisitions and for working capital purposes.

With net debt at 30 September 2021 of £75.6m, the Group's gearing ratio at the end of the period (being net debt divided by underlying EBITDA as annualised for acquisitions) was 1.3x. Including the announced disposals of the Acal BFi and Vertec South Africa distribution businesses, pro-forma gearing at 30 September 2021 reduced to 0.9x, with our target gearing range being between 1.5x and 2.0x, leaving plenty of funding capacity for future acquisitions.

Balance Sheet

Net assets of £269.3m at 30 September 2021 were £60.5m higher than at the end of the last financial year (31 March 2021: £208.8m). The increase primarily relates to the net issuance of equity of £53.5m, nearly all being the placing in September 2021, with net profit after tax for the period of £6.2m being offset by last year's final dividend of £6.2m paid this period. The movement in net assets is summarised below:

£m	H1 2021/22
Net assets at 31 March 2021	208.8
Net profit after tax	6.2
Dividend paid	(6.2)
Net equity issuance	53.5
Currency net assets – translation impact	2.7
Gain on defined benefit scheme	0.3
Share based payments (inc tax)	4.0
Net assets at 30 September 2021	**269.3**

Defined Benefit Pension Scheme

The Group's IAS 19 pension liability, associated with its legacy defined benefit pension scheme, reduced during the last 12 months by £1.2m from a liability of £1.1m at 30 September 2020 to an asset of £0.1m at 30 September 2021, the key driver being the annual payment made during the year of £1.8m.

An annual payment of £1.9m is currently payable, growing by 3% each year until September 2022 in accordance with the plan agreed with the pension trustees as part of the last agreed triennial valuation dated 31 March 2018. The next triennial valuation as at 31 March 2021 is currently being assessed.

Risks and Uncertainties

The principal risks faced by the Group are set out on pages 47 to 52 of the Group's Annual Report for year ended 31 March 2021, a copy of which is available on the Group's website: www.discoverieplc.com. These risks comprise: the economic environment, particularly linked to the impact of Covid; the impact arising from the UK's decision to leave the European Union; the performance of acquired companies; climate-related risks; loss of major customers or suppliers; technological change; major business disruption; cyber security; loss of key personnel; inventory obsolescence; product liability; liquidity and debt covenants; exposure to adverse foreign currency movements; obligations in respect of a legacy defined benefit pension scheme; and non-compliance with legal and regulatory requirements.

The Board has continued to review the Group's existing and emerging risks and the mitigating actions and processes in place in the first half of the financial year, taking specific consideration of the impact of Covid. Following this review the Board believes there has been no material change to the relative importance or quantum of the Group's principal risks in the first half of the current financial year. The risk assessment and review are an ongoing process, and the Board will continue to monitor risks and the mitigating actions in place.

The Group's risk management processes cover identification, impact assessment, likely occurrence and mitigation actions where practicable. 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, committed banking facility of £180m and the adaptability we have as an organisation.

Summary and Outlook

These strong results demonstrate the strength of the discoverIE business model, with record growth in orders, order book and underlying earnings per share, which increased by 37% and follows a resilient performance last year through Covid. Revenues and earnings are now well ahead of the pre-Covid period and I would like to thank all employees around the Group for their tremendous effort and flexibility over the last 18 months that has led to these results.

The announced sale of Acal BFi earlier this month concludes the Group's exit from the business of distribution, with discoverIE now becoming a solely focused global designer and manufacturer of customised electronics. We have raised our medium-term strategic targets accordingly and our continuing focus is on achieving organic growth with new design wins in sustainable target markets, together with accretive acquisitions.

The second half has started well with continued order and sales growth over the same period last year and two years ago, and the Group is on track to deliver full year underlying earnings for the continuing operations ahead of the Board's previous expectations despite ongoing supply chain and foreign exchange headwinds.

With a clear strategy focused on long-term, high quality, structural growth markets across Europe, North America and Asia, a diversified customer base, a record order book and a strong pipeline of acquisition opportunities, the Group is well positioned to make further progress on its key priorities.

Nick Jefferies
Group Chief Executive

Simon Gibbins
Group Finance Director

30 November 2021

Condensed consolidated income statement (unaudited)

for the six months ended 30 September 2021

	Notes	**Six months ended 30 Sept 2021 £m**	Six months ended 30 Sept 2020* £m	Year ended 31 Mar 2021* £m
Continuing operations				
Revenue	4	**174.3**	143.8	302.8
Cost of sales		**(107.1)**	(89.9)	(187.7)
Gross profit		**67.2**	53.9	115.1
Selling and distribution costs		**(18.0)**	(15.3)	(32.3)
Administrative expenses (including underlying adjustments)		**(40.9)**	(31.1)	(65.7)
Operating profit	4	**8.3**	7.5	17.1
Finance income		**0.2**	0.1	0.3
Finance costs		**(2.1)**	(2.0)	(3.9)
Profit before tax		**6.4**	5.6	13.5
Tax expense	6	**(3.4)**	(1.9)	(4.0)
Profit for the period from continuing operations		**3.0**	3.7	9.5
Discontinued operations				
Profit for the period from discontinued operations		**3.2**	1.6	2.5
Profit for the period		**6.2**	5.3	12.0
Earnings per share				
Basic, profit from continuing operations	8	**3.3p**	4.2p	10.7p
Diluted, profit from continuing operations	8	**3.2p**	4.0p	10.3p
Basic, profit for the year	8	**6.9p**	6.0p	13.5p
Diluted, profit for the year	8	**6.6p**	5.8p	13.0p

Supplementary income statement information

Underlying Performance Measure	Notes	**Six months ended 30 Sept 2021 £m**	Six months ended 30 Sept 2020* £m	Year ended 31 Mar 2021* £m
Operating profit	4	**8.3**	7.5	17.1
Add: Acquisition and merger expenses	5	**3.3**	0.6	1.2
Amortisation of acquired intangible assets	5	**6.4**	5.3	11.1
IAS 19 pension charge		**–**	0.2	1.4
Underlying operating profit		**18.0**	13.6	30.8
Profit before tax		**6.4**	5.6	13.5
Add: Acquisition and merger expenses	5	**3.3**	0.6	1.2
Amortisation of acquired intangible assets	5	**6.4**	5.3	11.1
Total IAS 19 pension charge	5	**–**	0.2	1.4
Underlying profit before tax		**16.1**	11.7	27.2
Underlying earnings per share	8	**13.0p**	9.5p	22.4p

* Re-presented for discontinued operations (note 10)

Condensed consolidated statement of comprehensive income (unaudited)

for the six months ended 30 September 2021

	Unaudited six months ended 30 Sept 2021 £m	Unaudited six months ended 30 Sept 2020 £m	Audited year ended 31 Mar 2021 £m
Profit for the period	**6.2**	5.3	12.0
Other comprehensive income/(loss):			
Items that will not be subsequently reclassified to profit or loss:			
Actuarial gain/(loss) on defined benefit pension scheme	**0.4**	(3.6)	(3.4)
Deferred tax (charge)/credit relating to defined benefit pension scheme	**(0.1)**	0.7	0.6
	0.3	(2.9)	(2.8)
Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign subsidiaries	**2.7**	3.3	(0.5)
	2.7	3.3	(0.5)
Other comprehensive income/(loss) for the period, net of tax	**3.0**	0.4	(3.3)
Total comprehensive income for the period, net of tax	**9.2**	5.7	8.7

Condensed consolidated statement of financial position (unaudited)

at 30 September 2021

	Notes	**Unaudited at 30 Sept 2021 £m**	Unaudited at 30 Sept 2020 £m	Audited at 31 March 2021 £m
Non-current assets				
Property, plant and equipment		**22.8**	24.6	23.5
Intangible assets – goodwill		**172.7**	119.7	127.9
Intangible assets – other		**97.0**	59.8	63.3
Right of use assets		**22.5**	20.6	22.4
Pension surplus	13	**0.1**	–	–
Deferred tax assets		**11.0**	7.5	7.9
		326.1	232.2	245.0
Current assets				
Inventories		**70.1**	69.3	67.7
Trade and other receivables		**63.9**	80.4	84.9
Current tax assets		**1.8**	2.1	1.8
Cash and cash equivalents	12	**19.9**	30.3	29.2
		155.7	182.1	183.6
Assets in a disposal group classified as held for sale	10	**91.2**	–	–
Total assets		**573.0**	414.3	428.6
Current liabilities				
Trade and other payables		**(88.1)**	(85.2)	(94.8)
Other financial liabilities		**(2.1)**	(3.6)	(0.8)
Lease liabilities		**(4.6)**	(5.2)	(4.8)
Current tax liabilities		**(8.0)**	(6.5)	(5.6)
Provisions		**(2.0)**	(1.1)	(1.8)
		(104.8)	(101.6)	(107.8)
Non-current liabilities				
Trade and other payables		**(1.4)**	(3.7)	(0.8)
Other financial liabilities		**(119.6)**	(68.8)	(75.6)
Lease liabilities		**(17.0)**	(14.8)	(16.7)
Pension liability	13	**–**	(1.1)	(1.0)
Provisions		**(4.5)**	(4.7)	(5.4)
Deferred tax liabilities		**(21.0)**	(12.6)	(12.5)
		(163.5)	(105.7)	(112.0)
Liabilities in a disposal group classified as held for sale	10	**(35.4)**	–	–
Total liabilities		**(303.7)**	(207.3)	(219.8)
Net assets		**269.3**	207.0	208.8
Equity				
Share capital		**4.7**	4.4	4.4
Share premium account		**192.0**	138.8	138.8
Merger reserve		**13.7**	22.7	19.9
Currency translation reserve		**–**	1.1	(2.7)
Retained earnings		**58.9**	40.0	48.4
Total equity		**269.3**	207.0	208.8

