



discoverIE Group plc

Annual Report and Accounts
for the year ended 31 March 2024

A photograph of several wind turbines on a grassy hillside, with mountains in the background. The image is framed by a thick, stylized border that is red on the left and yellow on the right.

**Enabling
technology for a
sustainable world**

Welcome to the 2024 Annual Report

discoverIE is a leading international designer and manufacturer of customised electronics for industrial applications. We create innovative electronics that deliver value to our customers, whilst making positive impacts on the environment, society and people's lives



Our vision is to be a leading innovator in electronics, internationally

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HIGHLIGHTS

FINANCIAL

GROUP REVENUE

£437.0m

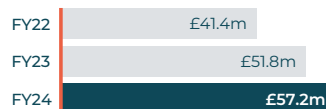
-3%



UNDERLYING OPERATING PROFIT¹

£57.2m

+10%



UNDERLYING EPS¹

36.8p

+5%



REPORTED OPERATING PROFIT²

£31.2m

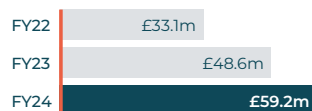
-10%



UNDERLYING OPERATING CASH FLOW³

£59.2m

+22%



FULL YEAR DIVIDEND PER SHARE

12.0p

+5%



STRATEGIC

UNDERLYING OPERATING MARGIN¹

13.1%



SALES BEYOND EUROPE

41%



TARGET MARKET SALES⁴

75%



CARBON EMISSIONS REDUCTION⁵

47%



Notes:

- ¹ "Underlying operating profit", "underlying operating margin", and "underlying EPS", are non-IFRS financial measures used by the Directors to assess the underlying performance of the Group. These measures exclude amortisation of acquired intangible assets of £16.2m and acquisition and disposal expenses of £9.8m, totalling £26.0m. Equivalent underlying adjustments within the FY2023 underlying results totalled £17.2m. For further information, see note 6 on pages 164 to 168.
- ² Reported operating profit growth below underlying operating growth because of the disposal of the Santon solar business unit and more acquisitions in the year.
- ³ "Underlying operating cash flow" is a non-IFRS financial measure. It is underlying EBITDA adjusted for the investment in, or release of, working capital and less the cash cost of capital expenditure and lease payments.
- ⁴ Target markets are renewable energy, transportation, medical, and industrial & connectivity.
- ⁵ Scope 1 & 2 emissions reduction against CY21 baseline.

THE discoverIE DIFFERENCE

At discoverIE, we are more than just electronics manufacturers. We are a global leader in designing and building customised, niche solutions that empower industries. Our innovations not only deliver exceptional value to our customers but also contribute to a more sustainable and equitable world.

Our Purpose

To create innovative electronics that help improve the world and people's lives

Our Vision

To be a leading global innovator in electronics

Our Mission

To design and manufacture innovative electronics that help our customers create ever better technical solutions around the world. We aim to achieve this through a motivated, entrepreneurial and empowered workforce that adheres to the highest ethical and quality standards.

Our Values

These are our fundamental beliefs and principles that guide our decision-making:

- **Integrity** – we act with honesty and openness, treating our partners and stakeholders fairly
- **Quality** – we strive for excellence and make constant improvements that deliver superior value to our customers
- **Empowerment** – we inspire growth and innovation by providing an entrepreneurial environment
- **Collaboration** – we work together, trust and respect each other
- **Positive impact** – we care about the environment and societies we live in and commit to making a positive impact

Our Culture

We embrace a decentralised operating model, and our success hinges on a culture built on respect, fairness, and equality. In turn, our decentralised structure strengthens a culture that empowers our teams, fosters open communication, and unites us towards our shared vision and ambitions.

These core values and the collaborative spirit of our global workforce fuel our passion for innovation, guide our decision-making, and propel us towards achieving our mission of providing the highest quality products and services to our customers, whilst creating a positive impact on the environment, society and people's lives.

- **Dedication and determination** – driven by empowerment and a sense of ownership
- **Customer centricity** – allow employees closest to the customers to make decisions that directly affect customer satisfaction
- **Respect, fairness and equality** – create an open and inclusive environment in which everyone has an equal opportunity to flourish and grow
- **Open communication** – create a trusting environment where information flows freely and collaboration thrives
- **Target driven** – strive for results and high performance

The importance of cultural fit in the acquisitions we make

For a decentralised Group like discoverIE, cultural fit with the businesses we acquire is crucial to our and their long-term success. We thrive on empowered employees and independent decision-making, close to our customers. Acquired businesses benefit from being part of a larger group of like-minded businesses that are able to meet the local needs of their stakeholders whilst retaining their own identity.

By factoring in cultural fit, we can ensure acquired businesses seamlessly integrate into our existing structure, preserving the agility and innovation that make discoverIE successful.

How we operate differently

A decentralised model

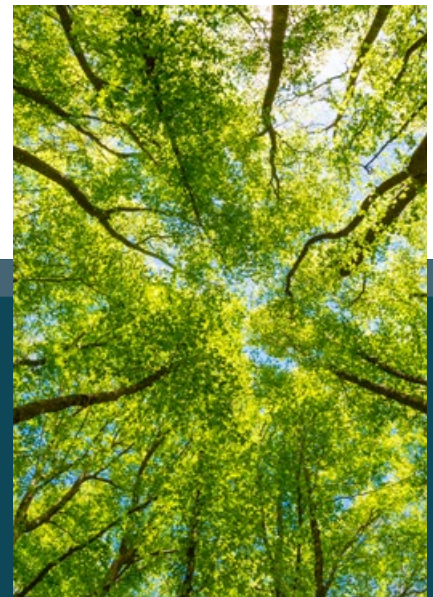
The discoverIE Group consists of 26 operating businesses, specialising in different technologies. Based on technology areas, these businesses are grouped into two divisions – Magnetics & Controls and Sensing & Connectivity, each with its own divisional head. Each business operates autonomously under its own brand within a well-defined framework and is supported by the Group's central resources. This emphasis on decentralised decision-making fosters a strong sense of ownership and accountability within individual businesses.

Strength in our clusters

Businesses within each division with similar or adjacent technologies are grouped into clusters. The clustering approach makes it easy to identify synergies and foster collaboration among the operating businesses. Instead of adding another management layer, a leadership team from within the cluster takes the lead. This keeps the structure flat, allowing for faster decision-making and greater agility.

Sustainable approach

At discoverIE, sustainability is embedded throughout our business. We design long-lasting, energy-efficient products that minimise service or replacement needs. We focus on markets that are aligned with the UN Sustainable Development Goals ("SDGs"). We recognise that sustainability is a shared responsibility. By collaborating with our customers and suppliers on their sustainability journeys, we strive to help them achieve their environmental goals, whilst working to achieve our own.



Our sustainability focus areas

Our sustainability programme has three pillars:



Our Planet

Creating a positive impact on our environment



Our People

Keeping our people safe and happy



Our Products

Ensuring product reliability and sustainability

GROUP AT A GLANCE

discoverIE is a global leader in innovative electronic components for industrial applications.

Our international network of businesses design and manufacture differentiated products, catering to key growth markets worldwide. Our in-house engineering teams and a global manufacturing footprint allow us to deliver ever better technical solutions to our customers.

Revenue



● M&C £265m
● S&C £172m

Underlying operating profit



● M&C £40.6m
● S&C £28.9m

Our global footprint



North America

Our UN SDG-aligned target markets



Renewable Energy

More electricity will come from solar and wind in the coming decades as the world is racing to meet net zero goals



Transportation

Green cities and a clean future drive demand for electric transport



Medical

Chronic diseases, ageing populations and better healthcare access fuel a rise in demand for electronic devices



Industrial & Connectivity

The rise of the Industrial Internet of Things, 5G and artificial intelligence is creating an ever-increasing need for electronics



READ MORE ABOUT OUR TARGET MARKETS ON PAGES 24 TO 27

Our divisions

Magnetics & Controls

Comprises the magnetic components, embedded computing and human-machine interface businesses. It consists of two clusters - magnetics and human-machine interface - and six standalone businesses, across 17 countries with 21 manufacturing sites. Produces electronics for signal conditioning, power conversion and switching, monitoring and remote control, communication and interface control.

Revenue breakdown



● UK – 6%
● Nordics – 23%
● Rest of Europe – 26%
● N. America – 26%
● Asia & ROW – 19%

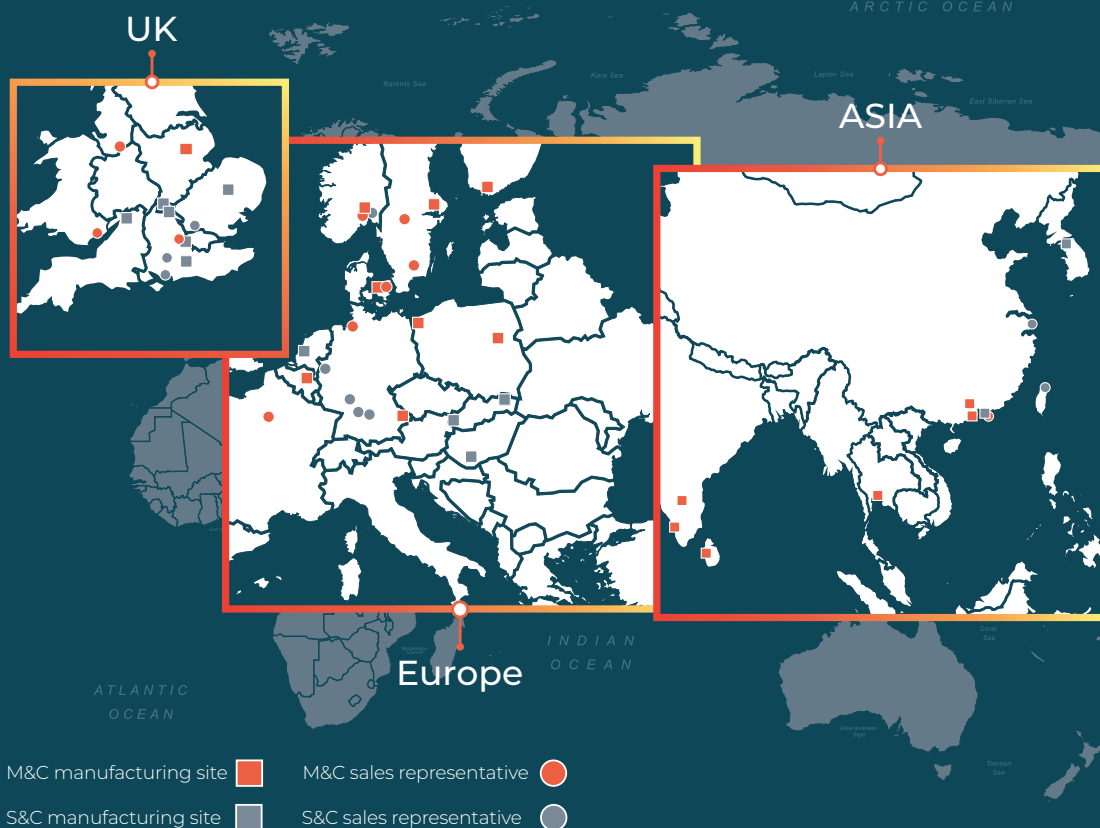
Sensing & Connectivity

Comprises four clusters - sensing, RF/wireless communication, fibre optic and connectors - and three standalone connectivity businesses, across nine countries with 15 manufacturing sites. Produces electronics for X-ray detection, wireless transmission, fibre optic and cable connection, electromagnetic shielding and sensing components for measuring movement, temperature, pressure, position, force and load.

Revenue breakdown



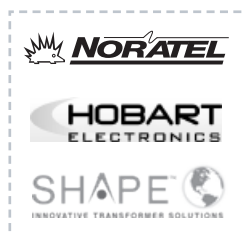
● UK – 22%
● Nordics – 10%
● Rest of Europe – 34%
● N. America – 23%
● Asia & ROW – 11%



Revenue



Magnetics



Controls



Indicates our Clusters

Revenue



Sensing



Connectivity



READ MORE ABOUT OUR CLUSTERS ON PAGE 28



Our ambition:

To create innovative electronics that make a positive difference, contributing to a better future

Our aim is to have a **positive** impact...

Incorporating proven technology

Our products are based on proven technologies, which is the key to creating successful and reliable products. The challenging task is applying such technology to meet the requirements of a specific application. This requires a deep understanding of the application itself as well as the technology. Our team of electronics, mechanical, and software engineers have in-depth knowledge of the technologies and a wealth of experience in applying them. They work hand-in-hand with customers to find the best solution for the application.



Working with customers to maximise our impact

Application 1: The maritime sector is undergoing a green revolution, with shipping companies and system integrators seeking innovative solutions to meet emissions targets. We are at the forefront of this change, collaborating with industry leaders to retrofit existing vessels to enable them to run on hybrid or renewable energy sources.

Our project-based, custom-designed products, such as optimised single or 3-phase transformers and reactors, are tailor-made for these new hybrid-electric or fully electric propulsion systems.

We support our customers in their green transformations, while contributing to a cleaner, lower carbon future for the global economy.

Application 2: Since its inauguration in 2019, the Vande Bharat Express has revolutionised travel across India. This semi-high speed train significantly reduces travel times on key routes – some by as much as 15%. We partner with Siemens on this project, custom-designing and manufacturing the crucial power systems which keep trains operational. These systems ensure a constant and regulated flow of electricity to power essential onboard functions such as lighting, displays, and air conditioning.



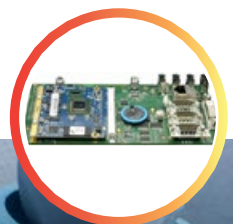


...by delivering highly customised products...

Our products are essential components for many industrial applications. We focus on those markets that have long-term growth prospects and that are aligned with the UN Sustainable Development Goals.



READ MORE ABOUT HOW WE CONTRIBUTE TO THE UN SUSTAINABLE DEVELOPMENT GOALS ON PAGES 52 TO 53



Our specialist electronic components are customised to ensure optimal efficiency for the end user

Magnetic components for wind turbine systems

Application

Inductors to reduce harmonics in wind energy conversion

Benefits

A variable speed wind turbine uses power electronics converters to convert the AC power generated by the turbine into DC, then back to AC to feed into the grid. The converter system creates harmonics in the wind-generated power's voltage and current, reducing power quality. Our custom-designed inductors reduce the harmonics in the wind energy conversion system, minimising power loss and making the wind turbine system more efficient.

Target market



X-ray detection for waste management

Application

Dual energy X-ray detectors for sorting waste materials

Benefits

Traditional metal sorting using magnets can only sort between ferrous and non-ferrous metals. However, using dual energy X-ray measurements can sort materials at a much more granular level, such as sorting aluminium by different grades. This method helps to increase the recovery of valuable materials, such as minerals and metals.

Target market



Embedded solution for medical devices

Application

Embedded microcomputer for wearable cardiac monitoring device

Benefits

The compact, wearable device records patients' heartbeats for signs of potentially dangerous arrhythmias and then wirelessly transmits data to patient monitoring services, allowing remote care and early intervention. We design and build the small embedded system comprising a powerful application processor with PC-like speeds and a wireless chipset with Bluetooth and GPS support. The system is designed for optimal efficiency, ensuring extended operation on a single charge.

Target market



Key



Renewable energy



Transportation



Medical

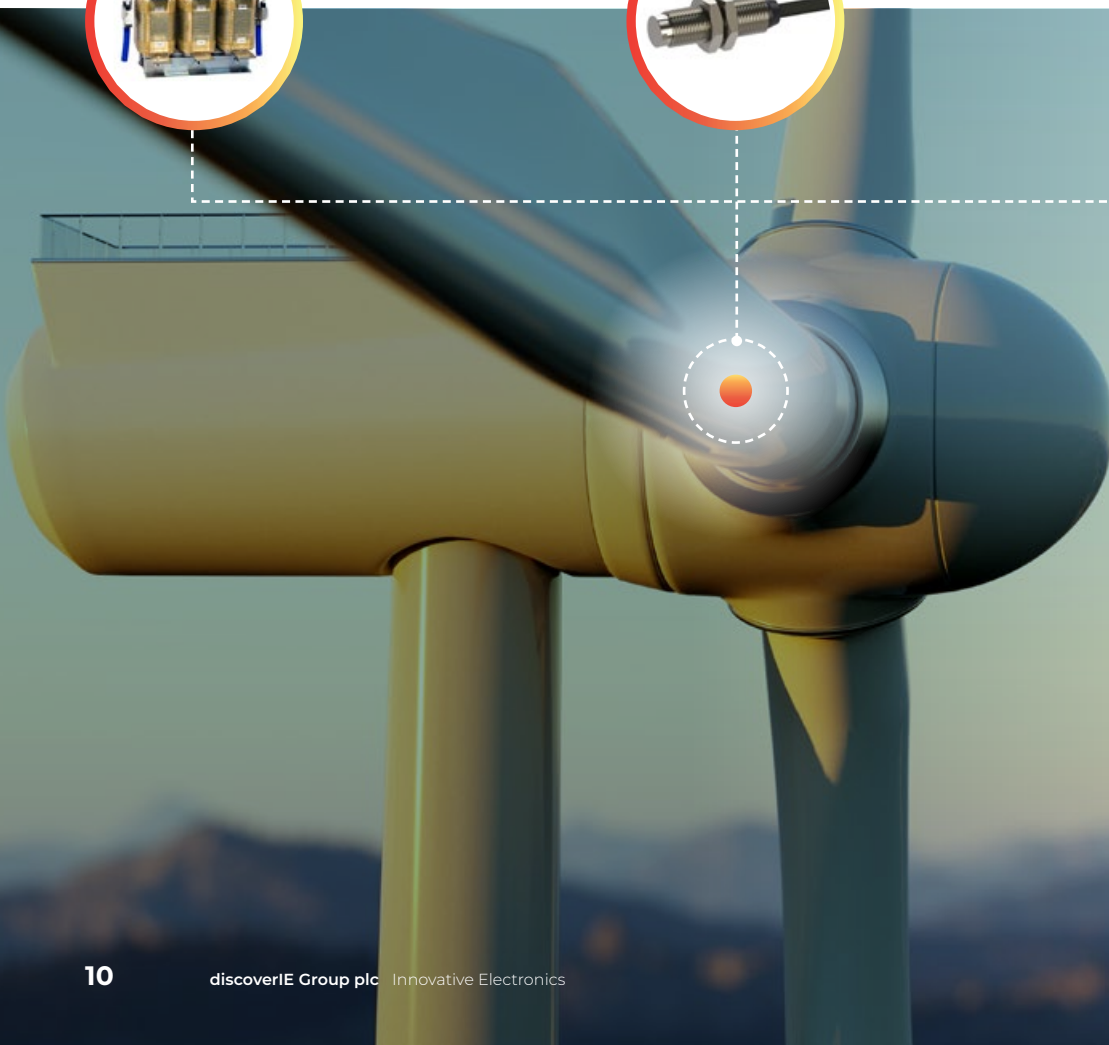


Industrial & Connectivity

Our product range is expanding as we continue to acquire businesses that are leading in their respective fields. We are also looking for new technology platforms that will complement our existing businesses while bringing product, technical and geographic strengths to the Group.

- We have acquired 26 businesses since 2011. They are based on different technology platforms but all share the discoverIE DNA.
- They are grouped into four technology areas: magnetics, embedded computer & interface controls, sensing, cable & wireless connectivity.
- Based on these technologies, we customise and develop new applications to meet our customers' specific requirements.

**...serving
vital markets
contributing
to a more
sustainable
world.**



We focus on four target markets, providing tangible benefits to the world

Growth in our target markets is driven by megatrends, such as decarbonisation, electrification, and digitalisation.

 READ MORE ON THE MEGATRENDS ON PAGES 24 TO 27

Renewable energy



Why is it important

The key to unlocking a clean energy future lies in sustainable power sources. By building new electricity capacity, such as wind and solar, we can significantly reduce carbon emissions and create a more sustainable world.

The role we play

We are at the forefront of the renewable energy revolution. Our innovative components play a critical role in enabling the efficient transmission of wind and solar power, minimising energy loss during transit. We also develop solutions that go directly into customer products, empowering them to generate clean electricity from these renewable sources. By minimising energy loss and enabling wider adoption of renewable technologies, we are actively contributing to a cleaner, more sustainable future.

Transportation



Why is it important

Transportation is a major contributor to global CO₂ emissions. Driven by the combined forces of decarbonisation and urbanisation, the demand for electrified transportation is surging. This electrification extends beyond personal vehicles to encompass mass transit systems like trains and buses, as well as specialised vehicles used for deliveries and agriculture. Furthermore, even traditional vehicles are incorporating more electric components to enhance safety, efficiency, and communication capabilities.

The role we play

We help our customers create products that assist with the electrification of transportation. From DC switches isolating train batteries to HVAC control solutions ensuring passenger comfort, and from magnetic components in high-powered EV chargers to pressure sensors for hydrogen buses, our diverse range of long-lasting, energy-efficient products touches nearly every aspect of electric mobility. We further contribute by retrofitting existing trains and ships with the latest, more efficient power systems.

Medical



Why is it important

The healthcare industry is experiencing a surge in electronic devices due to three key factors: the growing prevalence of chronic diseases, an ageing population, and increased access to healthcare. These devices play a crucial role in enhancing patient care, improving diagnostics, and enabling minimally invasive surgeries.

The role we play

Our mission-critical electronics are embedded in a wide range of medical equipment, from X-ray detection systems in scanners to fully sealed control panels for ultrasound machines. These innovative solutions empower healthcare providers to deliver exceptional care and improve patients' quality of life.

Industrial & Connectivity



Why is it important

Industrial automation and robotics have increased exponentially in certain sectors, such as manufacturing, and are now expanding into medical, aviation and agriculture. With the growing adoption of the Internet of Things ("IoT"), 5G and artificial intelligence ("AI"), the demand for electronics such as antennas, sensors, and fibre optic connections will continue to grow.

The role we play

We are at the heart of industrial automation. Our products perform the essential functions of automation, such as signal conditioning and transmission, monitoring and remote control. We provide fast and reliable cable and wireless connections, enabling industrial IoT to take place and, in turn, helping to improve productivity and efficiency.

CHAIRMAN'S STATEMENT



The Group continues to deliver strong results through the business cycle, demonstrating its quality and resilience.”

Bruce Thompson
Chairman

GROUP REVENUE

£437.0m

(FY2023: £448.9m)

UNDERLYING OPERATING PROFIT

£57.2m

(FY2023: £51.8m)

This year's results reflect another strong performance, with operational efficiencies driving good growth in underlying operating profits and margin, as well as underlying earnings per share. Once again, the high quality of the Group's earnings, along with its capital-light nature, has delivered excellent growth in cash flow.

Industrial markets slowed this year following two strong years where Group revenue increased by almost 50%. The industry wide supply chain shortages of a year ago led to inventory imbalances that have had to be realigned. Encouragingly, the inventory correction in our markets appears to have been achieved smoothly; testament to the improved supply chain skills developed in the industry in previous downturns.

Despite the changing market conditions, the Group's revenue has proven resilient. By focussing on structural growth markets, and avoiding the more cyclical and consumer-facing markets, the Group has successfully offset the impact of inventory correction in the industrial markets. The Group continued to make excellent progress operationally, generating efficiencies that partly come from organising our businesses into clusters, thereby sharing resources and know-how, reducing working capital and making further progress on the acquisition front.

Strategy

The Group's strategy has remained consistent for a number of years and has delivered sustained returns for shareholders. The Group designs and manufactures high quality components which are created to fit the unique requirements of each customer allowing for secure, long-term revenue streams. Operating with an international, decentralised business model allows us to retain an entrepreneurial mindset and be close to our customers, reacting quickly to their needs and operating an efficient supply chain. To deliver consistent, long-term growth we focus on structurally growing, sustainable markets driven by increasing electronic content and where there is an essential need for our products.

The Group's target markets are renewable energy, transportation, medical and industrial & connectivity and are all aligned with the UN Sustainable Development Goals ("UN SDGs"). With these being worldwide markets and with major customers operating internationally, the business is expanding both within and, to an increasing extent, beyond Europe. By focusing on these target markets, the Group is also helping to facilitate the transition to a cleaner, healthier, and more sustainable world.



Alongside organic growth, acquisitions are a key factor in the Group's compounding growth strategy. Since 2011, the Group has acquired 26 specialist, value and margin-enhancing design and manufacturing businesses, which have been integrated successfully and driven further growth. discoverIE has a disciplined approach to acquisitions and continues to see opportunities for further acquisitions in a highly fragmented market with a strong pipeline in development.

The Group's capital-light model generates strong cash flows, which management reinvests into accelerating the strategy and delivering further value creation for shareholders.

Sustainability and Positive Impact

The Group continues to work hard to build a more sustainable business. Excellent progress has been made towards its target of reducing its carbon emissions and the Group has a net zero plan to reduce Scope 1 & 2 emissions to zero by 2030 and Scope 3 emissions to zero by 2040. Since 2021, Scope 1 & 2 emissions have already been reduced by 47%. In addition, managements' remuneration continues to be aligned with delivering on ESG-related objectives.

Last year, the Group undertook an assessment of the resilience of its business model and strategy, and potential impact of climate change over the short and medium term. It concluded that, while the Group may be exposed to certain risks during the transition to a low carbon economy, such risks are considered to be low and more than outweighed by the commercial opportunities presented to the Group in our target markets from the energy transition. In early 2024, the Group carried out an interim reassessment of the climate risks to take into account the newly acquired businesses. The results showed that there has been no material change in the Group's climate-related risk profile.

The Group also aims to be a socially responsible employer, adhering to the highest ethical standards both internally and throughout its supply chain, with a commitment to excellent employee relations and to increasing diversity at all levels of the business.

Recognising the Group's achievements and focus on sustainable development, MSCI has upgraded its classification of the Group with an "AA" rating in its 2023 ESG Rating assessment (previously "A" rating). The Group is also 'Regional Top rated' by Sustainalytics. Both acknowledged the Group's strong performance against industry peers in various areas, including opportunities in clean technology and corporate governance.

Acquisitions

The Group made five acquisitions during the year, for a total consideration of £83m.

Three of those acquisitions were in the M&C division, namely Silvertel, a UK-based designer and manufacturer of differentiated, high performance Power-over-Ethernet ("PoE") modules acquired in August 2023; Shape, a US-based designer & manufacturer of speciality transformers acquired in January 2024 as a bolt-on to the Noratel cluster, and DTI, a US-based designer and manufacturer of custom embedded modules acquired in March 2024 as a bolt-on to the Beacon cluster.

Two acquisitions were made in the S&C division, namely 2J Antennas Group ("2J Antennas"), a Slovakia-based designer and manufacturer of high performance antennas acquired in September 2023, which is to be integrated with our existing Antenova business, and IKN, a Norwegian cable designer and manufacturer acquired in March 2024 as a bolt-on to the Foss cluster.

The management teams at each business have remained in position post-acquisition, and with the support structure and cross-selling opportunities that come from being part of an enlarged group, we fully expect to see accelerated growth in the years ahead.

We welcome the employees of these businesses into the Group and look forward to working with them in the years ahead.

Continued financial progress

Group sales for the year increased by 1% at CER to £437.0m, notwithstanding strong comparators (+48% growth in the prior two years). As a result of significant operating efficiencies, underlying operating profit increased by 16% at CER to £57.2m with underlying operating margin increasing by 1.6ppts to 13.1%. Conversely interest rate rises contributed to a £3.5m increase in finance costs to £9.0m and, together with a stronger Sterling, reduced growth in underlying profit before tax to 4% (increasing from £46.3m to £48.2m) with underlying earnings per share up 5% to 36.8p (FY2023: 35.2p).

This year saw a greater number and value of acquisitions (five deals for a total of £83m compared with two last year for a total of £23m), resulting in proportionately higher acquisition expenses. In addition, there were £5.9m of costs associated with the disposal of the Santon solar business unit (see note 12); net cash proceeds of c.£7m from this transaction are due to be received in the new financial year. After underlying adjustments for the inclusion of higher acquisition and disposal-related costs, profit before tax on a reported basis reduced by £6.9m to £22.2m (FY2023: £29.1m) with fully diluted earnings per share reducing by 5.9p to 15.8p (FY2023: 21.7p).

Free cash flow of £37.0m was generated this year, being 12% higher than last year and representing 102% of underlying earnings, well ahead of the Group's conversion target of 85%. With £83m invested in five acquisitions this year, net debt at 31 March 2024 increased to £104.0m (31 March 2023: £42.7m) with a gearing ratio of 1.5x, at the lower end of our target range of 1.5x to 2.0x.

Increased Dividend

The Board is recommending a 4% (0.35 pence) increase in the final dividend to 8.25 pence per share, giving a 5% increase in the full year dividend per share to 12.0 pence (FY2023: 11.45 pence) and an underlying earnings cover of 3.1 times (FY2023: 3.1 times). The final dividend is payable on 2 August 2024 to shareholders registered on 28 June 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 funding of both dividend growth and a higher level of investment in acquisitions from internally generated resources.

At the time of the interim dividend in January 2024, the Company started a Dividend Re-Investment Programme ("DRIP"), details of which are available from the Company's Registrars, Equiniti. The final date for DRIP elections for the final dividend will be 12 July 2024.

Board of Directors

On 1 June 2023 we were pleased to welcome Celia Baxter to the Board. She has many years of experience in listed companies, including at Bunzl plc, DS Smith plc and Dowlais plc. She will succeed Tracey Graham as both Chair of the Remuneration Committee and as Senior Independent Director when Tracey retires from the Board in November this year. We extend our sincere thanks to Tracey for her service to the Board and to the Company since her initial appointment in November 2015 and we wish her every success for the future.

Employees and Culture

On behalf of the Board, I would like to thank everybody at discoverIE for their sustained dedication, hard work, initiative and support.

The Group comprises approximately 4,500 employees in 20 countries around the world. By adopting an entrepreneurial and decentralised operating environment, together with rigorous planning, controls and investment, the Group has created an ambitious and successful culture.

We aim to achieve a culture across the Group that:

- is entrepreneurial
- treats everybody equally and recognises the importance of diversity
- is honest, reliable, trusting and non-political
- enables decision-making close to the customer through a decentralised structure
- enables open, constructive communication with a willingness to listen
- is performance driven

Summary

The Group is building a leading business that continues to deliver strong results through the economic cycle and the Group has again demonstrated the quality and resilience of its business.

The market remains highly fragmented, providing scope to build further capability and extend geographic reach through disciplined, accretive acquisitions. The Board is excited by the opportunities available to continue building a business that attracts and retains a high quality workforce, delivers essential products for our customers, grows long-term returns for our shareholders, and contributes to the creation of a sustainable environment.

With a strong pipeline of opportunities, the Group is well positioned for continued growth.

Bruce Thompson
Chairman

INVESTMENT CASE

Sustainable growth markets

Increasing electronic content and electrification of products and processes drive demand for electrical and electronic components. We prioritise four markets that are driven by megatrends and are aligned with UN Sustainable Development Goals. Read more on the megatrends on pages 24 to 27.

FORECASTED GROWTH IN OUR TARGET MARKETS¹

7-12% p.a.

Target markets: Renewable energy, Transportation, Medical, and Industrial & Connectivity

Differentiated product offering

We specialise in providing customised and niche electronic solutions, utilising established technologies to create small, mission-critical components tailored to meet the unique needs of our customers. We manufacture and supply these engineered components for the lifespan of the end products.

LONGEST CUSTOMER RELATIONSHIP

30+ years

Long-lasting customer relationships and stable, repeat revenue

Strong financials

Sustainable, profitable growth and excellent cash generation. Our strong balance sheet with gearing in the range of our 1.5x – 2x target allows headroom for further acquisitions.

UNDERLYING OPERATING PROFIT GROWTH² OF

21%

CAGR⁴ from FY2019-FY2024

FREE CASH FLOW CONVERSION³ OF

109%

on average from FY2019-FY2024

Proven strategy for growth

Grow organically well ahead of GDP through the economic cycle by focusing on structural growth markets and an expanding product offering, bolstered by earnings and margin-enhancing acquisitions. Proven track record of delivering strategic and financial targets.

REVENUE GROWTH² OF

10%

CAGR⁴ from FY2019-FY2024

Consistent Shareholder returns

Disciplined capital allocation with a track record of value-enhancing acquisitions drive capital appreciation and progressive dividends.

DIVIDEND GROWTH OF

6%

CAGR⁴ from FY2014-FY2024

TOTAL SHAREHOLDER RETURN OF

403%

FY2014-FY2024

- 1 See estimated growth in our target markets on pages 24 to 27.
- 2 Continuing operations only, i.e. excluding the disposals of Acal BFI and Vertec SA in March 2022.
- 3 Free cash flow conversion is defined as net cash flow before dividend payments, net proceeds from equity fund raising, acquisition costs and business disposal proceeds divided by underlying profit after tax.
- 4 Compound Annual Growth Rate.



OUR STRATEGY



Over the past decade our clear strategy has delivered stellar results and we remain committed to this path, with a clear focus on our strategic priorities.”

Nick Jefferies
Group Chief Executive



Our strategic aim

Our mission is to grow our business in customised electronics by focusing on markets with sustained growth prospects, driven by increasing electronic content and where there is an essential need for our products.

We aim to achieve this through a motivated, entrepreneurial and empowered workforce that adheres to the highest ethical and quality standards.

Impact of climate change

Climate change presents a different set of challenges and opportunities to our business. To understand the financial impact of climate-related risks and opportunities on the Group, we conducted a detailed analysis and financial modelling in FY2023. The results showed that the net financial impact of the climate-related risks and opportunities to the Group is immaterial as the costs incurred in mitigating such risks are more or less offset by the benefits arising from the opportunities, and that our business model and strategy remained resilient in the face of climate change. More details on the scenario analysis can be found in the TCFD Report on page 66 and 86 of the 2023 Annual Report.

In FY2024, we assessed the five newly acquired businesses using the same methodology and concluded that they face no significant climate-related risks. Hence, the new acquisitions do not change the Group's climate-related risk profile.

That being said, we recognise that climate change remains a threat to the Group's assets in the long term and that there has been a growing expectation among our stakeholders that we, as a responsible corporate citizen, address climate risks in our business operations. Therefore, we have prioritised climate-related risks as a principal risk and manage it as such, with carbon reduction being one of our Key Strategic Indicators since November 2022. Climate change is now considered in many aspects of how we manage our business, from strategic and financial planning to capital investment and acquisitions to remuneration. It is fully embedded in our operations.

Our net zero plan and SBTi-aligned targets announced in November 2022 are a demonstration of our long-term commitment to tackle this issue. More information about the progress we have made against these targets can be found in the Sustainability Report on pages 55 and 61 to 64, and in the TCFD summary report on pages 65 to 70.

Our strategic priorities

Over the past decade, our clear strategy of investing in initiatives that enhance design opportunities for niche, customised products and targeting structural growth markets has delivered stellar results. Despite divesting a substantial portion of our business through the sale of the distribution business in 2022, the Group's revenue has more than doubled and underlying operating profit has grown sixfold in the past ten years. Along the way, we have built a global specialist electronics engineering business, with strong design capabilities and a growing international presence. We remain committed to this path, with unwavering focus on our strategic priorities:

Key strategic indicators

- | | | | |
|---|------------------------------------|---------------------------------------|----------------------------------|
| A Increase underlying operating margin | B Build sales beyond Europe | C Increase target market sales | D Reduce carbon emissions |
|---|------------------------------------|---------------------------------------|----------------------------------|

Risks

- | | | | |
|--|---|----------------------------------|--|
| 1 Instability in the economic environment | 2 Business acquisitions underperformance | 3 Climate-related risks | 4 Cyber security |
| 5 Loss of key customers | 6 Loss of key suppliers/supply | 7 Technological changes | 8 Major business disruption |
| 9 Loss of key personnel | 10 Product liability | 11 Inventory obsolescence | 12 Liquidity and debt covenants |
| 13 Foreign currency | 14 Non-compliance with legal and regulatory requirements | | |

 SEE OUR PRINCIPAL RISKS AND UNCERTAINTIES ON PAGES 75 TO 81

Strategic priorities	Progress to date	Link to key strategic indicators	Link to risks
 Grow sales well ahead of GDP through the economic cycle by focusing on structural growth markets, namely renewable energy, transportation, medical, and industrial & connectivity. Each of these markets is predicted to grow faster than global GDP. Read more about these markets on pages 24 to 27.	The Group has delivered on average 6% annual organic growth since FY2014. Target markets have grown well ahead of wider markets, even during the pandemic. Sales into the target markets as a proportion of the Group sales had increased from 56% in FY2017 when it was first measured, to 75% in FY2024. We aim to achieve 85% sales from the target markets in the medium-term.	B C	1 4 5 7 8
 Move up the value chain where margins are higher. We aim to achieve this by improving efficiency and leveraging synergies among our operating businesses, as well as through strategic acquisitions of higher margin businesses with niche and more differentiated products.	Since FY2014, the Group's underlying operating margin has risen significantly, from 3.4% to 13.1% in FY2024. This improvement is attributable to a combination of factors, including efficiency gains, operating leverage and higher margin acquisitions. The sale of the lower margin Custom Supply distribution business in March 2022 also played a contributing role.	A	2 4 5 6 7
 Acquire high quality businesses with attractive growth prospects and strong, sustainable margins. In a fragmented market, opportunities exist to consolidate certain manufacturers of niche, customised products for the Group's common customer base. We have a clear approach to acquisitions, and the target businesses must have discoverIE DNA.	The Group has acquired 26 design and manufacturing businesses over the past 13 years, investing a total of over £470m, of which c.£110m was in the last two years alone. The businesses that have been part of the Group for more than two years have delivered a return on investment of 18.5% in FY2024.	A B C D	1 2
 Further internationalise by expanding in North America and Asia. From its British roots, the Group has established a strong European presence over the years. We are committed to continued growth in our home region, while strategically expanding in North America and Asia, where demand for our products is surging. This geographic diversification enhances the Group's resilience against market fluctuations.	Beyond Europe, our sales have grown significantly, increasing from just 5% of the Group's total in FY2014 to 41% in FY2024. This expansion is fuelled by both organic growth initiatives and strategic acquisitions. Notably, North America, a previously untapped market, now contributes a quarter of Group sales.	B	1 2 7

KEY STRATEGIC INDICATORS

A Increase underlying operating margin FY25 Target: 13.5% FY20 8.0% FY21 7.7% FY22 10.9% FY23 11.5% FY24 13.1%

Medium Term Target:

15.0%

Definition

Underlying operating profit as a percentage of sales

Commentary

Underlying operating margin increased by 1.6ppts on last year, with the second half margin of 13.4% and the first half margin of 12.9%. The Group benefited in the year from operational efficiencies resulting in robust gross margin and lower operating costs, augmented by higher margin acquisitions.

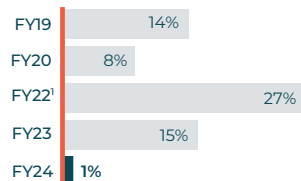


KEY PERFORMANCE INDICATORS

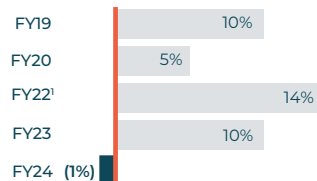
1 Sales growth

Target: well ahead of GDP

CER



Organic growth

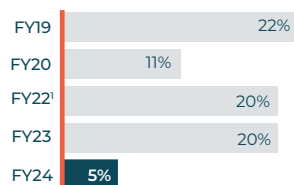


Commentary

CER sales increased by 1% with organic sales reducing by 1%. Growth rates have reduced due to normalising markets and de-stocking in the industrial automation sector. Growth in the transportation, renewable energy and medical markets remained strong as well as in some non-target markets.

2 Underlying EPS growth

Target: **>10%**

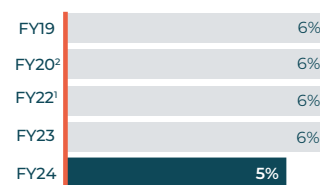


Commentary

Underlying EPS increased by 5% and by 10% at CER. Excluding increased finance costs and at CER, underlying operating profit increased by 16% due to operational efficiency, tight cost control, and contributions from acquisitions.

3 Dividend growth

Target: Progressive



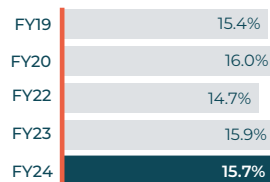
Commentary

This progressive dividend policy has seen a more than doubling of dividend per share since 2010 (up 135%), whilst dividend cover on an underlying basis remained at 3.1x for the year.

4 ROCE³

Target:

>15%



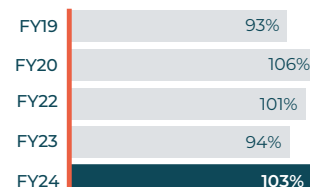
Commentary

As expected, ROCE was 0.2ppts lower than last year following five acquisitions for a total investment of £83m this year. Excluding acquisitions, organic ROCE increased by 1.9ppts to 17.8%.

5 Underlying operating cash conversion³

Target:

>85% of underlying operating profit

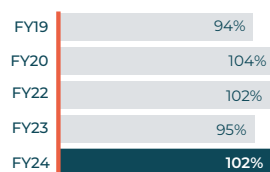


Commentary

Underlying operating cash flow was 22% higher than last year, with underlying operating cash conversion of 103%, well ahead of our 85% target.

6 Free cash conversion³

Target: **>85%** of underlying net profit



Commentary

Free cash flow was 12% higher than last year with free cash conversion of 102%, reflecting the cash generative nature of the business through the economic cycle.

¹ FY2022 shown as growth over the pre-Covid period of FY2020 to reflect the actual ongoing growth of the business. FY2019-FY2020 are for total operations before disposal, as reported at the time

² In FY2020, 6% increase in interim dividend, a final dividend was not proposed due to Covid

³ Defined in note 6 of the consolidated Financial Statements

Growth with resilience

The Group has been built through a focus on organic growth alongside 26 carefully selected and well-integrated acquisitions over the past 13 years to create a growth-oriented, higher margin design and manufacturing business. Along the way, we have built business resilience by broadening our customer base and product and technology portfolio, and increased agility through a scalable decentralised structure and distributed decision-making model.

We build this high-quality growth business through a two-prong approach: organic growth and acquisition.

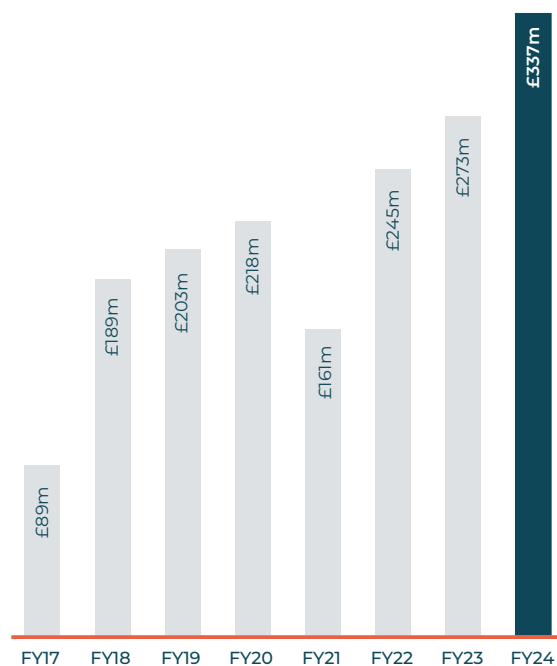


Organic growth

Growing organically is fundamental to our strategy. We aim to deliver above-GDP organic growth by focusing on securing a strong pipeline of design projects, or design wins, and investing in engineering and manufacturing capabilities and capacities, as well as creating more synergies across our businesses.

We target strategically high-growth, less cyclical end markets. These markets, characterised by custom-designed products and long-term customer partnerships, offer stable and predictable revenue streams with robust margins. Our engineer-led sales model ensures products are designed-in and lead to repeat revenue. The project pipeline is monitored and managed to ensure opportunity continuity. In FY2024, we secured design projects with an estimated lifetime value ("ELV") of £ 337m, a 23% increase on the prior year, 90% of which is in target markets.

Design wins (ELV £m)



Case Study

Delivering growth through collaboration

To encourage collaboration and better use of Group resources, we organise businesses with similar or adjacent technologies within the same division into clusters. This clustering approach makes it easier to identify commercial and technological synergies.

Collaboration among the operating businesses that are not in the clusters is encouraged and facilitated by the Group Development team. The latest example of this is the joint development of an advanced marine camera control system for one of Cursor Controls' customers. Being focused on external system "touch points", or HMI ("Human Machine Interface"), the full control system solution that requires an integrated embedded computer would have proven challenging for Cursor Controls to develop alone. Keen to pursue this new opportunity, Cursor Controls approached the Group Development team, and an introduction was swiftly made to Hectronic – the Group's Sweden-based specialist developer of customised embedded computers, with significant experience in IEC60945 certified marine applications.

Sharing the same DNA and ethos, the two businesses agreed to undertake a collaborative joint development for the system control unit – each leveraging the complementary expertise and IP in their respective fields to run parallel development paths. The ability to maintain and control development of the diverse system aspects within the same group, and within the tight timeline and cost targets, was a strong differentiator. This ultimately led to the award of a high-value, multi-year contract.

In April 2024, seven of the Group's operating businesses joined forces for the first time at the Embedded World Exhibition in Nuremberg, Germany, showcasing the Group's broad technology and engineering capabilities.

2

Growth through acquisition

Acquisitions are an essential part of our growth strategy. Since acquiring our first design and manufacturing business in 2011, we have invested a total of £470m in 26 acquisitions, of which over £100m was in the last 18 months alone. The Group's revenues from continuing operations increased to £437m in FY2024 from £10m in FY2010.

The niche, customised electronic components market is highly fragmented with many opportunities to consolidate. Our acquisition pipeline consists of 250 identified possible targets, of which a number are in the active outreach phase at any time. The table below shows the level of penetration and the 'white spaces' in the technology areas we focus on.

Our technology focus and penetration

Division	Technology	United Kingdom	Rest of Europe	North America	Asia
Magnetics	Power Magnetics		Significant	Light	Light
	Hi-Reliability Magnetics		Medium		
	High Frequency Magnetics		Light		
	Measurement & Speciality Magnetics				
Controls	Embedded Computing			Light	
	Industrial Computing & Interface		Light		Light
	KML Displays & Indication	Medium	Light		
	Power Conversion, Control Protection				
Sensing	Industrial Sensors	Light		Light	
	Process Measurement				
	Advanced Sensing	Light			
	Inspection, Vision & Data Acquisition	Light			
Connectivity	EML/EMC & Thermal Management		Light		Light
	Optical Fiber & Photonics		Light		
	Connectors & Cabling	Light			
	RF and Wireless	Light	Light	Light	Light
	Specialised Passives & Other				

Key – discoverIE penetration

Significant Medium Light

Value creation – long term approach

We acquire businesses that demonstrate specific characteristics which we regard as the discoverIE DNA. Our strong track record of acquisitions rests not only on identifying the right businesses but also on our ability to add value to them.

We have a well-established approach to acquisitions, as well as management of our portfolio of existing businesses. We continue to see significant scope for further expansion with a strong pipeline of acquisition opportunities in development. By taking a long-term approach to creating compounding organic growth in acquired and integrated businesses, as well as careful portfolio management of our existing businesses, the Group generates substantial value. Those acquired businesses that have been part of the Group for seven or more years delivered a return on capital employed of 28% in FY2024.

EXPERIENCE THE FUTURE OF CONNECTIVITY

2J Antennas antenova

Case Study

Building an RF/wireless cluster

We expanded our wireless/radio frequency ("RF") presence with the €52.5m acquisition of 2J Antennas, a global leader in external antennas, in September 2023. Based in Bardejov, Slovakia, with subsidiaries in the US and the UK, 2J Antennas sells into more than 50 countries and has a long track record of profitable growth at operating margins significantly higher than the Group average. The acquisition broadens our technology capability and product offering and further strengthens our position in the antenna market.

2J Antennas and Antenova, a leading designer of embedded antennas acquired by the Group in 2021, complement each other geographically and technologically. They have been combined to form a new RF/wireless cluster under common expanded leadership, and will be integrated onto a common infrastructure over time.

This strategic move positions us to capitalise on the rapidly growing market for wireless connectivity in industrial applications, driven by the Industrial Internet of Things ("IIoT"), robotics, and AI-powered industrial systems that require dependable wireless communication to function.

**GLOBAL SALES OF
SMART 5G ANTENNA
BY 2031**

**US\$ 16.7
BILLION***

**GLOBAL SALES OF
SMART 5G ANTENNA
GROWTH 2023-31**

**10.8%
CAGR***

Relevant Target Markets:



*Source: Transparency Market Research

MARKET OVERVIEW

Our products are essential components for many industrial applications. We focus on four end markets: renewable energy, transportation, medical, and industrial & connectivity. Growth in these markets is driven by global megatrends, such as decarbonisation, electrification, and digitalisation.

Megatrends drive substantial growth

Megatrends like decarbonisation, electrification, and digitalisation have been fuelling the growth of electronic components, and they will continue to do so in the decades to come. The global shift towards a low carbon economy drives energy transition and electrification. Businesses will need to adapt their operations and invest in new technologies to reduce their carbon footprint. Additionally, the increasing integration of digital technologies across all aspects of society and industry involves using tools like sensors, artificial intelligence, and big data to connect machines, processes, and people.

These megatrends represent a massive opportunity for us to develop innovative solutions and cater to the growing demand for a more sustainable, electrified, and digitally connected future.

Decarbonisation

Decarbonisation pushes for cleaner energy solutions, leading to a surge in demand for components used in renewable energy systems and energy storage.

Electrification

Electrification creates entirely new markets for electric vehicles, charging infrastructure, and smart grids. It also means existing systems need to be retrofitted to allow them to run on electricity. All of these rely heavily on specialised electronic components.

Digitalisation

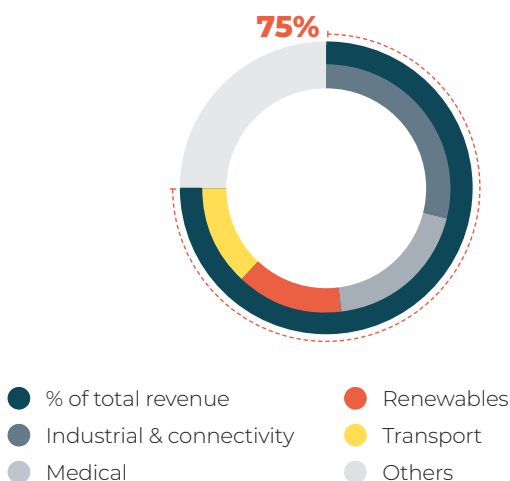
Digitalisation hinges on the ever-increasing interconnectedness of devices and systems, requiring a vast array of electronic components for data transmission, processing, and control.

Our target markets

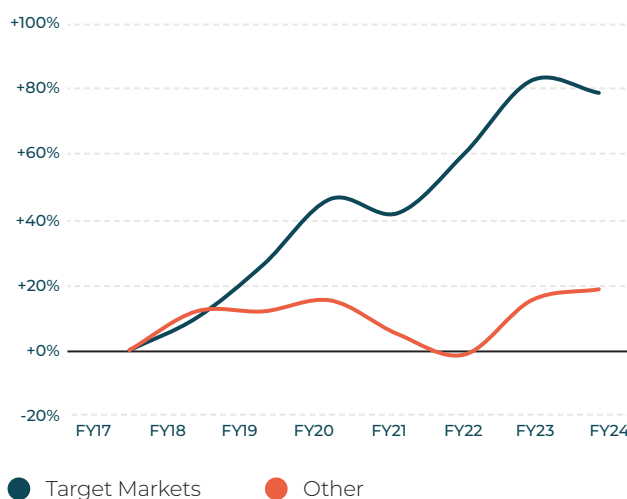
We tilted our focus towards markets with sustainable growth prospects over a decade ago, namely, renewable energy, transportation, medical and industrial & connectivity. In FY2017, we started measuring the sales into these markets. In the past seven years, organic target market sales have grown twice as fast as that of non-target markets. To date, 75% of the Group's revenue is from these target markets. We expect it to continue to grow, with an aim to reach 85%.

Revenue from target markets

(% of total revenue)



Target Markets Accumulative Growth



Decarbonisation

What are the trends

Governments around the world are setting ambitious targets and implementing comprehensive strategies to achieve net zero emissions by 2050. To meet these goals, a staggering \$275 trillion in global investment in physical assets is needed over the next 30 years, with most of it required in the next decade and a half. This translates into a significant annual investment of \$9.2 trillion. This surge in investment, driven by global decarbonisation efforts, will create a massive demand for sustainable solutions across various industries.

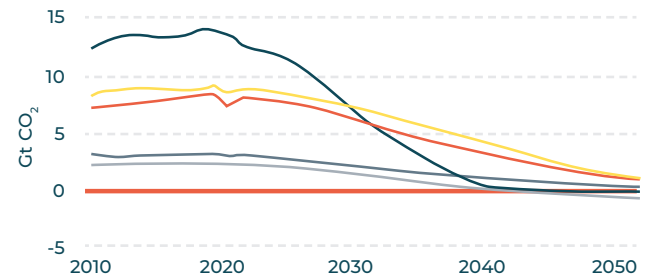
- Renewable energy – the renewable energy market, including solar, wind and hydropower, stands to gain significantly from decarbonisation
- Energy efficiency – energy-efficient technologies and solutions such as lighting systems, building materials, and smart grid technologies
- Electric vehicles (“EVs”) – the production of EVs, charging infrastructure, and related technologies
- Energy storage – the need for energy storage solutions increases as renewable energy sources, such as solar and wind, become more prevalent
- Carbon Capture, Utilisation and Storage (“CCUS”) – includes carbon capture technologies, carbon utilisation solutions and storage infrastructure
- Sustainable agriculture – includes organic farming, precision agriculture technologies, and sustainable food production systems
- Sustainable construction – includes energy-efficient buildings, green materials and renewable energy integration

How we are responding

Global decarbonisation offers us significant opportunities. We are leveraging our expertise and product portfolio to meet the growing demand for renewable energy generation, energy efficiency, electric mobility and smart infrastructure, while continuing to expand our product offerings. This involves investing in both new product development and acquisitions to broaden our range of sustainable solutions, as well as increasing our manufacturing capacity. In addition, we also proactively work with our suppliers to ensure they meet sustainability criteria, such as responsible sourcing and ethical practices. This will sharpen our competitive edge and further differentiate us from our competitors.

Emission reduction by sector in net zero by 2050 scenario²

Figure 3.1 – CO₂ emissions by sector in the NZE



Emissions fall fastest in the power sector, with transport, buildings and industry seeing steady declines to 2050. Reductions are aided by the increased availability of low-emission fuels

● Power ● Transport ● Other
● Buildings ● Industry IEA. All rights reserved.

Other = agriculture, fuel production, transformation and related process emissions, and direct air capture.

Key statistics:

61%

OF THE WORLD'S ELECTRICITY IS EXPECTED TO BE FROM RENEWABLE SOURCES BY 2030³ VS 30% IN 2023

9% CAGR

GROWTH IN RENEWABLE POWER GENERATION BETWEEN 2023 AND 2026³

Applicable markets

- Renewable Energy
- Transportation
- Industrial & Connectivity



Market trends	Technological applications	Our solutions
Renewable energy ■ 9.0% CAGR growth in renewable power generation between 2023-2026³	■ Increasing scale of wind turbines ■ Smart grid and energy-efficient technology	Power & Magnetics ■ Liquid-cooled power reactors and transformers for wind power systems ■ Control systems and displays ■ Systems to monitor and control power transmission ■ Smart control panels for indoor climate control
Transportation ■ 10.2% CAGR growth in smart transportation market between 2021-2030⁴	■ Sensing technology ■ Solar technology	Sensing & Detection ■ Encoders in solar trackers to obtain reliable positioning of tilt and azimuth angles ■ Encoders for harsh environments in wind energy
Industrial & Connectivity ■ 8.6% CAGR growth in industrial automation between 2022-2030⁵		Connectors & Communications ■ DC isolators and DC/AC power inverters for solar power ■ Safety switches for railways

¹ McKinsey & Co report: The net zero transition: What it would cost, what it could bring, January 2022

² International Energy Agency: Net Zero by 2050 – A roadmap for the global energy sector, May 2021 (https://iea.blob.core.windows.net/assets/deebef5d-0c34-4539-9d0c-10b13d840027/NetZeroBy2050-ARoadmapfortheGlobalEnergySector_CORR.pdf)

³ International Energy Agency: Electricity Market Report 2024, January 2024 (<https://iea.blob.core.windows.net/assets/6b2fd954-2017-408e-bf08-952fd62118a/Electricity2024-Analysisandforecastto2026.pdf>)

⁴ Allied Market Research: Smart transportation market (<https://www.alliedmarketresearch.com/smart-transportation-market>)

⁵ Precedence Research: Industrial automation market (<https://www.precedenceresearch.com/industrial-automation-market#:~:text=The%20global%20industrial%20>)

Electrification

What are the trends

Electrification is not just crucial for achieving net zero emissions; it is also one of the key drivers for efficiency and productivity. In the EU, nearly two-thirds of emissions reduction by 2030 could be achieved through energy efficiency and electrification¹. This megatrend is poised to transform many industries:

- Smart grid and energy management – technologies optimise energy distribution, improve grid reliability and facilitate the efficient utilisation of electricity
- Industrial – includes electrifying equipment and processes, which enable automation, heating and cooling systems
- Transportation – from personal cars to mass transit, all transportation sectors - rail, aviation, maritime, trucks and off-road vehicles - need new technologies like battery storage and hydrogen fuel cells, or system retrofits to enable electric operation
- Building and home automation – includes smart appliances, connected devices and automation solutions that enhance energy efficiency, comfort and sustainability
- Agriculture – includes electrified irrigation systems, farm equipment and other agriculture processes. Electric-powered machinery and electrified systems in agriculture contribute to efficiency gains and sustainability improvements

How we are responding

We see three end markets that are particularly relevant to our current capabilities – industrial electrification, transportation, and energy management. Our electronic components, such as power control, sensors, actuators, switches and circuit

protection devices, play a crucial role in electrification by enabling the control, monitoring, and communication of electrical systems. They are used in various applications, ranging from power electronics and motor control to energy management and automation. Additionally, as electrification expands, there is a growing need for advanced electromagnetic-based power electronics, such as inverters, converters, and DC-DC converters, which facilitate the conversion and management of electrical power between different systems and devices. Our magnetics products are vital in niche applications, such as renewable energy systems, EV charging infrastructure, grid integration and energy storage.

Key statistics:

45%

**INDUSTRIAL PROCESS ELECTRIFICATION BY 2035
TARGET SET BY US MANUFACTURERS¹**

8.9% CAGR

**GROWTH IN GLOBAL ELECTRIFICATION
BETWEEN 2023 AND 2032²**

Applicable markets

- Renewable Energy
- Transportation
- Industrial & Connectivity



Market trends

Renewable energy

- 14.7% CAGR growth in smart grid market between 2022-2030³

Transportation

- 8.3% CAGR growth in transportation electrification between 2022-2029⁴

Industrial & Connectivity

- 10.6% CAGR growth in global industrial electrification 2022-2030⁵

Technological applications

- Sensing technology
- Smart charging
- High speed rail
- Electrification of mass transportation
- Retrofitting engine systems for ships

Our solutions

Power & Magnetics

- Retrofitting electric systems for ships and manufacturing equipment
- Traction transformers for railway rolling stock applications

Control Systems & Displays

- Ruggedised CPU modules and carrier boards for automatic guided vehicles
- Master controllers for trains

Sensing & Detection

- Pressure sensors for hydrogen-fuelled e-Bus
- Temperature sensors for monitoring industrial heat processes

Connectors & Communications

- Circuit breakers and services for ships
- Battery isolation switches for trains

¹ Deloitte: Electrification in industrials, 2020

² Precedence Research: Electrification Market 2022

³ Market Research Future: Smart grid market report (<https://www.globenewswire.com/en/news-release/2022/09/28/2524402/0/en/Smart-Grid-Market-Worth-USD-10>)

⁴ Maximize Market Research: Transportation electrification market (<https://www.maximizemarketresearch.com/market-report/global-transportation-electrification-market/96>)

⁵ Custom Market Insight: Global industrial electrification market (<https://www.custommarketinsights.com/report/industrial-electrification-market/>)

Digitalisation

What are the trends

The proliferation of high-speed internet and widespread access to mobile devices has created a connected world. The availability of affordable and reliable connectivity enables the seamless exchange of information, communication and collaboration, driving digital transformation. Digitalisation can bring benefits to various markets and industries:

- Telecommunications and connectivity – digitalisation relies on robust telecommunications infrastructure and connectivity. This involves high-speed internet services, mobile networks, fibre optic infrastructure and wireless technologies, which stand to benefit from the increasing demand for connectivity and data transmission.
- Industrial 4.0 – Rapid adoption of artificial intelligence (“AI”) and the Internet of Things (“IoT”) allows optimisation of manufacturing processes. Machines require built-in components that are connected to a wired network or a wireless network to facilitate data transmission.
- Healthcare technology – This includes wearable devices, remote patient monitoring solutions, smart implants, smart inhalers and portable diagnostic devices. The adoption of these devices is driven by the demand for personalised healthcare, patient empowerment, and the integration of healthcare with digital platforms and systems.

How we are responding

The connected world relies on a foundation of vital electronic components. We are a key player in this space, providing solutions for establishing and maintaining connectivity in digital ecosystems. Our components, like power controls, sensors, transceivers, and wireless modules, facilitate functions like signal processing, data acquisition, and network infrastructure. This ensures seamless communication and integration across various digital devices and systems. But reliable power is equally crucial. That is where our power electronics come in, including voltage regulators and power distribution units, which guarantee optimal performance for digital equipment.

We further strengthened our position in the connectivity space with several acquisitions, including leaders in industrial IoT antennas - Antenova and 2J Antennas - and Power-over-Ethernet specialist, Silvertel.

Key statistics:

6.7% CAGR

GROWTH OF THE INDUSTRIAL IOT MARKET BETWEEN 2023 AND 2026¹

Applicable markets

- Renewable Energy
- Transportation
- Industrial & Connectivity



Market trends

Medical

- 15.4% CAGR growth in smart medical devices market 2022-2031²

Transportation

- 10.2% CAGR growth in smart transportation market between 2021-2030³

Industrial & Connectivity

- 6.7% CAGR growth in Industry IoT market 2023-2026¹

Technological applications

- Artificial intelligence and machine learning
- 5G technology
- Big data and analytics
- Sensing technology
- Automation and robotics

Our solutions

Power & Magnetics

- Built-in transformers and inductors for MRI scanners

Control Systems & Displays

- Single board computers for electrocardiographs
- Wireless portable emergency defibrillator

Sensing & Detection

- X-ray detectors for bone density measuring X-ray scans
- Light detectors for harmful gas emissions

Connectors & Communications

- Wireless antennas for robotic control
- Signal transmitters for crop monitors

¹ Markets and Markets: Industrial IoT market (<https://www.marketsandmarkets.com/Market-Reports/industrial-internet-of-things-market-129733727.html>)

² Allied Market Research: Smart Medical Devices Market Research 2031 (<https://www.alliedmarketresearch.com/smart-medical-devices-market-A17644>)

³ Allied Market Research: Smart transportation market (<https://www.alliedmarketresearch.com/smart-transportation-market>)

OUR BUSINESS MODEL

Our business model is simple. We design and manufacture niche, customised electronic components for industrial original equipment manufacturers (“OEMs”) operating in growth markets.

We add value by providing our customers with a turnkey solution for critical components. By acting as an extension of our customers’ engineering teams, we help them create ever-better solutions and guarantee a reliable, long-term supply of these critical components. This business model is resilient, proven by the Group’s robust and consistent track record.

1 Our resources and key enablers

Our people

We have c.4,500 colleagues worldwide; many of them are long-serving and have a high level of technical knowledge and experience in their fields. We encourage local employment and talent development so that our colleagues have an in-depth understanding of the market where they operate.

Our expertise

For over three decades, we have cultivated a vast amount of expertise and technical know-how in the specialist electronics market. Our team of electronics, mechanical and software engineers have a wealth of knowledge of our core technologies and diverse application experience. This allows us to rapidly develop new products that meet our customers’ evolving needs.

Our intellectual property

We retain the intellectual property rights of the products designed and developed for customers. We also have unique technology patents, which are used in many of our customised products.

Our manufacturing capability

We have 36 manufacturing facilities in 20 countries, including Sri Lanka, China, India, Poland, Hungary, Slovakia, the UK, Mexico, and the USA, producing high-quality products consistently and reliably in locations close to our customers.

Our financial strength

We have a strong balance sheet supported by high cash generation, which allows us to continue to invest in our people and capabilities and expand geographically.

2 What we do

Our main activity is designing and manufacturing specialist electronic components for industrial applications. Our core strength lies in the deep understanding of our customers’ design challenges, which allows us to engineer and manufacture customised solutions that perfectly meet their needs, and the guarantee of reliable supply throughout the life cycle of the end system.

Our core activities



Design and customise products

We work closely with our customers, who are primarily OEMs, to develop better solutions to solve complex technical challenges. This often requires adaptations of standard products or the development of new ones.



Manufacture customised products

Manufacturing bespoke and niche products requires a flexible production model and is often technically demanding. With technical know-how and in-house manufacturing capabilities, we have control of the production process, ensuring both quality and reliability. Quality is assured through rigorous and repeat testing, often above what is required.



Deliver globally

With manufacturing facilities in the Americas, Europe and Asia, we are able to reduce the risks of logistic disruptions and shorten delivery lead times. We provide customers with a consistent and reliable supply of products throughout the lifetime of the end system design.

Our decentralised approach

We operate a decentralised operating model. Our network of 26 operating businesses, each specialising in different technological areas, are grouped under two divisions - Magnetics & Controls and Sensing & