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discoverIE Group plc
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discoverIE Group plc

Interim results for the six months ended 30 September 2024

Resilient through-cycle performance with structural efficiencies and record operating margin

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 month period ended 30 September 2024 ("H1 2024/25" or "the Period").

	H1 2024/25	H1 2023/24	Growth %	CER[2] growth %
Revenue	**£211.1m**	£222.0m	-5%	-4%
Underlying operating profit[1]	**£29.1m**	£28.6m	+2%	+4%
Underlying operating margin[1]	**13.8%**	12.9%	+0.9ppt	+1.0ppt
Underlying profit before tax[1]	**£23.8m**	£25.1m	-5%	
Underlying EPS[1]	**18.4p**	19.2p	-4%	
Reported profit before tax	**£15.8m**	£16.0m	-1%	
Reported fully diluted EPS	**12.2p**	11.7p	+4%	
Interim dividend per share	**3.90p**	3.75p	+4%	

Highlights

- **Revenue down 4% CER, reflecting industry de-stocking and lead-time normalisation**
  - Organic sales[3] 10% lower (S&C division -5%, M&C -12%)
  - Organic orders up 1% (+8% CER), led by S&C division +20% (M&C -11%)

- **Underlying operating profit up 4% CER from flexible operating structure and efficiencies**
  - Record underlying operating margin of 13.8%, up 1.0ppt at CER, ahead of FY 2024/25 target
  - Underlying EPS reduced 4% due to higher interest rates

- **Excellent free cash flow[4] up 46% to £45m for last 12 months**
  - Conversion rate of 126%, capacity for c.£70m of further acquisitions in the second half

- **Further good progress towards other key targets**
  - Well on track to achieve 15% underlying operating margin target in FY2027/28
  - ROCE[5] of 15.2%, slightly ahead of target and last year
  - Carbon emissions reduced by c.50% in absolute terms since CY 2021[6]

- **Record design wins (up 33% over 2 years) with significant further opportunities**

- **One bolt-on acquisition completed during the Period for an EBIT multiple of 6x**

- Period-end gearing[7] of 1.45x, below the lower end of target range (1.5x to 2.0x)

- **Growth drivers remain strong with the Group well positioned**
  - Period end order book of £163m provides good forward visibility
  - High growth security market added as a fifth target market[8]
  - Strong pipeline of acquisition opportunities
  - Group will benefit from reducing interest rates

- **On track to deliver full year underlying earnings in line with the Board's expectations**

Nick Jefferies, Group Chief Executive, commented:

"discoverIE delivered a resilient first half performance with a 4% increase in underlying operating profit, growth in operating margins to 13.8%, ahead of our near-term target, and excellent cashflow. This was in an environment of supply chain lead times returning to normal and widespread customer inventory reductions resulting in sales that were 4% lower.

Our flexible operating model allows us to control costs in response to lower production volumes, which along with ongoing efficiency initiatives and accretive acquisitions, has more than offset lower sales. This is a great strength of the business that has delivered improved underlying operating profits and margins in each of the last ten years (in-line in the covid year).

Orders increased by 5% sequentially, with a book to bill ratio of around 1.0. In the S&C division, orders grew by 20% organically as design wins converted into new orders whilst in the M&C division, orders were 11% lower as industrial destocking continued to work through.

Third quarter trading to date is in-line with our expectations with orders run rate ahead of sales and ahead of the second quarter.

We remain focused on generating above-market growth through the cycle and our design win pipeline remains strong. This, along with our acquisition opportunities, is our engine for growth and we remain on track to deliver full year underlying earnings in line with the Board's expectations."

Analyst and investor presentation:

A results briefing for sell side analysts and investors will be held today at 9.30am (UK time) at the offices of Peel Hunt. If you would like to join in person or via the live webinar, please contact Burson Buchanan at discoverie@buchanan.uk.com.

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Notes:

1) 'Underlying operating profit', 'Underlying operating margin', 'Underlying EBITDA', 'Underlying profit before tax', 'Underlying EPS', 'Underlying operating cash flow' and 'Free cash flow' are non-IFRS financial measures used by the Directors to assess the underlying performance of the Group. These measures exclude acquisition and disposal related costs (amortisation of acquired intangible assets of £7.8m and acquisition and disposal expenses of £0.2m) totalling £8.0m. Equivalent underlying adjustments within the H1 2023/24 underlying results totalled £9.1m. 'Underlying EBITDA' also excludes non-cash share-based payments cost,

and IAS19 pension cost in line with the Group's banking covenant. For further information, see note 7 of the attached condensed consolidated interim financial statements.

2) Growth rates at constant exchange rates ("CER"). In calculating CER for the Period, the average Sterling rate of exchange strengthened 2% against the Euro compared with the average rates for last year, 2% against the US Dollar and 2% on average against the three Nordic currencies, resulting in an additional 1% sales reduction for the first Period.

3) Organic growth for the Group compared with last year is calculated at CER and is shown excluding the first 12 months of acquisitions post completion (Silvertel in August 2023, 2J Antennas Group ("2J") in September 2023, Shape, DTI and IKN in Q4 2023/24 and Hivolt in August 2024) and excluding the disposal of the Santon solar business unit announced last year.

4) Free cash flow is cash flow available for the payment of dividends and investment in acquisitions. Free cash flow conversion is free cash flow divided by underlying profit after tax. See definitions in note 7 of the attached interim financial statements.

5) ROCE is defined as annualised H1 2024/25 underlying operating profit including the annualisation of acquisitions, as a percentage of net assets excluding net debt, deferred consideration related to disposed businesses and legacy defined benefit pension asset/(liability).

6) CY 2025 target is to reduce scope 1 & 2 carbon emissions by 65% on an absolute basis (base year CY 2021).

7) Gearing ratio is defined as net debt divided by underlying EBITDA (excluding IFRS 16; annualised for acquisitions).

8) Target markets are medical, electrification of transportation, renewable energy, security and industrial automation & connectivity.

9) Unless stated, growth rates refer to the comparable prior year period. Sequential growth compares to the immediately preceding period e.g. H1 2024/25 would be compared to H2 2023/24 on an organic basis.

10) 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 design and manufacture innovative electronic components for industrial applications.

The Group provides application-specific components to original equipment manufacturers ("OEMs") internationally through its two divisions, Magnetics & Controls, and Sensing & Connectivity. 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, high quality customer relationships.

With a focus on key markets driven by structural growth, increasing electronic content and sustainability, namely medical, electrification of transportation, renewable energy, security and industrial automation & connectivity, the Group aims to achieve organic growth that is well ahead of GDP and to supplement that with complementary acquisitions. The Group is committed to reducing the impact of its operations on the environment in order to reach net zero. With its key markets aligned with a sustainable future, the Group has been awarded an ESG "AA" rating by MSCI and is Regional (Europe) Top Rated by Sustainalytics.

The Group employs c.4,500 people across 20 countries with its principal operating units located in Continental Europe, the UK, China, Sri Lanka, India and North America.

discoverIE is listed on the Main Market of the London Stock Exchange and is a member of the FTSE 250, classified within the Electrical Components and Equipment subsector.

Strategic, Operational and Financial Review

Good Progress towards our Targets

The Group designs and manufactures essential, customised, high value-add, technically complex electronic products, enabling our customers to create better equipment. Despite industry destocking and strong prior year comparators, we made further good progress this Period towards our near and medium-term goals of increasing operating margins and generating consistently strong cash flow.

The Group delivered underlying operating profit growth of 4% at CER with the operating margin increasing by 1.0ppt at CER to 13.8%, ahead of our 13.5% target for this financial year and well on track for our FY2027/28 target of 15%.

Underlying operating profit growth was achieved with operational efficiencies, strong gross margins and tight control of operating expenses, more than offsetting the 4% reduction in sales at CER. Higher annualised interest costs have, as expected, reduced underlying EPS by 4% with this impact set to unwind as rates decrease.

Free cash flow for the last 12 months increased by 46% to £44.6m, with a conversion rate of 126% being well ahead of our target of 85% driven by a strong working capital performance.

Organic sales reduced by 10%, reflecting industry destocking and the normalisation of supply chains. Asia was the most resilient territory, increasing by 5% while the UK reduced by 4% and Nordics reduced 8%. North America reduced by 19% following growth of 35% last year, and the rest of Europe reduced by 12%.

Orders increased by 8% CER in the Period and by 5% sequentially. Organically orders increased by 1% with Asia up 15% and the UK up 8% partially offset by Europe reducing 2% and North America reducing by 9%. The book-to-bill ratio for the Period increased to 0.98 from 0.89 last financial year (H1 24: 0.87; H2 24: 0.91). With strong growth in design wins (up 8% this Period and up 33% on two years ago), the Group is well positioned to accelerate growth once market conditions improve.

The Group order book at 30 September 2024 was £163m, representing c.4.5 months of first half sales (consistent with pre-covid levels) and providing good visibility for the second half of the year. The order book has reduced from higher levels in the prior period when orders included earlier stocking-up amid constrained supply chains.

Positioned well in a Changing World

The Group is well positioned in an environment of rapidly changing global conditions, with a business model that is resilient, flexible and innovative.

- *Essential products*: the Group's products are designed-in and essential for customers' applications whilst amounting to a small proportion of their overall system cost, thereby driving both resilient gross margins and long-term repeating revenues.

- *Broad footprint*: a decentralised model with 37 manufacturing sites and operations around the world, able to support customers locally and with the decarbonisation of their supply chains.

- *Efficient supply chains:* our manufacturing uses a low proportion of bought-in components, the majority being manufactured in-house from raw materials and base components, reducing the Group's exposure to external supply chain disruptions.

- *Low energy intensity operations:* the large majority of the Group's energy exposure is electricity and with operations mainly being manual or semi-automated, energy costs represent less than 1% of Group revenues, limiting the Group's exposure to energy price rises and operational disruptions. Additionally with the installation of solar panels at some of our sites as part of our project to reduce carbon emissions, this percentage is reducing.

With a capital light business model, a differentiated product portfolio, a strong balance sheet, high quality customers and low customer concentration (the Group's largest customer is c.8% of Group sales), the Group has grown strongly and consistently over the last decade whilst proving resilient through economic downturns. We expect this to continue to be the case.

Further Operational Efficiencies deliver Margin Progress and Strong Cashflow.

The first half saw further significant benefits derived from operational efficiencies, tight control of operating expenses and continuing robust gross margins, which more than offset the reduction in sales. While Group sales for the first half reduced by 4% CER to £211.1m, underlying operating profit increased by 4% CER to £29.1m, with operating margins increasing by 1.0ppt at CER to 13.8%. Last year's rapid rise in interest rates drove an increase in finance costs for the Period of £1.8m to £5.3m, which resulted in underlying profit before tax reducing by 5% to £23.8m, with underlying earnings per share reducing by 4% to 18.4p (H1 2023/24: 19.2p). Conversely, the Group will benefit as interest rates reduce.

After adjustments for the inclusion of acquisition and disposal-related costs of £8.0m, profit before tax for the Period on a reported basis was £15.8m (H1 2023/24: £16.0m) with fully diluted earnings per share increasing by 4% to 12.2p (H1 2023/24: 11.7p).

Free cash flow of £44.6m was generated over the last 12 months, being 46% higher than the prior 12 month period and representing 126% of underlying earnings, well ahead of the Group's 85% conversion target. Net debt (excluding IFRS16) at 30 September 2024 reduced by £5.3m to £98.7m (31 March 2024: £104.0m) with gearing reducing to 1.45x (31 March 2024: 1.5x). This gearing is below the lower end of our target range of 1.5x to 2.0x and, together with expected cash flow in the second half, would provide acquisition funding of c.£70m for the rest of the year while keeping the Group within its target gearing range.

Increased Dividend

The Board is declaring a 4% increase in the interim dividend to 3.9p per share (H1 2023/24: 3.75p per share). The interim dividend is payable on 24 January 2025 to shareholders registered on 13 December 2024.

The Board believes in maintaining a progressive dividend policy along with a long-term dividend cover of over three times earnings on an underlying basis. This approach, along with the continued development of the Group, will enable the funding of both dividend growth and a higher level of investment in acquisitions from internally generated resources.

The Company operates a Dividend Re-Investment Programme ("DRIP"), details of which are available from the Company's Registrar, Equiniti. The final date for DRIP elections for the interim dividend will be 3 January 2025.

A Proven Growth Strategy

The Group has been built through a focus on organic growth and enhanced operational efficiency, alongside 27 carefully selected and well-integrated acquisitions over the past 13 years to create a focused, growth-oriented, higher margin design and manufacturing business. We have a well-developed approach to capital allocation and see significant scope for further expansion with a strong pipeline of investment opportunities in development. The Group operates in a c. 30bn fragmented market with many smaller players presenting an exciting consolidation opportunity.

The Group's strategy comprises four elements:

1. Grow sales well ahead of GDP over the economic cycle by focusing on high quality growth target markets for design opportunities.

2. Generate efficiencies and improve operating margins through clustering of businesses to achieve operational and production efficiencies, moving up the value chain into higher margin products with increased product innovation and differentiation and value based pricing.

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

4. Reduce our impact on the environment by achieving net-zero carbon emissions.

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

A fifth Target Market added this year

At our Capital Markets Day in September 2024, the Group announced the addition of the security market as a fifth target market. Along with our other four target markets (industrial automation & connectivity, medical, renewable energy, and the electrification of transportation), security is another fragmented market underpinned by a number of structural growth drivers.

Long-term growth in these target markets is being driven by increasing electronic content and by global megatrends such as the accelerating need for industrial automation and connectivity, increasing security concerns, an ageing affluent population, renewable sources of energy and the electrification of transport. In total, the five target markets accounted for around 80% of first half sales.

The Group's focus on these markets has been driving the Group's through-cycle organic revenue growth well ahead of GDP, and creates acquisition opportunities. Between 2017 and 2024, sales into the Group's target markets grew organically by 80% cumulatively, compared with around 19% in the other markets. This reflects the sustained compounding organic growth of these markets.

Continued progress on Key Strategic Indicators

For more than 10 years, the Group's strategic progress and its financial performance have been measured through key strategic indicators ("KSIs") and key performance indicators. These are reviewed periodically, and targets have been raised six times previously, most recently in June 2023 when the current 15% underlying operating margin target was set. From this year, targets have been simplified into seven KSIs which will be the key business drivers for the next stage of our development. Two previously monitored KSIs have now been largely achieved. Sales beyond Europe (target 45%) are now at 43% having risen from 5% in FY 2013/14. Target market sales (target 85%) are at 80% having risen from c.40% in FY2013/14 when first set, and will likely remain around that level as new acquisitions are typically below this level when acquired so have a short term offsetting effect against existing businesses. Dividend growth was also previously included as a KPI and while it's not one of the simplified seven KSIs, a progressive dividend policy remains.

For tracking purposes, the KSIs in the tables below remain as reported at the time rather than adjusted for disposals. Targets are for the medium-term unless stated, with medium-term defined as being around five years. This Period's performance relative to last year is discussed below.

Key Strategic Indicators

	FY14	FY18	FY19	FY20	FY21	FY22	FY23	H124	H125	Target
1. Increased underlying operating margin	3.4%	6.3%	7.0%	8.0%	10.2%	10.9%	11.5%	12.9%	13.8%	15%(2)
2. Sales growth CER	17%	11%	14%	8%	-1%	28%	15%	4%	-4%	Well

Organic	3%	11%	10%	5%	-4%	18%	10%	1%	-10%	ahead of GDP thru cycle
3. Underlying EPS growth	20%	16%	22%	11%	-8%	31%	20%	8%	-4%	>10%
4. Operating profit conversion(3)	100%	85%	93%	106%	128%	80%	94%	91%(4)	115%(4)	>85% of underlying operating profit
5. Free cash conversion(3)	107%	78%	94%	104%	136%	77%	95%	85%(4)	126%(4)	>85% of underlying earnings
6. ROCE(3)	15.2%	13.7%	15.4%	16.0%	14.5%	14.7%	15.9%	15.1%	15.2%	>15%
7. Carbon emissions Scope 1 & 2 reduction(5)							35%	47%	c.50%	65%

(1) FY 2013/14 to FY 2019/20 are for total operations before disposals as reported at the time.

(2) 13.5% target by FY 2024/25 and 15% by FY 2027/28

(3) Defined in note 7 of the attached condensed consolidated interim financial statements.

(4) Last 12 months (LTM)

(5) Carbon emissions are measured on a calendar year basis (e.g. CY 2022 shown as FY 2022/23). Target is for absolute carbon emissions reduction of 65% by CY 2025 from CY 2021 with net zero by CY 2030.

The Group made further excellent progress with its KSIs during the Period:

- Underlying operating margin was 13.8%, an increase of 0.9ppts on the first half last year (H1 2023/24: 12.9%) and 0.7ppts higher than the last financial year (FY 2023/24: 13.1%) taking growth in underlying operating margin to 10.4ppts since FY14. The Group benefited in the Period from operational efficiencies, tight cost control and robust gross margins augmented by higher margin acquisitions. The Group has exceeded its target of 13.5% six months early and is well on track to achieve its 15% target in FY 2027/28.

- Sales reduced by 10% organically this Period due to industry destocking and against strong prior year comparators. We retain our focus on achieving strong through-cycle organic growth which is supported by our pipeline of design wins. Since FY 2017/18, sales have grown by 6% organically per annum on average.

- Excellent operational efficiencies, robust gross margins, tight control of operating costs, and contributions from acquisitions resulted in underlying operating profit for the Period increasing by 4% CER. Despite this, underlying EPS reduced by 4% due to higher finance costs following last year's increase in interest rates. In total, the Group has grown its underlying EPS by 19% CAGR in the last 10 years.

- Underlying operating cash flow and free cash flow for the last 12 months were 33% and 46% higher respectively than the comparable 12 month period with respective conversion rates of 115% and 126%, well ahead of our 85% targets. Over the last ten years, both operating cash conversion and free cash conversion have been consistently strong, averaging around 100% through-cycle, reflecting low capital expenditure requirements and efficient working capital.

- ROCE for the Period was 15.2%, slightly ahead of last year (H1 2023/24: 15.1%) and ahead of our 15% target. Further progress in the short term is impacted by the record number of acquisitions (six) in the last 14 months (most acquisitions are dilutive to Group ROCE at the outset before growing). We acquire businesses with long term growth prospects that we expect will generate high returns over time. For example, our acquisitions made up to FY2017/18 generated a collective ROCE of 29% last year. We expect this to continue growing and for acquisitions made more recently to grow similarly.

- Carbon emissions reduced further during the Period and are now an estimated 50% lower on an absolute basis than in CY 2021, excellent progress towards our reduction targets of 65% by CY 2025 and net zero by 2030.

Divisional Results

The divisional results for the Group for the six months ended 30 September 2024 are set out and reviewed below.

	H1 2024/25			H1 2023/24			Reported revenue growth	CER revenue growth	Organic revenue Growth
	Revenue £m	**Underlying operating profit(1) £m**	**Margin(2)**	Revenue £m	Underlying operating profit(1) £m	Margin			
M&C	**125.8**	**18.2**	**14.5%**	132.2	19.6	14.8%	-6%	-5%	-12%
S&C	**85.3**	**16.8**	**19.7%**	86.7	15.0	17.3%	-3%	-2%	-5%
Unallocated		**(5.9)**			(6.5)				
Total (CER)	**211.1**	**29.1**	**13.8%**	218.9	28.1	12.8%		-4%	-10%
FX				3.1	0.5				
Total	**211.1**	**29.1**	**13.8%**	222.0	28.6	12.9%	-5%		

(1) Underlying operating profit excludes acquisition and disposal-related costs

(2) Margin refers to underlying operating margin

Magnetics & Controls Division ("M&C")

The M&C division designs, manufactures and supplies highly differentiated magnetic and power components, embedded computing and interface controls, for industrial applications. The division operates across 17 countries and comprises two clusters (Magnetics and Embedded Systems) and three further businesses. Almost all products are manufactured in-house at one of the division's 21 manufacturing facilities, with its principal sites being in China, India, Mexico, Poland, Sri Lanka, Thailand, the UK and the US. Geographically, 5% of sales by destination are in the UK, 44% in the rest of Europe, 27% in North America and 24% in Asia. During the Period, Noratel's move to a new Chinese facility was completed.

Orders reduced by 3% at CER to £114.6m and by 11% organically for a book-to-bill ratio of 0.91 (H1 2023/24: 0.89; H2 2023/24: 0.90) as customers actively reduced their stocks. The divisional order book at 30 September 2024 was £93.8m, being 4.3 months of first half sales, providing good visibility for the second half of the year.

Sales reduced by 12% organically, similarly impacted by destocking in the industrial and transport sectors. The medical and renewable energy sectors were flat. By territory, Asia grew by 16% (having reduced by 24% last year) with the UK up by 2%. Conversely, North America reduced by 28% (having increased by 35% last year), the Nordic region reduced by 13% and the rest of Europe by 19%.

There was a 7% contribution to sales from three acquisitions made in the last 14 months with Silvertel acquired in August 2023 plus Shape and DTI acquired in Q4 2023/24. Including these acquisitions, sales at CER reduced by 5%.

With the impact of translation from a stronger Sterling (on average), reported divisional revenue reduced by 6% to £125.8m (H1 2023/24: £134.4m reported and £132.2m at CER). Underlying operating profit of £18.2m was £1.4m (-7%) lower than last year at CER and £1.7m lower on a reported basis (H1 2023/24: £19.9m) reflecting the net impact of the organic sales shortfall. The underlying operating margin of 14.5% was 0.3ppts lower than last year (H1 2023/24: 14.8%), reflecting the mitigating effects of operational efficiencies and robust gross margins.

Sensing & Connectivity Division ("S&C")

The S&C division designs, manufactures and supplies highly differentiated sensing and connectivity components for industrial applications. The division operates across nine countries and comprises four clusters and four further businesses. Products are manufactured in-house at one of the division's 16 manufacturing facilities, with its principal ones being in Hungary, the Netherlands, Norway, Slovakia, the UK and the US. Geographically, 21% of sales by destination are in the UK, 46% in the rest of Europe, 24% in North America and 9% in Asia.

This Period saw the acquisition of Hivolt, a Northern Ireland based specialist capacitor designer and manufacturer, into the division.

Divisional orders were particularly strong, increasing by 26% at CER and by 20% organically as earlier design wins generated new business, for a book-to-bill ratio of 1.08 improving from 0.84 in the first half last year and 0.99 in the generated new business, for a book to bill ratio of [illegible] improving from [illegible] in the first half last year and [illegible] in the second half. Excluding one business with particularly high orders, the remaining divisional orders increased by 13% organically, coming from most businesses, and with a book to bill ratio of 1.10. The increase in orders came from strength in transport security, data centre security, US rail transport, US wireless connectivity demand, industrial and fibre communications in Europe. As with the destocking phase, S&C exhibits earlier cycle characteristics than M&C. Overall, the divisional order book increased by 6% since 31 March 2024 to £68.7m, representing 4.8 months of first half sales, giving good visibility for the second half.

Sales reduced by 5% organically, with a pick-up during the second quarter in mid-market industrial and connectivity applications along with strong demand in data security applications, offsetting softer conditions in medical applications. By region, the Nordics increased by 10%, while the rest of Europe reduced by 5%, North America was down by 3%, the UK down by 6% and Asia down by 33%, mainly related to local customer project delays.

Combined with a 3% sales increase from acquisitions, overall divisional sales reduced by 2% CER. Including the impact of translation from a stronger Sterling on average, reported divisional revenue reduced by 3% to £85.3m (H1 2023/24: £87.6m reported and £86.7m at CER).

Underlying operating profit of £16.8m was £1.8m (+12%) higher than last year at CER and £1.6m (+11%) higher on a reported basis (H1 2023/24: £15.2m). The underlying operating margin of 19.7% was 2.4ppts higher than last year at CER (H1 2023/24: 17.3%) reflecting the positive effect of operational efficiencies, robust gross margins and higher margin acquisitions.

Design Wins Driving Future Recurring Revenues

Our business revenue is created by engineering development with customers and as such organic growth is achieved by winning new design opportunities that lead to pull through demand. Project design wins are therefore an indicator of new business creation and are achieved by working with customers at an early stage in their project design cycle to identify opportunities. A design win is registered when our products are specified into our customers' designs.

The Group has a strong bank of design wins built up over many years, forming the basis for the Group's strong through-cycle organic growth. During the Period, new design wins were registered with an estimated lifetime value of £205m, an increase of 8% over last year (and up 33% on two year ago). This increase in design wins reflects both the anticipated increase in customer project design activity at this stage in the cycle, cross-business opportunities and the increased focus and implementation by Group engineers.

Additionally, new project design activity remains at a high level, being broad-based across all target markets. The total pipeline of ongoing projects continues to be very strong.

Acquisitions

The market is highly fragmented with many opportunities to acquire. Currently, the Group's pipeline consists of around 250 possible targets of which a number are in the active outreach phase and live deal negotiation at any time.

The Group has acquired 27 design and manufacturing businesses over the last 13 years, with the Group's continuing revenues increasing to £437m in FY 2023/24 from £10m in FY 2009/10. By taking a long-term approach to create compounding growth in acquired and integrated businesses, the Group has generated substantial value organically. As reported in the Finance section, our ROCE for each acquisition typically increases over time, broadly according to the period of ownership.

During the Period, the Group completed the acquisition of Hivolt Capacitors Limited ("Hivolt"), a Northern Ireland-based designer and manufacturer of custom-built capacitors for a wide range of high voltage applications for sale in the UK and internationally, mainly into the medical market. Hivolt was acquired in August 2024 into the S&C division, for an initial cash consideration of £3.3m on a debt free, cash free basis representing an EBIT multiple of 6x, together with an earn-out of up to £0.9m payable subject to Hivolt's performance up to 31 March 2025.

The Group's operating model is well established and has facilitated the smooth integration of this and previously acquired businesses.

Sustainability and Social Responsibility

The Group creates innovative electronics that help improve the world and people's lives. This commitment is reflected in our focus on markets that are aligned with UN Sustainable Development Goals. More information on how we work with customers and suppliers to support the global sustainability goals is available on our website www.discoverIEplc.com.

In September 2024, MSCI reaffirmed the Group's ESG "AA" rating, placing us in the top 17% of all companies surveyed. The Group was also rated by Morningstar Sustainalytics as one of the Regional (Europe) Top Rated companies in 2023, with a Low Risk rating, which is a recognition given to companies that have achieved the highest scores in ESG risk management. In 2024, the Group's ESG rating further improved from Low Risk to Negligible Risk, which placed the Group in the top 1.5% of over 16,000 companies evaluated globally.

Last year, the Group conducted detailed scenario analysis and financial modelling for climate-related risks and opportunities, and published the process and findings in its TCFD report. This can be found in the Group's 2024 Annual Report and Accounts and on its corporate website. In early 2024, the Group conducted an interim reassessment to incorporate newly acquired businesses, which confirmed that there had been no material change in the Group's climate-related risk profile.

During the Period, the Group continued its progress across a range of ESG related areas, including the following:

- On track to achieve our target of net zero Scope 1 & 2 carbon emissions by 2030 and the intermediate target of a 65% reduction by CY2025, with CY2024 Scope 1 & 2 emissions expected to be c. 55% lower than the CY2021 baseline.

- Plans have been developed for the installation of solar panels at one of our sites in China which should be completed by the end of the financial year. This continues the Group's progress in developing self-generation capacity which, as well as lowering carbon emissions, provides an element of security for the Group's energy supply.

- Reflecting the importance that we place on health & safety, the Group has adopted a revised Group Health & Safety Policy, as well as more stringent metrics to capture and record incidents occurring, as well as improved near miss reporting. While the policy continues to emphasise the importance of local accountability for health & safety matters within each of our businesses, we continue to demand higher standards in this crucial area.

- A further site achieved the occupational health & safety ISO 45001 accreditation, further extending the proportion of our global workforce covered by this standard.

- The Group has rolled out a broader and increased level of cyber security awareness training. We are also in the process of developing a formal governance framework for the use of artificial intelligence, addressing both the significant opportunities that this brings to the Group as well as the risks it poses.

- An industrial placement scheme has been launched in partnership with the University of Surrey, with the first group of engineering students having started training in September 2024.

- In addition to local training that individual businesses already conduct, the Group has introduced an additional online learning and development platform, with the plan being to roll this out more extensively across the Group in the second half.

- A detailed review has been conducted of the requirements of the EU's Corporate Sustainability Reporting Directive (CSRD) (no reporting requirement this year). Preparatory work has commenced and the Group seeks to use this exercise as an opportunity to enhance its stakeholder engagement activities.

Group Financial Results

Revenue and Orders

Group sales of £211.1m were 4% lower than last year at CER and 5% lower reported (H1 2023/24: £222.0m). Six acquisitions in the last 14 months (Silvertel, 2J, Shape, IKN and DTI last financial year) plus Hivolt this Period, added 8% to revenue while the disposal of the Santon solar business announced last year reduced sales by 2%. Organic sales reduced by 10% following a period of customer destocking.

Revenue (£m)	H1 2024/25	H1 2023/24	%
Organic sales	189.6	209.8	-10%
Acquisitions	17.5		
Disposals	4.0	9.1	
Sales at CER	211.1	218.9	-4%
FX translation		3.1	
Reported sales	211.1	222.0	-5%

Orders for the Period were £206.6m, 8% higher at CER than last year (H1 2023/24: £193.9m). The extent of customer destocking reduced in the Period with a book to bill ratio of 0.98 compared with 0.87 in the first half last year, and 0.91 in the second half, with orders in the Period increasing by 1% organically and 5% sequentially.

The Group order book continued to normalise during the first half as customer destocking continued, ending the Period at £163m (c.4.5 months of first half sales, consistent with pre-covid levels).

Group Operating Profit and Margin

Group underlying operating profit for the Period was £29.1m, a 4% increase on last year at CER and up 2% reported (H1 2023/24: £28.6m). This delivered an underlying operating margin of 13.8%, which was 1.0ppt higher than last year at CER and 0.9ppt higher on a reported basis (H1 2023/24: 12.9%). We have therefore achieved our 13.5% near-term target six months early and we remain well on track to reach our target for FY2027/28 of 15%.

Group reported operating profit for the Period (including acquisition and disposal-related costs as discussed below within underlying adjustments) was £21.1m, 8% higher than last year (H1 2023/24: £19.5m).

£m	**H1 2024/25**			H1 2023/24		
	Operating profit	**Finance Cost**	**Profit before tax**	Operating profit	Finance cost	Profit before tax
Underlying	29.1	(5.3)	23.8	28.6	(3.5)	25.1
Underlying adjustments						
Amortisation of acquired intangibles	(7.8)	-	(7.8)	(7.7)	-	(7.7)
Acquisition & disposal expenses	(0.2)	-	(0.2)	(1.4)	-	(1.4)
Reported	21.1	(5.3)	15.8	19.5	(3.5)	16.0

As shown below, underlying operating profit growth has been achieved through a combination of strong operational efficiencies and accretive acquisitions offsetting the temporary impact of customer destocking on organic sales:

£m	**Underlying Operating Profit**
H1 2023/24	28.6
Gross profit on organic sales reduction	(8.3)
Organic gross margin improvement	2.7
Organic operational efficiencies	3.3
Organic profit reduction	(2.4)
Profit from acquired companies	3.4
CER growth in operating profits	1.0
Foreign exchange impact	(0.5)
Net growth in operating profits	0.5
H1 2024/25	**29.1**

Through a number of manufacturing and operating initiatives, organic gross margins improved by 1.4ppts and organic operating costs reduced by 5% with reductions shared across divisions and at Head Office. Gross margin improvement was delivered despite volume reduction reflecting the Group's ability to flex capacity resources according to volume.

Sterling was 2% stronger this Period versus 12 months ago, compared with our major currencies, Euro, US dollar and Nordic currencies, giving rise to a reduction in underlying operating profits on translation of £0.5m for the Period.

UK employers national insurance rates which were raised in the recent UK budget will increase costs for the Group

UK employers national insurance rates which were raised in the recent UK budget will increase costs for the Group by c.£0.9m from next financial year.

Underlying Adjustments

Underlying adjustments for the Period comprise the amortisation of acquired intangibles of £7.8m (H1 2023/24: £7.7m) together with net acquisition and disposal expenses of £0.2m (H1 2023/24: £1.4m).

The amortisation charge for the Period of £7.8m has increased only marginally over last year following the annualisation effect of recent acquisitions largely offset by FX movements.

Net acquisition and disposal expenses of £0.2m comprise the costs associated with recent acquisitions of £0.7m; losses of £0.4m incurred by the non-core Santon solar business whose disposal was announced last year and integration costs of £1.2m related to the establishment of our operating clusters mainly associated with removing duplicate positions in our Magnetics and Sensors clusters. This was offset by a credit of £2.1m being the movement in the fair value of contingent consideration on past acquisitions.

Financing Costs

Net finance costs for the Period were £5.3m (H1 2023/24: £3.5m) and include a £0.4m charge for leased assets under IFRS 16 (H1 2023/24: £0.3m) and a £0.3m charge for amortised upfront facility costs (H1 2023/24: £0.4m). Net finance costs related to our banking facilities were £4.6m (H1 2023/24: £2.8m), an increase of 64%, being the annualisation of interest rate rises from last year and higher average net debt levels following six acquisitions in the last 14 months.

During the Period, interest rates started to reduce with the Sterling base rate reducing by 0.25% to 5.0%, the US Dollar Federal rate by 0.5% to 5.0% and the ECB lending rate by 0.85% to 3.65%, these being the Group's three principal borrowing currencies. Since the Period end, Sterling, US Dollar and ECB lending rates have all reduced by a further 0.25%. Looking forward, a further 1ppt reduction in interest rates for all three of our principal borrowing currencies would reduce annual finance costs by approximately £1.3m and increase annual EPS by c.1.0p or c.3%.

Underlying Tax Rate

The underlying effective tax rate ("ETR") in the first half was 24% which was 1ppt lower than last year's first half rate (H1 2023/24: 25%) due to a shift in the profit mix towards lower tax territories.

The overall ETR of 24% (H1 2023/24: 28%) was at the same level as the underlying ETR as shown in the table below.

£m	**H1 2024/25**		**H1 2023/24**	
	PBT	**ETR**	**PBT**	**ETR**
Group underlying	23.8	24%	25.1	25%
Amortisation of acquired intangibles	(7.8)	21%	(7.7)	22%
Acquisition & disposal expenses	(0.2)	150%	(1.4)	0%
Total reported	15.8	24%	16.0	28%

Profit Before Tax and EPS

Due to the significant increase in net finance costs, underlying profit before tax for the Period of £23.8m was £1.3m lower (-5%) than last year (H1 2023/24: £25.1m) with underlying EPS for the Period reducing by 4% to 18.4p (H1 2023/24: 19.2p).

£m	**H1 2024/25**		**H1 2023/24**	
	PBT	**EPS**	**PBT**	**EPS**
Underlying	23.8	18.4p	25.1	19.2p
Underlying adjustments				
Amortisation of acquired intangibles	(7.8)		(7.7)	
Acquisition & disposal expenses	(0.2)		(1.4)	
Reported	15.8	12.2p	16.0	11.7p

After underlying adjustments, reported profit before tax was £15.8m, 1% lower than last year (H1 2023/24: £16.0m) with reported fully diluted earnings per share of 12.2p, 4% ahead of last year (H1 2023/24: 11.7p).

Working Capital and Asset Returns Ratios

Working capital (which comprises inventories, current trade and other receivables and payables, excluding deferred and contingent consideration) at 30 September 2024 was £80.0m (H1 2023/24: £89.3m), equivalent to 18.9% of first half annualised sales, broadly in line with last year (H1 2023/24: 18.8%). Working capital reduced by £9.3m during the last 12 months being £3.9m of working capital improvements, £6.8m from foreign exchange translation and £1.4m increase from acquisitions. This ratio is still at higher rates than normal due to lower sales momentum during the Period.

Working capital KPIs have remained robust during the Period with debtor days of 48 (1 day lower than last year), creditor days of 73 (1 day lower than last year) and stock turns of 2.9 (0.1 turn higher than last year).

Asset Return Ratios

ROCE for the year of 15.2% was ahead of our 15% target and ahead of the ROCE reported last year (H1 2023/24: 15.1%).

Organic ROCE (which excludes acquisitions completed in the last 12 months), was 17.3% (an increase of 0.3ppts on last year) and we expect this to continue to grow well going forward. The effect of compounding growth on acquisitions over time can be seen in the ROCE for those businesses acquired more than 7 years ago which in aggregate have a ROCE of 29% including an apportionment of Group central costs.

Return on Tangible Capital Employed ("ROTCE") for the year, which excludes goodwill, intangible assets and non-operational assets, was 48.9% and illustrates both the strong returns being generated by the Group's operational assets, and the capital-light requirements of those businesses with capital expenditure of only 1.1% of sales in the last 12 months (FY 2023/24: 1.2%). ROTCE was 1.1ppt ahead of last year (H1 2023/24: 47.8%) following the improvements in organic operational efficiency and the increase in operating margin.

Cash Flow

Net debt at 30 September 2024, excluding leases, was £98.7m, compared with £104.0m at 31 March 2023 and £111.3m at 30 September 2023, with the reduction in the Period of £5.3m driven by strong free cash generation partly offset by acquisition and disposal net investment and last year's final dividend.

£m	**H1 2024/25**	**H1 2023/24**	**Last 12 Months**
Opening net debt	(104.0)	(42.7)	(111.3)
Free cash flow (see table below)	15.7	8.1	44.6
Dividends	(7.9)	(7.6)	(11.5)
Acquisitions & disposals	(4.9)	(67.5)	(22.8)
Equity issuance (net of taxes)	-	(0.2)	(0.1)
Foreign exchange impact	2.4	(1.4)	2.4
Net debt at 30 Sept	**(98.7)**	**(111.3)**	**(98.7)**

Acquisition and disposal net cash outflows of £4.9m in the Period comprised £3.3m for the acquisition of Hivolt, £1.7m payment of earnouts, £1.9m of acquisition and disposal expenses partly offset by disposal receipts of £2.0m, mainly related to the disposal of the Santon solar business announced last year. Additional receipts of around £5m are due in the second half related to the solar business and facility disposals.

Last year's final dividend of £7.9m, which was paid in August 2024, was an increase of 5% over the prior year.
The impact of stronger Sterling in the Period led to an FX gain of £2.4m compared with an FX loss last year of £1.4m. The Group's policy is to hold net debt in currencies aligned to the currency of its cash flows in order to protect the gearing of the Group.

Underlying operating cash flow and free cash flow for the year (see definitions in note 7 to the summary consolidated financial statements) compared with last year are shown below:

£m	H1 2024/25	H1 2023/24	Last 12 Months
Underlying Profit before tax	**23.8**	**25.1**	**46.9**
Net finance costs	5.3	3.5	10.8
Non-cash items	7.1	7.5	15.5
Underlying EBITDA	**36.2**	**36.1**	**73.2**
IFRS 16 - lease payments	(3.8)	(3.1)	(7.5)
EBITDA (pre IFRS 16)	**32.4**	**33.0**	**65.7**
Changes in working capital	(5.0)	(12.3)	5.1
Capital expenditure	(2.3)	(2.7)	(4.5)
Underlying operating cash flow	**25.1**	**18.0**	**66.3**
Finance costs	(4.6)	(3.7)	(8.6)
Taxation	(4.2)	(5.2)	(11.5)
Legacy pension	(0.6)	(1.0)	(1.6)
Free cash flow	**15.7**	**8.1**	**44.6**

Underlying EBITDA (pre IFRS 16 lease payments) of £32.4m was 2% lower than last year (H1 2023/24: £33.0m) with operational efficiencies and contributions from the six acquisitions made in the last 14 months minimising the cash impact of reduced organic sales.

During the Period, the Group invested £5.0m in working capital, a reduction of £7.3m on last year, partly linked to an ongoing drive to reduce inventory levels and partly linked to lower sales levels. With working capital released during the second half last year of £10.1m, a net £5.1m was released from working capital over the last 12 months.

Capital expenditure of £2.3m was invested during the Period, similar to last year (H1 2023/24: £2.7m) including new facilities and various new production line extensions. Capital expenditure levels are expected to increase in the second half to around £7m for the full year.

£25.1m of underlying operating cash flow was generated in the first half, up 39% on last year (H1 2023/24: £18.0m). Together with £41.2m generated in the second half of last year, a record total of £66.3m of underlying operating cash was generated over the last 12 months representing 115% of underlying operating profit, well ahead of our 85% target. This was 33% higher than the comparable 12 month period (12 months ended 30 Sep 2023: £49.8m). Over the last 10 years, the Group has consistently achieved high levels of operating cash conversion, averaging over 100%.

Finance cash costs of £4.6m were £0.9m higher than last year being the annualisation of interest rate rises last year and the cost of acquisitions, while corporate income tax payments of £4.2m were £1.0m lower than last year reflecting changes in the timing of payments. Around a further £8m of tax payments are expected during the second half.

Free cash flow (being cash flow before dividends, acquisitions and equity fund raises) of £15.7m was generated in the first half, 94% higher than last year (H1 2023/24: £8.1m). Together with £28.9m generated in the second half last year, a total of £44.6m of free cash flow was generated over the last 12 months being a free cash conversion of 126% of underlying earnings, well ahead of our 85% target. Free cash flow was 46% higher than the comparable 12 month period (12 months ended 30 Sep 2023: £30.5m).

Banking Facilities

The Group has a £240m syndicated banking facility which extends to August 2027. In addition, the Group has an £80m accordion facility which it can use to extend the total facility up to £320m. The syndicated facility is available both for acquisitions and for working capital purposes, and comprises seven lending banks.

With net debt (excluding IFRS 16 leases in accordance with our banking covenants) at 30 September 2024 of £98.7m, the Group's gearing ratio at the end of the Period (being net debt excluding IFRS 16 leases divided by underlying EBITDA as annualised for acquisitions) was 1.45x compared with a target gearing range of between 1.5x and 2.0x. Together with expected cash flow in the second half, the Group has access to acquisition funding of c.

and 2.0x. Together with expected cash flow in the second half, the Group has access to acquisition funding of c. £70m for the rest of the year while remaining within our target gearing range.

Balance Sheet

Net assets of £296.6m at 30 September 2024 were £5.0m lower than at the end of the last financial year (31 March 2024: £301.6m). The reduction primarily relates to last year's final dividend of £7.9m paid during this Period and the currency translation impact of £8.8m being partly offset by net profit after tax for the Period of £12.0m. The movement in net assets is summarised below:

£m	**H1 2024/25**
Net assets at 31 March 2024	301.6
Net profit after tax	12.0
Dividend paid	(7.9)
Currency net assets - translation impact	(8.8)
Loss on defined benefit scheme	(0.1)
Share based payments (inc tax)	(0.2)
Net assets at 30 September 2024	**296.6**

Defined Benefit Pension Scheme

The Group's IAS 19 pension asset, associated with its legacy defined benefit pension scheme, decreased over the Period by £0.4m from £0.3m at 31 March 2024, to a liability of £0.1m at 30 September 2024 (30 September 2023: £0.7m asset). The key driver was the running costs associated with the scheme.

Risks and Uncertainties

The principal risks faced by the Group are set out on pages 71 to 81 of the Group's Annual Report for year ended 31 March 2024, a copy of which is available on the Group's website: www.discoverieplc.com. These risks comprise: the economic environment, particularly linked to the geopolitical issues arising from the ongoing Ukraine conflict and in the Middle East; potential for increased trade tariffs following the US election; the performance of acquired companies; climate-related risks; loss of major customers or suppliers; technological changes; major business disruption; cyber security; loss of key personnel; inventory obsolescence; product liability; liquidity and debt covenants; exposure to adverse foreign currency movements; and non-compliance with legal and regulatory requirements.

During the Period, the Board has continued to review the Group's existing and emerging risks and the mitigating actions and processes in place. Following this review, the Board believes there has been no material change to the relative importance or quantum of the Group's principal risks for the remaining six months 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 £240m and the adaptability we have as an organisation.

Summary and Outlook

discoverIE delivered a resilient first half performance with a 4% increase in underlying operating profit, growth in operating margins to 13.8%, ahead of our near-term target and excellent cashflow. This was in an environment of supply chain lead times returning to normal and widespread customer inventory reductions resulting in sales that were 4% lower.

Our flexible operating model allows us to control costs in response to lower production volumes, which along with ongoing efficiency initiatives and accretive acquisitions, has more than offset lower sales. This is a great strength of the business that has delivered improved underlying operating profits and margins in each of the last ten years (in-line in the covid year).

Orders increased by 5% sequentially, with a book to bill ratio of around 1.0. In the S&C division, orders grew by 20% organically as design wins converted into new orders whilst in the M&C division, orders were 11% lower as industrial destocking continued to work through.

Third quarter trading to date is in-line with our expectations with orders run rate ahead of sales and ahead of the second quarter.

We remain focused on generating above-market growth through the cycle and our design win pipeline remains strong. This, along with our acquisition opportunities, is our engine for growth and we remain on track to deliver full year underlying earnings in line with the Board's expectations.

Nick Jefferies	**Simon Gibbins**
Group Chief Executive	**Group Finance Director**

2 December 2024

Statement of Directors' responsibilities

The Directors confirm that these condensed consolidated interim financial statements have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed consolidated set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The maintenance and integrity of the discoverIE Group plc website is the responsibility of the Directors.

The Directors of discoverIE Group plc are listed in the discoverIE Group plc annual report for 31 March 2024. A list of current Directors is maintained on the discoverIE Group Plc website: www.discoverieplc.com.

By order of the board

Nick Jefferies	**Simon Gibbins**
Group Chief Executive	**Group Finance Director**

2 December 2024

INDEPENDENT REVIEW REPORT TO DISCOVERIE GROUP PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2024, which comprises the condensed consolidated statement of profit and loss, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows and related notes 1 to 20.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2024 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom (ISRE (UK) 2410). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our Conclusion, including our Conclusion Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
Reading, United Kingdom
2 December 2024

Condensed consolidated statement of profit or loss

	Notes	**Unaudited Six months ended 30 Sept 2024 £m**	Unaudited Six months ended 30 Sept 2023 £m	Audited Year ended 31 Mar 2024 £m
Revenue	5	**211.1**	222.0	437.0
Operating costs		**(190.0)**	(202.5)	(405.8)
Operating profit	8	**21.1**	19.5	31.2
Finance income		**1.8**	1.5	3.9
Finance costs		**(7.1)**	(5.0)	(12.9)
Profit before tax		**15.8**	16.0	22.2
Tax expense	9	**(3.8)**	(4.5)	(6.7)
Profit for the period		**12.0**	11.5	15.5
Earnings per share				
Basic, profit for the period	11	12.5p	12.0p	16.2p
Diluted, profit for the period	11	12.2p	11.7p	15.8p

Supplementary statement of profit or loss information

Underlying Performance Measure	Notes	**Unaudited Six months ended 30 Sept 2024 m £m**	Unaudited Six months ended 30 Sept 2023 m £m	Audited Year ended 31 Mar 2024 £m
Operating profit		21.1	19.5	31.2
Add: Acquisition and disposal expenses		0.2	1.4	9.8
Amortisation of acquired intangible assets		7.8	7.7	16.2
Underlying operating profit		29.1	28.6	57.2
Profit before tax	7	15.8	16.0	22.2
Add: Acquisition and disposal expenses	7	0.2	1.4	9.8
Amortisation of acquired intangible assets	7	7.8	7.7	16.2
Underlying profit before tax	7	23.8	25.1	48.2
Underlying earnings per share	7	18.4p	19.2p	36.8p

The above condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Condensed consolidated statement of comprehensive income

	Unaudited Six months ended 30 Sept 2024 £m	Unaudited Six months ended 30 Sept 2023 £m	Audited Year ended 31 Mar 2024 £m
Profit for the period	12.0	11.5	15.5
Other comprehensive loss:			
Items that will not be subsequently reclassified to profit or loss:			
Actuarial loss on defined benefit pension scheme	(0.1)	(1.3)	(1.2)
Tax credit relating to defined benefit pension scheme	-	0.4	0.3
	(0.1)	(0.9)	(0.9)

Items that may be subsequently reclassified to profit or loss:			
Exchange differences on translation of foreign subsidiaries	(8.8)	(1.6)	(7.7)
	(8.8)	(1.6)	(7.7)
Other comprehensive loss for the period, net of tax	(8.9)	(2.5)	(8.6)
Total comprehensive income for the period, net of tax	3.1	9.0	6.9

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Condensed consolidated statement of financial position

	Notes	**Unaudited at 30 Sept 2024 £m**	Unaudited at 30 Sept 2023 £m	Audited at 31 March 2024 £m
Non-current assets				
Property, plant and equipment		**20.2**	25.8	20.5
Intangible assets - goodwill	13	**227.2**	231.0	231.7
Intangible assets - other		**89.4**	101.8	97.8
Right of use assets		**21.5**	19.4	20.6
Pension asset	17	-	0.7	0.3
Other receivables		**0.2**	6.2	0.2
Deferred tax assets		**8.3**	10.4	9.9
		366.8	395.3	381.0
Current assets				
Inventories		**78.7**	91.2	80.1
Trade and other receivables		**81.7**	82.0	88.8
Current tax assets		**1.0**	0.3	1.3
Cash and cash equivalents	15	**115.6**	122.7	110.8
Assets held for sale	12	**4.9**	-	6.7
		281.9	296.2	287.7
Total assets		**648.7**	691.5	668.7
Current liabilities				
Trade and other payables		**(77.8)**	(85.5)	(87.5)
Other financial liabilities		**(84.4)**	(91.9)	(78.7)
Lease liabilities		**(5.4)**	(5.6)	(5.7)
Current tax liabilities		**(8.1)**	(11.4)	(8.3)
Provisions		**(4.8)**	(2.9)	(5.2)
		(180.5)	(197.3)	(185.4)
Non-current liabilities				
Trade and other payables		**(0.4)**	(4.3)	(4.6)
Other financial liabilities		**(129.9)**	(142.1)	(136.1)
Pension liability	17	**(0.1)**	-	-
Lease liabilities		**(15.7)**	(13.7)	(14.4)
Provisions		**(3.8)**	(3.1)	(3.6)
Deferred tax liabilities		**(21.7)**	(25.2)	(23.0)
		(171.6)	(188.4)	(181.7)
Total liabilities		**(352.1)**	(385.7)	(367.1)
Net assets		**296.6**	305.8	301.6
Equity				
Share capital		**4.8**	4.8	4.8
Share premium		**192.0**	192.0	192.0
Merger reserve		**2.9**	2.9	2.9
Currency translation reserve		**(10.9)**	4.0	(2.1)
Retained earnings		**107.8**	102.1	104.0
Total equity		**296.6**	305.8	301.6

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Condensed consolidated statement of changes in equity

	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 2024	**4.8**	**192.0**	**2.9**	**(2.1)**	**104.0**	**301.6**
Profit for the period	-	-	-	-	12.0	12.0
Other comprehensive loss	-	-	-	(8.8)	(0.1)	(8.9)
Total comprehensive (loss)/income	-	-	-	**(8.8)**	**11.9**	**3.1**
Share-based payments including tax	-	-	-	-	(0.2)	(0.2)
Dividends	-	-	-	-	(7.9)	(7.9)
At 30 September 2024 - unaudited	**4.8**	**192.0**	**2.9**	**(10.9)**	**107.8**	**296.6**
At 1 April 2023	**4.8**	**192.0**	**2.9**	**5.6**	**98.3**	**303.6**
Profit for the period	-	-	-	-	11.5	11.5
Other comprehensive loss	-	-	-	(1.6)	(0.9)	(2.5)
Total comprehensive (loss)/income	-	-	-	**(1.6)**	**10.6**	**9.0**
Share-based payments including tax	-	-	-	-	0.8	0.8
Dividends	-	-	-	-	(7.6)	(7.6)
At 30 September 2023 - unaudited	**4.8**	**192.0**	**2.9**	**4.0**	**102.1**	**305.8**

As at 30 September 2024, the Company's issued share capital consisted of 96,356,109 ordinary shares of 5p each (31 March 2024: 96,356,109 ordinary shares of 5p each).

As at 30 September 2024, the Employee Share Trust held 300,279 shares (31 March 2024: 414,600). During the six month period to 30 September 2024, employees exercised 114,321 (year ended 31 March 2024: 275,492) share options under the terms of the various share option schemes.

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed consolidated statement of cash flows

	Notes	**Unaudited Six months ended 30 Sept 2024 £m**	Unaudited Six months ended 30 Sept 2023 £m	Audited Year ended 31 Mar 2024 £m
Net cash flow from operating activities	14	**17.7**	9.6	41.2
Investing activities				
Acquisitions of businesses, net of cash acquired	12	**(3.3)**	(65.0)	(82.8)
Contingent consideration related to business acquisitions		**(1.7)**	-	-
Business disposal proceeds		**2.0**	-	-
Purchase of property, plant and equipment		**(2.3)**	(2.5)	(4.8)
Purchase of intangible assets - software		-	(0.2)	(0.1)
Interest received		**1.8**	1.3	3.9
Net cash used in investing activities		**(3.5)**	(66.4)	(83.8)
Financing activities				
Proceeds from borrowings		**8.0**	66.5	79.4
Repayment of borrowings		**(10.6)**	(10.8)	(28.9)
Payment of lease liabilities		**(3.4)**	(2.8)	(6.1)
Dividends paid		**(7.9)**	(7.6)	(11.2)
Net cash (used in)/generated from financing activities		**(13.9)**	45.3	33.2
Net increase/(decrease) in cash and cash equivalents		**0.3**	(11.5)	(9.4)
Cash and cash equivalents at beginning of period		**31.5**	43.4	43.4
Effect of exchange rate fluctuations		**(1.1)**	(1.2)	(2.5)
Cash and cash equivalents at end of period		**30.7**	30.7	31.5
Reconciliation to cash and cash equivalents in the condensed consolidated statement of financial position				
Net cash and cash equivalents shown above		**30.7**	30.7	31.5
Add back: bank overdrafts		**84.9**	92.0	79.3
Cash and cash equivalents presented in current assets in the condensed consolidated statement of financial position		**115.6**	122.7	110.8

Further information on the condensed consolidated statement of cash flows is provided in note 14.

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the condensed consolidated interim financial statements

1. General information

discoverIE Group plc ("the Company") is incorporated and domiciled in England, UK. The Company's shares are traded on the London Stock Exchange. The condensed consolidated interim financial statements consolidate the financial statements of discoverIE Group plc and entities controlled by the Company (collectively referred to as "the Group").

The condensed consolidated interim financial statements for the six month period ended 30 September 2024 were authorised for issue by the Board of Directors on 2 December 2024 and are unaudited but have been subject to an independent review by the auditors. These financial statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2024 were approved by the Board of Directors on 4 June 2024 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

2. Basis of preparation and accounting policies

This condensed consolidated interim financial report for the six month period ended 30 September 2024 has been prepared in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules (DTR) sourcebook of the United Kingdom's Financial Conduct Authority.

The interim report does not include all of the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 March 2024, which was prepared in accordance with UK-adopted international accounting standards and with requirements of the Companies Act 2006, and any public announcements made by discoverIE Group plc during the interim reporting period.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

New standards and interpretations applied for the first time

There were no standards, amendments or interpretations applied for the first time that had a material impact for the Group.

Going Concern

As at 30 September 2024 the Group's financial position remains robust with a £240.0m syndicated banking facility committed to the end of August 2027. In addition, the Group has an £80.0m accordion facility which, with approval from the banking syndicate, it can use to extend the total facility to £320.0m. The syndicated facility is available both for acquisitions and working capital purposes. Net debt as at 30 September 2024 was £98.7m compared with £104.0m at the year end. The Group's gearing ratio at the end of the period (being net debt divided by underlying EBITDA adjusted for pre-acquisition EBITDA) was 1.45x compared with 1.5x at the year end. This complies 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 compared the latest forecasts with the forecasts used in the going concern assessment undertaken at 31 March 2024, taking into account severe but plausible downside scenarios to the forecasts and the principal risks and uncertainties as set out in the annual report and accounts for the year ended 31 March 2024. 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 condensed consolidated interim financial statements.

3. New accounting standards and financial reporting requirements

New standards not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the period covered in these condensed consolidated interim financial statements and have not been early adopted by the Group. None of these are expected to have a material impact on the Group's financial results in the current or future reporting periods.

4. Critical estimates and material judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results might differ from these estimates.

In preparing these condensed consolidated interim financial statements, the material judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2024.

5. Revenue

The Group's revenue from external customers by geographical location is detailed below:

	Six months ended 30 Sept 2024 £m	Six months ended 30 Sept 2023 £m	Year ended 31 Mar 2024 £m
UK	**24.7**	26.0	52.5
Europe	**95.3**	104.0	206.1
North America, Asia and Rest of World	**91.1**	92.0	178.4
Total revenue	**211.1**	**222.0**	**437.0**

Revenue derived from the rendering of services was £2.5m (six month period to 30 September 2023: £2.5m; year ended 31 March 2024: £5.6m). All revenue was otherwise derived from the sale of products.

6. Segmental reporting

The Reportable Operating Segments of the Group include two distinct divisions, Magnetics & Controls ("M&C") and Sensing & Connectivity ("S&C"). Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board, as described in the Group's annual report for the year ended 31 March 2024.

Within each of these reportable operating segments are aggregated business units with similar characteristics such as the nature of customers, products, risk profile and economic characteristics. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is reported and evaluated based on underlying operating profit or loss earned by each segment.

6. Segmental reporting (continued)

Six months ended 30 September 2024

	Magnetics & Controls £m	**Sensing & Connectivity £m**	**Unallocated costs £m**	**Total £m**
Revenue	**125.8**	**85.3**	-	**211.1**
Underlying operating profit/(loss)	**18.2**	**16.8**	**(5.9)**	**29.1**
Acquisition and disposal expenses	1.3	(1.5)	-	(0.2)
Amortisation of acquired intangible assets	(3.1)	(4.7)	-	(7.8)
Operating profit/(loss)	**16.4**	**10.6**	**(5.9)**	**21.1**

Six months ended 30 September 2023

	Magnetics & Controls £m	**Sensing & Connectivity £m**	**Unallocated costs £m**	**Total £m**
Revenue	**134.4**	**87.6**	-	**222.0**
Underlying operating profit/(loss)	**19.9**	**15.2**	**(6.5)**	**28.6**
Acquisition and disposal expenses	(0.7)	(0.7)	-	(1.4)
Amortisation of acquired intangible assets	(3.1)	(4.6)	-	(7.7)
Operating profit/(loss)	**16.1**	**9.9**	**(6.5)**	**19.5**

Year ended 31 March 2024

	Magnetics & Controls £m	**Sensing & Connectivity £m**	**Unallocated costs £m**	**Total £m**
Revenue	**265.1**	**171.9**	**-**	**437.0**
Underlying operating profit/(loss)	**40.6**	**28.9**	**(12.3)**	**57.2**
Acquisition and disposal expenses	(2.2)	(7.6)	-	(9.8)
Amortisation of acquired intangible assets	(6.6)	(9.6)	-	(16.2)
Operating profit/(loss)	**31.8**	**11.7**	**(12.3)**	**31.2**

6. Segmental reporting (continued)

As part of monitoring segment performance, the Directors monitor the net assets attributable to each segment. Assets and liabilities are allocated to reportable segments, with the exception of the pension asset/(liability), tax assets and liabilities, cash and all borrowings and central assets/(liabilities) (Head Office assets/(liabilities), as shown below:

Segment assets and liabilities

At 30 September 2024 Assets and liabilities	Magnetics & Controls £m	Sensing & Connectivity £m	Unallocated £m	Total £m
Segment assets (excluding goodwill and other intangible assets)	113.4	76.5		189.9
Goodwill and other intangible assets	137.9	178.7		316.6
	251.3	255.2		506.5
Central assets			12.4	12.4
Cash and cash equivalents			115.6	115.6
Current and deferred tax assets			9.3	9.3
Assets classified as held for sale		4.9		4.9
Total assets	251.3	260.1	137.3	648.7
Segment liabilities	(59.0)	(42.8)		(101.8)
Central liabilities			(6.1)	(6.1)
Pension liability			(0.1)	(0.1)
Other financial liabilities			(214.3)	(214.3)
Current and deferred tax liabilities			(29.8)	(29.8)
Total liabilities	(59.0)	(42.8)	(250.3)	(352.1)
Net assets/(liabilities)	192.3	217.3	(113.0)	296.6

At 30 September 2023 Assets and liabilities	Magnetics & Controls £m	Sensing & Connectivity £m	Unallocated £m	Total £m
Segment assets (excluding goodwill and other intangible assets)	130.1	85.1		215.2
Goodwill and other intangible assets	141.7	191.1		332.8
	271.8	276.2		548.0
Central assets			9.4	9.4
Cash and cash equivalents			122.7	122.7
Pension asset			0.7	0.7
Current and deferred tax assets			10.7	10.7
Total assets	271.8	276.2	143.5	691.5
Segment liabilities	(66.0)	(40.2)		(106.2)
Central liabilities			(8.9)	(8.9)
Other financial liabilities			(234.0)	(234.0)
Current and deferred tax liabilities			(36.6)	(36.6)
Total liabilities	(66.0)	(40.2)	(279.5)	(385.7)
Net assets/(liabilities)	205.8	236.0	(136.0)	305.8

6. Segmental reporting (continued)

At 31 March 2024 Assets and liabilities	Magnetics & Controls £m	Sensing & Connectivity £m	Unallocated £m	Total £m
Segment assets (excluding goodwill and other intangible assets)	124.7	74.4		199.1
Goodwill and other intangible assets	146.7	182.8		329.5
	271.4	257.2		528.6
Central assets			11.1	11.1
Cash and cash equivalents			110.8	110.8
Pension asset			0.3	0.3
Current and deferred tax assets			11.2	11.2
Assets classified as held for sale		6.7		6.7
Total assets	271.4	263.9	133.4	668.7
Segment liabilities	(65.2)	(45.2)		(110.4)
Central liabilities			(10.6)	(10.6)
Other financial liabilities			(214.8)	(214.8)
Current and deferred tax liabilities			(31.3)	(31.3)
Total liabilities	(65.2)	(45.2)	(256.7)	(367.1)
Net assets/(liabilities)	206.2	218.7	(123.3)	301.6

7. Underlying Performance Measures

These condensed consolidated interim financial statements include underlying performance measures that are not prepared in accordance with IFRS. These alternative performance measures have been selected by management to assist them in making operating decisions as they represent the underlying operating performance of the Group and facilitate internal comparisons of performance over time.

Underlying performance measures are presented in these condensed interim financial statements as management believe they provide investors with a means of evaluating performance of the Group on a consistent basis, similar to the way in which management evaluates performance, that is not otherwise apparent on an IFRS basis, given that certain strategic non-recurring and acquisition related items that management does not believe are indicative of the underlying operating performance of the Group are included when preparing financial measures under IFRS. The trading results of acquired businesses are included in underlying performance.

The Directors consider there to be the following key underlying performance measures:

Underlying operating profit

"Underlying operating profit" is defined as operating profit excluding acquisition and disposal related costs (namely amortisation of acquired intangible assets and acquisition and disposal expenses).

Acquisition and disposal expenses comprise transaction costs relating to acquisitions and disposals, contingent consideration relating to the retention of former owners of acquired businesses, adjustments to previously estimated contingent consideration, costs related to integration of acquired businesses into the Group, and restructuring costs and expenses incurred in relation to the disposal of the Santon solar business unit, including its losses incurred following the announcement of its closure.

Underlying EBITDA

"Underlying EBITDA" is defined as underlying operating profit with depreciation, amortisation, equity-settled share-based payment expense and IAS 19 pension cost added back, in line with the Group's banking covenant.

Underlying operating margin

"Underlying operating margin" is defined as underlying operating profit divided by revenue.

7. Underlying Performance Measures (continued)

Underlying profit before tax

"Underlying profit before tax" is defined as profit before tax excluding acquisition and disposal related costs (namely amortisation of acquired intangible assets and acquisition and disposal expenses).

Underlying tax charge / Underlying effective Tax Rate ("ETR")

"Underlying tax charge" is defined as the tax charge adjusted for the tax effect on the acquisition and disposal related costs (namely amortisation of acquired intangible assets and acquisition and disposal expenses).

"Underlying ETR" is defined as underlying tax charge divided by underlying profit before tax.

Underlying profit after tax (profit for the period)

"Underlying profit after tax" is defined as profit for the period excluding acquisition and disposal related costs (namely amortisation of acquired intangible assets and acquisition and disposal expenses), net of tax effect on underlying adjustments.

Underlying earnings per share

"Underlying earnings per share" is calculated as underlying profit after tax divided by the weighted average number of ordinary shares (for diluted earnings per share purposes) in issue during the year.

Underlying operating cash flow / Underlying operating cash flow conversion

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

"Underlying operating cash flow conversion" is defined as underlying operating cash flow divided by underlying operating profit.

Free cash flow / Free cash flow conversion

"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.

"Free cash flow conversion" is free cash flow divided by underlying profit after tax.

Return on capital employed ("ROCE") / Return on tangible capital employed ("ROTCE")

"ROCE" is defined as underlying operating profit, including the annualisation of profits of acquired businesses, as a percentage of net assets excluding net debt, deferred consideration related to discontinued operations, assets held for sale and legacy defined benefit pension asset/(liability).

"ROTCE" is defined as ROCE excluding the value of acquired goodwill and intangibles, lease liabilities, provisions and tax balances.

Organic and CER revenue growth

"CER revenue growth" is defined as growth rates at constant exchange rates.

"Organic revenue growth" is defined as CER revenue growth excluding the first 12 months of acquisitions post completion and excluding last year's announced disposal of the Santon solar business unit.

Gearing ratio

Gearing ratio is defined as net debt divided by underlying EBITDA, including the annualisation of acquired businesses, excluding IFRS 16 lease payments.

The tables below shows the reconciliation to the IFRS reporting measures, for the main underlying performance measures used by the Group.

7. Underlying Performance Measures (continued)

Underlying operating profit / Underlying EBITDA

Underlying operating profit and EBITDA are calculated as follows:

		Six months ended 30 Sept 2024 £m	Six months ended 30 Sept 2023 £m	Year ended 31 Mar 2024 £m
Operating profit		21.1	19.5	31.2
Add back: Acquisition and disposal expenses	(a)	0.2	1.4	9.8
Amortisation of acquired intangibles	(b)	7.8	7.7	16.2
Underlying operating profit		**29.1**	**28.6**	**57.2**
Add back: Depreciation and amortisation		6.0	5.7	12.5
Share-based payment and IAS 19 pension cost		1.1	1.8	3.4
Underlying EBITDA		**36.2**	**36.1**	**73.1**

The tax impact of the underlying profit adjustments above is a credit of £1.9m (H1 2023/24: £1.7m).

a) Acquisition and disposal expenses of £0.2m comprise the costs associated with recent acquisitions of £0.7m; losses of £0.4m incurred by the non-core Santon solar business whose disposal was announced last year and integration costs of £1.2m related to the establishment of our operating clusters mainly associated with removing surplus in our Magnetics and Sensing clusters; this was offset by a credit of £2.1m being the movement in the fair value of contingent consideration on past acquisitions.

   During the prior period, the acquisition and disposal expenses of £1.4m comprised £1.8m of transaction costs in relation to the acquisition of Silvertel, 2J and ongoing transactions, offset by £0.4m credit relating to the movement in fair value of contingent consideration on past acquisitions.

b) Amortisation charge relates to intangible assets recognised as part of business combinations.

Underlying profit before tax

Underlying profit before tax is calculated as follows:

	Six months ended 30 Sept 2024 £m	Six months ended 30 Sept 2023 £m	Year ended 31 Mar 2024 £m
Profit before tax	15.8	16.0	22.2
Add back: Acquisition and disposal expenses	0.2	1.4	9.8
Amortisation of acquired intangibles	7.8	7.7	16.2
Underlying profit before tax	**23.8**	**25.1**	**48.2**

7. Underlying Performance Measures (continued)

Underlying effective tax rate

Underlying effective tax rate ("ETR") is calculated as follows:

	Six months ended 30 Sept 2024 £m	Six months ended 30 Sept 2023 £m	Year ended 31 Mar 2024 £m
Underlying profit before tax	23.8	25.1	48.2
Total tax charge	3.8	4.5	6.7
Add back tax effect of amortisation of acquired intangible assets and acquisition and disposal expenses	1.9	1.7	5.3
Underlying tax charge	**5.7**	**6.2**	**12.0**
Underlying effective tax rate	**24.0%**	**24.7%**	**24.9%**

Underlying profit after tax (profit for the period) / Underlying earnings per share

Underlying profit after tax and earnings per share are calculated as follows:

	Six months ended 30 Sept 2024 £m	Six months ended 30 Sept 2023 £m	Year ended 31 Mar 2024 £m
Profit for the period	12.0	11.5	15.5
Add back: Acquisition and disposal expenses	0.2	1.4	9.8
Amortisation of acquired intangible assets	7.8	7.7	16.2
Tax charge related to the above adjustments	(1.9)	(1.7)	(5.3)

Underlying profit for the period	**18.1**	**18.9**	**36.2**
	Number	Number	Number
Weighted average number of shares for basic earnings per share	**96,001,835**	95,780,662	95,835,775
Effect of dilution - share options	**2,345,851**	2,728,085	2,450,593
Adjusted weighted average number of shares for diluted earnings per share	**98,347,686**	98,508,747	98,286,368
Underlying earnings per share	**18.4p**	**19.2p**	**36.8p**

7. Underlying Performance Measures (continued)

ROCE / ROTCE

ROCE and ROTCE are calculated as follows:

		Six months ended 30 Sept 2024 £m	Six months ended 30 Sept 2023 £m	Year ended 31 Mar 2024 £m
Net assets		**296.6**	305.8	301.6
Less:	Deferred consideration in relation to disposed businesses	**(6.1)**	(6.2)	(6.3)
	Net debt	**98.7**	111.3	104.0
	IAS 19 pension (asset)/liability	**0.1**	(0.7)	(0.3)
	Assets held for sale	**(4.9)**	-	(6.7)
Adjusted net assets		**384.4**	410.2	392.3
Less:	Goodwill	**(227.2)**	(231.0)	(231.7)
	Acquired intangible assets	**(88.2)**	(100.6)	(96.2)
	Deferred tax assets and liabilities	**13.4**	14.8	13.1
	Current tax assets and liabilities	**7.1**	11.1	7.0
	Lease liabilities	**21.1**	19.3	20.1
	Provisions	**8.6**	6.0	8.8
Tangible Capital		**119.2**	129.8	113.4
Underlying operating profit		**29.1**	28.6	57.2
Add:	Annualisation of acquired businesses	**0.1**	4.9	4.2
Annualised operating profit		**58.3**	62.1	61.4
ROCE		**15.2%**	15.1%	15.7%
ROTCE		**48.9%**	47.8%	54.1%

Underlying operating cash flow / Free cash flow

	Six months ended 30 Sept 2024 £m	Six months ended 30 Sept 2023 £m	Year ended 31 Mar 2024 £m
Underlying EBITDA	**36.2**	36.1	73.1
Lease payments	**(3.8)**	(3.1)	(6.8)
EBITDA (incl. lease payments)	**32.4**	33.0	66.3
Changes in working capital	**(5.0)**	(12.3)	(2.2)
Capital expenditure	**(2.3)**	(2.7)	(4.9)
Underlying operating cash flow	**25.1**	**18.0**	**59.2**
Net interest paid	**(4.6)**	(3.7)	(7.7)
Tax payments	**(4.2)**	(5.2)	(12.5)
Legacy pension scheme funding	**(0.6)**	(1.0)	(2.0)
Free cash flow	**15.7**	**8.1**	**37.0**

Notes to the condensed consolidated interim financial statements

8. Operating profit

	Six months ended 30 Sept 2024 £m	Six months ended 30 Sept 2023 £m	Year ended 31 Mar 2024 £m
Revenue	**211.1**	**222.0**	**437.0**
Direct materials/ direct labour	**(119.5)**	(130.9)	(255.0)

Other cost of goods sold	**(2.4)**	(2.9)	(5.0)
Selling and distribution costs	**(20.8)**	(20.9)	(41.0)
Administrative expenses	**(47.3)**	(47.8)	(104.8)
Operating profit	**21.1**	**19.5**	**31.2**

9. Taxation

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year, in accordance with IAS 34 'Interim financial reporting'.

The underlying tax charge for the period was £5.7m (H1 2023/24: £6.2m) giving an underlying effective tax rate on underlying profit before tax of 24.0% (H1 2023/24: 24.7%), 0.9% lower than the rate for FY 2023/24 of 24.9%.

The tax credit in respect of the underlying profit adjustments was £1.9m (H1 2023/24: £1.7m). This gives an overall tax charge for the period of £3.8m (H1 2023/24: £4.5m) on profit before tax of £15.8m (H1 2023/24: £16.0m) which is an effective tax rate of 24.0% (H1 2023/24: 28.0%).

10. Dividends

The Directors have declared an interim dividend of 3.90 pence per share (H1 2023/24: 3.75 pence) payable on 24 January 2025 to shareholders on the register at 13 December 2024.

In accordance with IAS 10, this dividend has not been reflected in the interim results. The cash cost of the interim dividend will be £3.8m (H1 2023/24: £3.6m).

The final dividend of 8.25p per share for the year ended 31 March 2024 was paid on 2 August 2024.

11. 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 2024 £m	Six months ended 30 Sept 2023 £m	Year ended 31 Mar 2024 £m
Profit for the period	**12.0**	11.5	15.5
	Number	Number	Number
Weighted average number of shares for basic earnings per share	**96,001,835**	95,780,662	95,835,775
Effect of dilution - share options	**2,345,851**	2,728,085	2,450,593
Adjusted weighted average number of shares for diluted earnings per share	**98,347,686**	98,508,747	98,286,368
Basic earnings per share	**12.5p**	12.0p	16.2p
Diluted earnings per share	**12.2p**	11.7p	15.8p

At the period end, there were 2.7 million ordinary share options in issue that could potentially dilute earnings per share in the future, of which 2.3 million are currently dilutive (30 September 2023: 3.1 million in issue and 2.7 million dilutive, 31 March 2024: 2.7 million in issue and 2.5 million dilutive).

12. Business combinations

Acquisitions in the period ended 30 September 2024

Acquisition of Hivolt

On 1 August 2024, the Group completed the acquisition of 100% of the outstanding ordinary shares of Hivolt Capacitors Limited ("Hivolt"), a company incorporated in the United Kingdom. Hivolt is a designer and manufacturer of custom-built capacitors for specialised applications involving high voltages and the acquisition is set to strengthen the Group's position in the electronics market and enhance its offering across key target sectors, including medical and transportation.

Hivolt was acquired for a consideration of £3.3m on a cash free, debt free basis, before expenses, funded from the Group's existing debt facilities. In addition, a contingent payment of up to £0.9m will be payable subject to Hivolt's EBIT performance over the period between 1 April 2024 and 31 March 2025.

The provisional fair value of the identifiable assets and liabilities of Hivolt at the date of acquisition was:

	Provisional fair value recognised at acquisition £m
Intangible assets - other *(incl. customer relationships)*	2.6
Property, plant and equipment	0.1
Right of use assets	0.2
Inventories	0.6
Trade and other receivables	0.2
Cash acquired	5.0
Trade and other payables	(0.4)
Current tax liabilities	(0.1)
Deferred tax liabilities	(0.7)
Lease liabilities	(0.2)
Total identifiable net assets	**7.3**

Total identifiable net assets	**7.3**
Provisional goodwill arising on acquisition	**1.9**
Total investment	**9.2**

Discharged by:	
Initial cash consideration	8.3
Contingent consideration	0.9
	9.2

The goodwill is attributable to the workforce and the high profitability of the acquired business. It will not be deductible for tax purposes. Included in the £1.9m of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured, due to their nature. These include the value of expected operational benefits. All the acquired receivables are expected to be collected.

Net cash outflows in respect of the acquisition comprise:

	Total £m
Cash consideration	8.3
Transaction costs of the acquisition (included in operating cash flows) [1]	0.1
Net cash acquired	(5.0)
	3.4

1) Acquisition costs of £0.1m were expensed as incurred in the six months period to 30 September 2024. These were included within operating costs.

Included in cash flow from investing activities is the cash consideration of £8.3m, offset by the net cash acquired of £5.0m.

12. Business combinations (continued)

Acquisitions in the year ended 31 March 2024

During the year ended 31 March 2024, the Group completed the acquisition of Silver Telecom Limited ("Silvertel") on 30 August 2023, 2J Antennas Group ("2J") on 12 September 2023, Shape LLC ("Shape") on 24 January 2024, Diamond Technologies, Inc ("DTI") on 6 March 2024 and IKN AS ("IKN") on 16 March 2024. Details of these business combinations were disclosed in note 11 of the Group's annual financial statements for the year ended 31 March 2024. Since 31 March 2024, there were no material changes to the fair value of assets and liabilities acquired.

Business disposed and Assets held for sale

In December 2023, the Group agreed to sell certain assets of its Santon solar business unit (the "disposal group") based in the Netherlands. The consideration for the disposal comprises £2.6m plus c£3.3m in relation to inventory transferred to the buyer. Completion of the sale is subject to the transfer of production lines, inventory and other related assets to the buyer's location. The disposals of the solar business unit is expected to complete in the financial year ending 31 March 2025 and expected to generate net cash inflow of c.£7m after costs (including the sale of its manufacturing facility), of which 1.7m has been received in the period.

As the Group expects to recover the carrying value of these assets through a sale transaction within the next financial year, in accordance with IFRS 5 'Assets held for sale and discontinued operations', the disposal group and the manufacturing facility have been classified as assets held for sale at the balance sheet date for the period ended 30 September 2024 and year ended 31 March 2024.

	Six months ended 30 Sept 2024 £m	Year ended 31 Mar 2024 £m
Disposal group held for sale		
Non-current assets		
Property, plant and equipment	**0.6**	2.1
Intangible assets - other	**0.1**	0.2
Current assets		
Inventory	**1.7**	1.9
	2.4	**4.2**
Non-current assets held for sale		
Property, plant and equipment	**2.5**	2.5
Total assets classified as held for sale	**4.9**	**6.7**

13. Goodwill

The carrying value of goodwill is analysed as follows:

	Six months ended 30 Sept 2024 £m	Year ended 31 Mar 2024 £m

Magnetics & Controls	**102.5**	106.4
Sensing & Connectivity	**124.7**	125.3
	227.2	231.7

The movement in goodwill compared to prior year relates to the acquisition of Hivolt (note 12), offset by movement in foreign exchange rates.

14. Reconciliation of cash flow from operating activities

	Six months ended 30 Sept 2024 £m	Six months ended 30 Sept 2023 £m	Year ended 31 Mar 2024 £m
Profit for the period	**12.0**	11.5	15.5
Tax expense	**3.8**	4.5	6.7
Net finance costs	**5.3**	3.5	9.0
Depreciation of property, plant and equipment	**2.2**	2.4	4.7
Depreciation of right of use assets	**3.5**	3.0	6.6
Amortisation of intangible assets - other	**8.0**	7.9	16.5
Write-down of assets related to disposal group - other intangible assets	-	-	1.0
Write-down of asset related to disposal group - goodwill	-	-	1.7
Loss on disposal of property, plant and equipment	**0.1**	-	0.2
Change in provisions	-	0.1	2.6
Pension scheme funding	**(0.6)**	(1.0)	(2.0)
IAS 19 pension charge	**0.4**	0.4	0.8
Associated taxes on LTIPs	**-**	(0.2)	(0.3)
Impact of equity-settled share-based payment expense and associated taxes	**0.7**	1.4	2.6
Operating cash flows before changes in working capital	**35.4**	33.5	65.6
Decrease in inventories	**0.1**	3.4	14.5
Decrease/(Increase) in trade and other receivables	**5.2**	(3.3)	(3.0)
Decrease in trade and other payables	**(12.0)**	(13.5)	(11.1)
(Increase)/Decrease in working capital	**(6.7)**	(13.4)	0.4
Cash generated from operations	**28.7**	20.1	66.0
Interest paid on overdraft and borrowings	**(6.4)**	(5.0)	(11.6)
Interest paid on lease liabilities	**(0.4)**	(0.3)	(0.7)
Net income taxes paid	**(4.2)**	(5.2)	(12.5)
Net cash inflow from operating activities	**17.7**	9.6	41.2

15. Closing net debt

	At 30 Sept 2024 £m	At 30 Sept 2023 £m	At 31 Mar 2024 £m
Cash and cash equivalents	**115.6**	122.7	110.8
Bank overdrafts	**(84.9)**	(92.0)	(79.3)
Net cash	**30.7**	30.7	31.5
Bank loans under one year	-	(0.3)	-
Bank loans over one year	**(131.0)**	(143.9)	(137.5)
Capitalised debt cost	**1.6**	2.2	2.0
Total loan capital	**(129.4)**	(142.0)	(135.5)
Net debt	**(98.7)**	(111.3)	(104.0)
Lease liability	**(21.1)**	(19.3)	(20.1)
Net debt (incl. lease liability)	**(119.8)**	(130.6)	(124.1)

Extract from the condensed consolidated statement of financial position:

	At 30 Sept 2024 £m	At 30 Sept 2023 £m	At 31 Mar 2024 £m
Current liabilities			
Other financial liabilities	**(84.4)**	(91.9)	(78.7)
Lease liabilities	**(5.4)**	(5.6)	(5.7)
	(89.8)	(97.5)	(84.4)
Non-current liabilities			
Other financial liabilities	**(129.9)**	(142.1)	(136.1)
Lease liabilities	**(15.7)**	(13.7)	(14.4)
	(145.6)	(155.8)	(150.5)
Cash and cash equivalents	**115.6**	122.7	110.8
Closing net debt (incl. lease liability)	**(119.8)**	(130.6)	(124.1)

Bank overdrafts reflect the aggregated gross overdrawn balances of Group companies (even if those companies have other positive cash balances). Cash and cash equivalents, and bank overdrafts, reflect the aggregated gross balances of Group companies (even if those companies individually have both a cash balance and an overdraft with the same bank). Whilst there is a legal right of offset within our facilities we do not have an intention to net settle these positions in the short-term. Bank overdrafts are repayable on demand with interest based on floating rates linked to SONIA, SOFR and EURIBOR.

Bank loans over one year are mainly drawdowns against the Group's revolving credit facility of £130.9m (31 March 2024: £137.4m) denominated in Sterling, US Dollars and Euros which bear interest based on SONIA, SOFR and EURIBOR, plus a facility margin.

Cash and cash equivalents earn interest at floating rates on daily bank deposit rates.

Lease liabilities of £21.1m (31 March 2024: £20.1m) have been presented separately in the consolidated statement of financial position. The increase of £1.0m during the six month period to 30 September 2024 consisted of financial position. The increase of £1.0m during the six month period to 30 September 2024 consisted of additions/modifications of £5.1m and interest accruals of £0.4m, offset by lease payments of £3.7m, early terminations of £0.3m and foreign exchange impact of £0.5m.

Certain businesses in the Group participate in supply chain finance arrangements whereby suppliers may elect to receive early payment of their invoices from a bank by factoring their receivable from discoverIE entities. Included within trade payables is £1.6m (31 March 2024: £2.0m) subject to such an arrangement.

15. Closing net debt (continued)

Reconciliation of movement in cash and net debt

	Six months ended 30 Sept 2024 £m	Six months ended 30 Sept 2023 £m	Year ended 31 Mar 2024 £m
Net (decrease)/increase in cash and cash equivalents	**0.3**	(11.5)	(9.4)
Proceeds from borrowings	**(8.0)**	(66.5)	(79.4)
Repayment of borrowings	**10.6**	10.8	28.9
Decrease in net cash before translation differences	**2.9**	(67.2)	(59.9)
Translation and other non-cash changes	**2.4**	(1.4)	(1.4)
Increase/(decrease) in net cash	**5.3**	(68.6)	(61.3)
Net debt at beginning of the period	**(104.0)**	(42.7)	(42.7)
Net debt at end of the period	**(98.7)**	(111.3)	(104.0)

16. Fair value measurement of financial instruments

The Group's principal non-derivative financial instruments comprise bank loans and overdrafts, cash and short term borrowings. The Group also holds other financial instruments such as trade receivables and trade payables that arise directly from the Group's trading operations. The carrying value of the Group's trade and other receivables and trade and other payables approximates their book value due to the short maturity of these instruments.

Derivative financial instruments are short-term foreign currency forward contracts placed by the Group with external banks as part of the Group's cash management and foreign currency risk management activities. As at 30 September 2024, the fair value of derivatives was an asset of £0.4m (31 March 2024: £nil).

The carrying value of the Group's other financial assets, including cash and cash equivalents of £115.6m and deferred consideration of £6.1m (included within other receivables current and non-current), are equivalent to their fair value.

The carrying value of the Group's financial liabilities measured at amortised cost, including bank overdrafts of £84.9m, other fixed and floating interest borrowings of £129.4m, lease liabilities of £21.1m and contingent consideration of £3.6m, are equivalent to their fair value at 30 September 2024.

The methods and assumptions used to determine the fair value of financial assets and liabilities are set out below.

All material changes in fair value of financial instruments as at the balance sheet date have been taken to the condensed consolidated statement of profit or loss. Impairment reviews did not identify any material impairment of financial assets from carrying values as reported at the balance sheet date and, as such, no material impairments are included in the condensed consolidated statement of profit or loss.

Fair Value methods and assumptions

Forward foreign exchange contracts (forwards) - the fair value of forward foreign currency contracts is determined with reference to observable yield curves and foreign exchange rates at the reporting date. The forwards outstanding with banks at 30 September 2024 had a maturity of one year or less.

Loans and borrowings - the fair value of loans and borrowings has been calculated by discounting future cash flows, where material, at prevailing market interest rates.

Fair Value hierarchy

For financial assets and financial liabilities measured at fair value, as set out in the tables above, the fair value measurement techniques are based upon applying unadjusted, quoted market rates or prices or inputs other than quoted prices that are observable for the assets or liabilities either directly or indirectly.

16. Fair value measurement of financial instruments (continued)

Fair Value hierarchy (continued)

IFRS 13 'Financial Instruments: Disclosures' requires financial instruments measured at fair value to be analysed into a fair value hierarchy based upon the valuation technique used to determine fair value. The highest level in this hierarchy is Level 3 within which inputs that are not based on observable market data for the asset or liability are applied.

The valuation techniques used by the Group for the measurement of derivative financial instruments, loans and deferred consideration receivable are considered to be within Level 2, which includes inputs other than quoted prices included within Level 1 that are observable either directly or indirectly. Contingent consideration liabilities are included in Level 3 of the fair value hierarchy. The fair value is determined considering the expected payment, discounted to present value using a risk adjusted discount rate. The expected payment is determined separately in respect of each individual earn-out agreement taking into consideration the expected level of profitability of each acquisition. The unobservable inputs are the projected forecast measures that are assessed on an annual basis. Changes in the fair value of contingent consideration relating to updated projected forecast performance measures are recognised in the consolidated Statement of Profit or Loss in the period that the change occurs. Contingent consideration is sensitive to forecast operating profits of the relevant acquired businesses.

17. 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 Group, 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. The valuation used for IAS 19 disclosures has been based on the most recent valuation as at 31 March 2021 updated to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme as at 30 September 2024.

The IAS 19 defined benefit pension scheme liability as at 30 September 2024 was £0.1m (31 March 2024: pension asset of £0.3m). The Scheme's assets are predominantly linked to gilts, which fell over the period. The liabilities are measured relative to corporate bonds, which also fell over the period broadly mitigating the effect of the asset reduction.

18. Exchange rates

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

	Six months ended 30 Sept 2024		Six months ended 30 Sept 2023		Year ended 31 March 2024	
	Closing rate	**Average rate**	Closing rate	Average rate	Closing rate	Average rate
US Dollar	**1.3401**	**1.2805**	1.2253	1.2592	1.2643	1.2566
Euro	**1.1970**	**1.1777**	1.1566	1.1566	1.1695	1.1585
Norwegian Krone	**14.0820**	**13.7382**	13.0161	13.3321	13.6814	13.3524

19. Events occurring after the reporting period

There were no matters arising, between the statement of financial position date and the date on which these condensed consolidated interim financial statements were approved by the Board of Directors, requiring adjustment in accordance with IAS 34 'Interim financial reporting'.

20. 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, England, GU2 7AH.

As permitted by current regulations, the 2024/25 interim results published on 3 December 2024 will not be sent to shareholders. The 2024/25 interim results and other information about discoverIE Group plc are available on the Company's website at www.discoverieplc.com.

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