Condensed consolidated statement of changes in equity (unaudited)
for the six months ended 30 September 2021

	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 2021	4.4	138.8	19.9	(2.7)	48.4	208.8
Profit for the period	–	–	–	–	6.2	6.2
Other comprehensive income	–	–	–	2.7	0.3	3.0
Total comprehensive income	–	–	–	2.7	6.5	9.2
Shares issued	0.3	53.2	–	–	–	53.5
Share-based payments including tax	–	–	–	–	4.0	4.0
Transfer to retained earnings	–	–	(6.2)	–	6.2	–
Dividends	–	–	–	–	(6.2)	(6.2)
At 30 September 2021 - unaudited	**4.7**	**192.0**	**13.7**	**–**	**58.9**	**269.3**
At 1 April 2020	4.4	138.8	22.7	(2.2)	36.8	200.5
Profit for the period	–	–	–	–	5.3	5.3
Other comprehensive income	–	–	–	3.3	(2.9)	0.4
Total comprehensive income	–	–	–	3.3	2.4	5.7
Share-based payments including tax	–	–	–	–	0.8	0.8
At 30 September 2020 – unaudited	4.4	138.8	22.7	1.1	40.0	207.0
At 1 April 2020	4.4	138.8	22.7	(2.2)	36.8	200.5
Profit for the period	–	–	–	–	12.0	12.0
Other comprehensive loss	–	–	–	(0.5)	(2.8)	(3.3)
Total comprehensive income	–	–	–	(0.5)	9.2	8.7
Share-based payments including tax	–	–	–	–	2.4	2.4
Transfer to retained earnings	–	–	(2.8)	–	2.8	–
Dividends	–	–	–	–	(2.8)	(2.8)
At 31 March 2021 - audited	4.4	138.8	19.9	(2.7)	48.4	208.8

As at 30 September 2021, the Company's issued share capital consisted of 94,806,109 ordinary shares of 5p each (31 March 2021: 89,455,915 ordinary shares of 5p each).

Condensed consolidated statement of cash flows (unaudited)

for the six months ended 30 September 2021

	Notes	**Unaudited six months ended 30 Sept 2021 £m**	Unaudited six months ended 30 Sept 2020 £m	Audited year ended 31 Mar 2021 £m
Net cash inflow from operating activities	11	**13.9**	24.7	46.6
Investing activities				
Acquisitions of businesses (net of cash/(debt) acquired)		**(83.9)**	–	(20.8)
Purchase of property, plant and equipment		**(2.6)**	(1.3)	(3.2)
Purchase of intangible assets - software		**(0.2)**	(0.2)	(0.7)
Proceeds from disposal of property, plant and equipment		–	–	0.3
Interest received		**0.2**	0.1	0.3
Net cash used in investing activities		**(86.5)**	(1.4)	(24.1)
Financing activities				
Net proceeds from the issue of shares		**53.4**	–	0.1
Proceeds from borrowings		**100.0**	–	9.3
Repayment of borrowings		**(56.5)**	(26.6)	(27.8)
Principal element of lease payments		**(3.1)**	(3.1)	(6.1)
Interest paid on lease liabilities		**(0.4)**	(0.3)	(0.6)
Dividends paid		**(6.2)**	–	(2.8)
Net cash generated/(absorbed) from financing activities		**87.2**	(30.0)	(27.9)
Net increase/(decrease) in cash and cash equivalents		**14.6**	(6.7)	(5.4)
Cash and cash equivalents at beginning of period		**28.2**	34.8	34.8
Net foreign exchange differences		**1.0**	0.4	(1.2)
Cash and cash equivalents at end of period		**43.8**	28.5	28.2

Reconciliation to cash and cash equivalents in the condensed consolidated statement of financial position				
Cash and cash equivalents shown above		**43.8**	28.5	28.2
Less cash within assets held for sale	10	**(26.2)**	–	–
Add bank overdrafts		**2.3**	1.8	1.0
Cash and cash equivalents in the condensed consolidated statement of financial position		**19.9**	30.3	29.2

Further information on the condensed consolidated statement of cash flows is provided in notes 11 and 12.

Notes to the interim condensed consolidated financial statements
for the six months ended 30 September 2021

1. Corporate information

discoverIE Group 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 discoverIE Group 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 2021 were authorised for issue by the Board of Directors on 30 November 2021. 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 2021 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 United Kingdom. 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 consolidated financial statements for the year ended 31 March 2021, which were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the applicable legal requirements of the Companies Act 2006. The consolidated 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 2021 are available on request from the Company's registered office or on its website.

As at 30 September 2021 the Group's financial position remains robust with a £180m syndicated banking facility which extends to June 2024, together with a £60m accordion increasing the total facility to £240m if required. Net debt at 30 September 2021 was £75.6m compared with £47.2m at the year end. The Group's gearing ratio at the end of the period (being net debt divided by underlying EBITDA as annualised for acquisitions) was 1.3x compared with 1.1x at 31 March 2021 (0.9x pro-forma at 30 September 2021 including the impact of the recently announced disposal of Acal BFi distribution business and Vertec SA). This compares with a financial covenant of less than 3.0x.

The Directors have reviewed the latest available forecasts to assess the cash requirements of the Group to continue in operational existence for a minimum period of 12 months from the date of approval of these interim financial statements. The Directors have also reviewed the downside scenarios to the forecasts taking into account the principal risks and uncertainties as set out in the Annual Report and Accounts for the year ended 31 March 2021. None of the scenarios result in a breach of the Group's available debt facility or covenants and accordingly the Directors 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 2021. 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 2021.

Discontinued operations and assets held for sale

The Group reports a business as a discontinued operation when it has been disposed of in a period, or its future sale is considered to be highly probable at the balance sheet date, and results in the cessation of a major line of business or geographical area of operation. An asset or liability is classified as held for sale if it is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and that it is highly probable the asset will be sold within one year from the date of classification.

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 acquisition related expenditure (namely amortisation of acquired intangible assets and acquisition and merger expenses).

Acquisition and merger expenses comprise all attributable costs in connection with business acquisitions and disposals and any related integration into the Group. They include contingent consideration where it is treated as an expense and movement in contingent consideration where it is treated as part of the purchase price outside of the 12 month measurement period.

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

Total EBITDA
"Total EBITDA" is defined as underlying EBITDA plus EBITDA of discontinued operations.

Underlying profit before tax
"Underlying profit before tax" is defined as profit before tax from continuing operations excluding acquisition related expenditure (namely amortisation of acquired intangible assets and acquisition and merger expenses).

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 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.

Operating cash flow
"Operating cash flow" is defined as total 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 dividend payments, net proceeds from equity fund raising, the cost of acquisitions and proceeds from business disposals.

Return On Capital Employed ("ROCE")
"ROCE" is defined as underlying operating profit as a percentage of net assets plus net debt, excluding acquisitions in the current period.

Organic basis
Reference to 'organic' basis included in the Strategic, Operational and Financial Review means at constant exchange rates ("CER"), and is shown excluding the first 12 months of acquisitions post completion (Phoenix was acquired in October 2020, Limitor in February 2021, CPI in May 2021, Antenova in August 2021 and Beacon in September 2021). Organic growth compared with two years ago excludes the first 24 months of acquisitions so also excludes Sens-Tech acquired in October 2019.

3. New accounting standards and financial reporting requirements

New standards not yet effective

There are no IFRSs or IFRIC interpretations applicable for the current reporting period that have a material impact on the current or future reporting periods.

4. Segmental reporting

Following the announcement of the disposal of the Acal BFi distribution business and Vertec SA, the Custom Supply segment has been classified as discontinued operations. The small residual business in the Custom Supply segment has been transferred to the continuing Design & Manufacturing division. The prior periods have been re-presented to reflect this change.

The Design & Manufacturing division manufactures custom electronic products that are uniquely designed or modified from a standard product for a specific customer requirement. The products are manufactured at one of our in-house manufacturing facilities or, in some cases, by third party contractors.

Six months to 30 September 2021

	Design & Manufacturing £m	Unallocated costs £m	Total continuing operations £m
Revenue	**174.3**	–	**174.3**
Underlying operating profit/(loss)	**23.9**	**(5.9)**	**18.0**
Acquisition and merger expenses	(3.3)	–	(3.3)
Amortisation of acquired intangible assets	(6.4)	–	(6.4)
Operating profit/(loss)	**14.2**	**(5.9)**	**8.3**

Six months to 30 September 2020

	Design & Manufacturing* £m	Unallocated costs £m	Total continuing operations £m
Revenue	143.8	–	143.8
Underlying operating profit/(loss)	17.5	(3.9)	13.6
Acquisition and merger expenses	(0.6)	–	(0.6)
Amortisation of acquired intangible assets	(5.3)	–	(5.3)
IAS 19 pension charge	–	(0.2)	(0.2)
Operating profit/(loss)	11.6	(4.1)	7.5

Year to 31 March 2021

	Design & Manufacturing* £m	Unallocated costs £m	Total continuing operations £m
Revenue	302.8	–	302.8
Underlying operating profit/(loss)	38.9	(8.1)	30.8
Acquisition and merger expenses	(1.2)	–	(1.2)
Amortisation of acquired intangible assets	(11.1)	–	(11.1)
IAS 19 pension charge	–	(1.4)	(1.4)
Operating profit/(loss)	26.6	(9.5)	17.1

* Re-presented for discontinued operations (note 10)

5. Underlying profit before tax

		Six months ended 30 Sept 2021 £m	Six months ended 30 Sept 2020* £m	Year ended 31 Mar 2021* £m
Profit before tax		6.4	5.6	13.5
Add back: Acquisition and merger expenses	(a)	3.3	0.6	1.2
Amortisation of acquired intangibles	(b)	6.4	5.3	11.1
IAS19 pension costs	(c)	–	0.2	1.4
Underlying profit before tax		16.1	11.7	27.2

* Re-presented for discontinued operations (note 10)

The tax impact of the underlying profit adjustments above is a credit of £0.6m (H1 2020/21: £1.0m).

a) Acquisition and merger related expenses of £3.3m comprise £1.6m of transaction costs in relation to the acquisition of CPI, Antenova, Beacon and ongoing transactions; £1.3m of charge relating to the movement in fair value of contingent consideration on past acquisitions; and £0.4m charge in relation to the integration of acquired businesses in North America.

   During the prior year there were £1.2m of acquisition and merger related expenses. £1.0m of transaction costs were incurred in relation to the acquisition of Phoenix, Limitor and ongoing transactions. There was a net contingent consideration credit of £0.2m in relation to current and past acquisitions and £0.4m charge in relation to the integration of acquired businesses in North America.

b) Amortisation charge for intangible assets recognised for business combinations. The increase in charge from the comparative period in the prior year reflects the full year impact of acquisitions in the prior year and the acquisitions in the current financial year.

c) Pension costs in the prior periods related to the Group's legacy defined benefit pension scheme..

6. Taxation

The underlying tax charge for continuing operations for the period was £4.0m (H1 2020/21: £2.9m) giving an underlying effective tax rate on underlying profit before tax of 25% (H1 2020/21: 25%) which is 1% higher than the rate for FY 2020/21 of 24%. The prior year rate benefitted to a greater extent from the recognition of certain tax losses.

The tax credit in respect of the underlying adjustments to continuing operations was £0.6m (H1 2020/21: £1.0m). This gives an overall tax charge for the period of £3.4m (H1 2020/21: £1.9m) on profit before tax from continuing operations of £6.4m (H1 2020/21: £5.6m) which is an effective tax rate of 53% (H1 2020/21: 34%). The higher effective rate is partly due to limited tax relief available on acquisition and merger expenses. In addition, the tax credit on amortisation of acquired intangibles was impacted by the increase in the UK corporation tax rate from 19% to 25% with effect from FY 2023/24 onwards, which was substantively enacted in May 2021. The overall tax charge for the period was increased by £0.7m to reflect the resulting increase in the deferred tax liability on intangibles.

7. Dividends

The Directors have declared an interim dividend of 3.35 pence per share (H1 2020/21: 3.15 pence) payable on 14 January 2022 to shareholders on the register at 17 December 2021.

In accordance with IAS 10, this dividend has not been reflected in the interim results. The cash cost of the interim dividend will be £3.2m (H1 2020/21: £2.8m).

8. Earnings per share

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

	Six months ended 30 Sept 2021 £m	Six months ended 30 Sept 2020* £m	Year ended 31 Mar 2021* £m
Continuing operations	**3.0**	3.7	9.5
Discontinued operations	**3.2**	1.6	2.5
Profit for the period	**6.2**	5.3	12.0
	Number	Number	Number
Weighted average number of shares for basic earnings per share	**89,606,780**	88,740,383	88,753,576
Effect of dilution - share options	**3,701,699**	3,430,052	3,469,048
Adjusted weighted average number of shares for diluted earnings per share	**93,308,479**	92,170,435	92,222,624
Earnings per share from continuing operations – basic	**3.3p**	4.2p	10.7p
Earnings per share from continuing operations – diluted	**3.2p**	4.0p	10.3p
Earnings per share – basic	**6.9p**	6.0p	13.5p
Earnings per share – diluted	**6.6p**	5.8p	13.0p

* Re-presented for discontinued operations (note 10)

At the period end, there were 4.1 million ordinary share options in issue that could potentially dilute earnings per share in the future, of which 3.7 million are currently dilutive (30 September 2020: 3.9 million in issue and 3.4 million dilutive, 31 March 2021: 3.9 million in issue and 3.5 million dilutive).

Underlying earnings per share

Underlying earnings per share are calculated as follows:

	Six months ended 30 Sept 2021 £m	Six months ended 30 Sept 2020* £m	Year ended 31 Mar 2021* £m
Profit for the period from continuing operations	**3.0**	3.7	9.5
Acquisition and merger expenses	**3.3**	0.6	1.2
Amortisation of acquired intangible assets	**6.4**	5.3	11.1
IAS 19 pension costs	**–**	0.2	1.4
Tax effects of acquisition costs, exceptional items, amortisation of acquired intangible assets and IAS 19 pension costs	**(0.6)**	(1.0)	(2.5)
Underlying profit for the period	**12.1**	8.8	20.7
	Number	Number	Number
Weighted average number of shares for basic earnings per share	**89,606,780**	88,740,383	88,753,576
Effect of dilution - share options	**3,701,699**	3,430,052	3,469,048
Adjusted weighted average number of shares for diluted earnings per share	**93,308,479**	92,170,435	92,222,624
Underlying earnings per share	**13.0p**	9.5p	22.4p

* Re-presented for discontinued operations (note 10)

9. Business combinations

Acquisitions in the period ended 30 September 2021

Acquisition of CPI

On 13 May 2021, the Group completed the acquisition of Control Products Inc ("CPI") via the purchase of 100% of the share capital and voting equity interests of Calculagraph Corporation, and which trades under the name of Control Products Inc ("CPI"). CPI, based in the USA, is a designer and manufacturer of custom, rugged sensors and switches.

CPI was acquired for an initial cash consideration of £8.7m ($12.2m), before expenses, funded from the Group's existing debt facilities. In addition, a contingent payment of up to £3.8m ($5.4m) will be payable subject to CPI achieving certain operational and profit growth targets during the four-year period ending 31 March 2025. £2.2m ($3.2m) fair value of contingent consideration has been accounted for in the purchase price at the acquisition date. There has been no change in the fair value of contingent consideration between the acquisition date and 30 September 2021.

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

	Provisional fair value recognised at acquisition £m
Intangible assets – other *(customer relationships)*	4.4
Right of use assets	0.6
Inventories	0.9
Trade and other receivables	0.4
Net cash	0.6
Trade and other payables	(0.4)
Lease liabilities	(0.6)
Total identifiable net assets	**5.9**
Provisional goodwill arising on acquisition	**5.2**
Total investment	**11.1**
Discharged by	
Cash	8.7
Purchase price adjustments	0.2
Contingent consideration	2.2
	11.1

Net cash outflows in respect of the acquisition comprise:

	Total £m
Cash consideration	8.7
Transaction costs of the acquisition (included in operating cash flows) [1]	0.3
Net cash acquired	(0.6)
	8.4

1) Acquisition costs of £0.3m and £0.1m were expensed as incurred in the period ended 30 September 2021 and the year ended 31 March 2021 respectively. These were included within administrative expenses.

Included in cash flow from investing activities is the cash consideration of £8.7m and the net cash acquired of £0.6m.

Acquisition of Antenova

On 25 August 2021, the Group completed the acquisition of 100% of the share capital and voting equity interests of Antenova Ltd ("Antenova"). Antenova, based in the UK, is a designer and manufacturer of antennas and radio frequency (RF) modules for industrial connectivity applications.

Antenova was acquired for a cash consideration of £20.5m, before expenses, funded from the Group's existing debt facilities.

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

	Provisional fair value recognised at acquisition £m
Property, plant and equipment	0.2
Intangible assets –other *(customer relationships)*	8.6
Right of use assets	0.8
Inventories	0.6
Trade and other receivables	0.9
Net cash	3.0
Trade and other payables	(1.2)
Current tax liabilities	(0.1)
Deferred tax liabilities	(1.9)
Lease liabilities	(0.8)
Total identifiable net assets	**10.1**
Provisional goodwill arising on acquisition	**10.6**
Total investment	**20.7**
Discharged by	
Cash	20.5
Purchase price adjustments	0.2
	20.7

Net cash outflows in respect of the acquisition comprise:

	Total £m
Cash consideration	20.5
Transaction costs of the acquisition (included in operating cash flows) [1]	0.4
Net cash acquired	(3.0)
	17.9

1) Acquisition costs of £0.4m were expensed as incurred in the period ended 30 September 2021. These were included within administrative expenses.

Included in cash flow from investing activities is the cash consideration of £20.5m and the net cash acquired of £3.0m.

Notes to the interim condensed consolidated financial statements
for the six months ended 30 September 2021

Acquisition of Beacon

On 2 September 2021, the Group completed the acquisition of Beacon EmbeddedWorks ("Beacon") via the purchase of 100% of the share capital and voting equity interests of Logic PD Inc which trades under the name of Beacon EmbeddedWorks ("Beacon"). Beacon, based in the USA, designer, manufacturer and supplier of custom System on Module (SOM) embedded computing boards and related software, supplying the medical, industrial and aerospace & defence markets in the US.

Beacon was acquired for a cash consideration of £57.7m ($79.4m), before expenses, funded from the Group's existing debt facilities.

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

	Provisional fair value recognised at acquisition £m
Property, plant and equipment	0.4
Intangible assets – other *(customer relationships)*	26.2
Right of use assets	2.1
Inventories	2.9
Trade and other receivables	1.9
Trade and other payables	(3.9)
Deferred tax liabilities	(6.3)
Lease liabilities	(2.1)
Total identifiable net assets	**21.2**
Provisional goodwill arising on acquisition	**36.5**
Total investment	**57.7**
Discharged by	
Cash	57.7
	57.7

Net cash outflows in respect of the acquisition comprise:

	Total £m
Cash consideration	57.7
Transaction costs of the acquisition (included in operating cash flows) [1]	0.7
	58.4

1) Acquisition costs of £0.7m were expensed as incurred in the period ended 30 September 2021. These were included within administrative expenses.

Included in cash flow from investing activities is the cash consideration of £57.7m.

Acquisitions in the year ended 31 March 2021

A purchase price adjustment of £0.6m was paid during the first half in connection with the Limitor acquisition made in the prior year. No other changes have been made to the provisional values of the assets and liabilities recorded as part business combinations in the prior year.

10. Discontinued operations and assets held for sale

The Group announced the disposal of Vertec SA on 4 October 2021 and the disposal of Acal BFi on 9 November 2021. The completion of sale of the two businesses is subject to certain consultation requirements and regulatory approvals which are expected to be received during the current financial year.

As at 30 September 2021, the disposal group was available for immediate sale in its present condition and the sale was considered highly probable. The assets and liabilities of the disposal group have been classified as held for sale in the condensed statement of financial position. The disposal group also represents a major line of business and has been reported as discontinued operations.

The results of the discontinued operations for the period and the prior periods are presented below:

	Six months ended 30 Sept 2021 £m	Six months ended 30 Sept 2020 £m	Year ended 31 Mar 2021 £m
Revenue	**86.5**	74.1	151.5
Cost of sales	**(63.2)**	(55.7)	(111.3)
Gross profit	**23.3**	18.4	40.2
Selling and distribution costs	**(12.2)**	(11.2)	(25.5)
Administrative expenses*	**(6.4)**	(5.0)	(11.1)
Operating profit	**4.7**	2.2	3.6
Finance costs	**(0.1)**	(0.1)	(0.1)
Profit before tax from discontinued operations	**4.6**	2.1	3.5
Tax expense	**(1.4)**	(0.5)	(1.0)
Profit for the year from discontinued operations	**3.2**	1.6	2.5

Earnings per share

	at 30 Sept 2021 £m	at 30 Sept 2020 £m	at 31 March 2021 £m
Basic profit per share on discontinued operations	**3.6p**	1.8p	2.8p
Diluted profit per share on discontinued operations	**3.4p**	1.8p	2.7p

**included with administrative expenses are disposal related costs of £0.9m (H1 2020/21: £nil, FY 2020/21: £0.8m)*

Cash flows relating to discontinued operations

	Six months ended 30 Sept 2021 £m	Six months ended 30 Sept 2020 £m	Year ended 31 Mar 2021 £m
Net cash inflow from operating activities	**3.5**	5.3	11.9
Net cash outflows from investing activities	**(0.3)**	–	(0.1)
Net cash outflows from financing activities	**(1.1)**	(1.3)	(2.3)
Net increase in cash and cash equivalents	**2.1**	4.0	9.5

Assets classified as held for sale

The major classes of assets and liabilities classified as held for sale at 30 September 2021 are summarised below:

	at 30 Sept 2021 £m
Property, plant and equipment	**1.8**
Intangible assets - goodwill	**9.6**
Right of use assets	**6.1**
Deferred tax assets	**0.5**
Inventories	**15.0**
Trade and other receivables	**32.0**
Cash and cash equivalents	**26.2**
Total assets	**91.2**
Trade and other payables	**(27.2)**
Lease liabilities	**(6.0)**
Current tax liabilities	**(0.3)**
Provisions	**(1.9)**
Total liabilities	**(35.4)**

Notes to the interim condensed consolidated financial statements
for the six months ended 30 September 2021

11. Reconciliation of cash flow from operating activities

	Six months ended 30 Sept 2021 £m	Six months ended 30 Sept 2020 £m	Year ended 31 Mar 2021 £m
Profit from continuing operations	**3.0**	3.7	9.5
Profit from discontinued operations	**3.2**	1.6	2.5
Profit for the period	**6.2**	5.3	12.0
Taxation expense	**4.8**	2.4	5.0
Net finance costs	**2.0**	2.0	3.7
Depreciation of property, plant and equipment	**2.4**	2.4	4.9
Depreciation of right of use assets	**3.4**	3.4	6.6
Amortisation of intangible assets	**6.7**	5.6	11.7
Gain on disposal of property, plant and equipment	**0.1**	–	–
Change in provisions	**0.6**	0.2	1.0
Pension scheme funding	**(0.9)**	(0.9)	(1.8)
IAS 19 pension charge	**0.2**	0.2	1.4
Equity-settled share based payment expense and associated taxes	**1.4**	0.8	1.1
Operating cash flows before changes in working capital	**26.9**	21.4	45.6
Decrease in inventories	**(11.8)**	(0.1)	(0.1)
(Decrease)/increase in trade and other receivables	**(6.9)**	12.0	5.5
Increase/(decrease) in trade and other payables	**10.5**	(3.8)	6.2
(Decrease)/increase in working capital	**(8.2)**	8.1	11.6
Cash generated from operations	**18.7**	29.5	57.2
Interest paid	**(1.8)**	(1.8)	(3.4)
Net income taxes paid	**(3.0)**	(3.0)	(7.2)
Net cash inflow from operating activities	**13.9**	24.7	46.6

12. Closing net debt

	At 30 Sept 2021 £m	At 30 Sept 2020 £m	At 31 Mar 2021 £m
Borrowings – current - overdrafts	**(2.3)**	(1.8)	(1.0)
Borrowings – current portion of long term debt	**(0.2)**	(2.3)	(0.3)
Borrowings – non current	**(120.1)**	(69.7)	(76.3)
Capitalised debt cost	**0.9**	1.4	1.2
Cash and cash equivalents	**19.9**	30.3	29.2
Cash and cash equivalents in assets held for sale	**26.2**	–	–
Closing net debt	**(75.6)**	(42.1)	(47.2)

Reconciliation of movement in cash and net debt

	Six months ended 30 Sept 2021 £m	Six months ended 30 Sept 2020 £m	Year ended 31 Mar 2021 £m
Net increase/(decrease) in cash and cash equivalents	**14.6**	(6.7)	(5.4)
Proceeds from borrowings	**(100.0)**	–	(9.3)
Repayment of borrowings	**56.5**	26.6	27.8
(Decrease)/increase in net cash before translation differences	**(28.9)**	19.9	13.1
Translation and other non-cash changes	**0.5**	(0.7)	1.0
Decrease/increase in net cash	**(28.4)**	19.2	14.1
Net debt at beginning of the period	**(47.2)**	(61.3)	(61.3)
Net debt at end of the period	**(75.6)**	(42.1)	(47.2)

Supplementary information to the statement of cash flows

Underlying Performance Measure	**Six months ended 30 Sept 2021 £m**	Six months ended 30 Sept 2020 £m	Year ended 31 Mar 2021 £m
(Decrease)/increase in net cash before translation differences	**(28.9)**	19.9	13.1
Add: Business acquisitions	**86.7**	0.2	21.8
Dividends paid	**6.2**	–	2.8
Less: Net proceeds from share issue	**(53.4)**	–	(0.1)
Free cash flow	**10.6**	20.1	37.6
Executive options issuance	–	–	3.1
Legacy pension scheme funding	**0.9**	0.9	1.8
Net finance costs	**1.6**	1.7	–
Taxation	**3.0**	3.0	7.2
Operating cash flow	**16.1**	25.7	49.7

13. Pension

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 discoverIE 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 2018 updated to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme as at 30 September 2021. The scheme's triennial valuation as at 31 March 2021 is ongoing and expected to be completed by the end of the current financial year.

The IAS 19 defined benefit pension scheme asset at 30 September 2021 was £0.1m (31 March 2021: £1.0m liability). The movement principally relates to the changes in actuarial assumptions and cash contributions in the period.

14. Exchange rates

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

	Six months ended 30 Sept 2021		Six months ended 30 Sept 2020		Year ended 31 March 2021	
	Closing rate	**Average rate**	Closing rate	Average rate	Closing rate	Average rate
US Dollar	**1.3456**	**1.3883**	1.2833	1.2660	1.3760	1.3075
Euro	**1.1621**	**1.1650**	1.0961	1.1167	1.1736	1.1207
Norwegian Krone	**11.8125**	**11.8918**	12.1673	12.1149	11.7306	11.9697

Notes to the interim condensed consolidated financial statements
for the six months ended 30 September 2021

15. Events after the reporting date

Sale of Acal BFi distribution business and Vertec SA business
On 9 November 2021, the Group announced the disposal of Acal BFi for an upfront consideration of £45m on a debt free, cash free basis, before expenses. In addition, deferred consideration of £5m will be payable in 3 years from completion of the disposal.

On 4 October 2021, the Group announced the disposal of Vertec SA for an upfront consideration of ZAR 25m (£1.25m) before transaction costs and subject to certain completion adjustments with deferred consideration of ZAR 20m (£1.0m) payable in cash over the next three years.

The completion of sale of the Acal BFi business and Vertec SA is subject to certain consultation requirements and regulatory approvals, which are expected to be received in the current financial year.

16. 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 2021 interim results published on 30 November 2021 will not be sent to shareholders. The 2021 interim results and other information about discoverIE Group plc are available on the Company's website at www.discoverieplc.com.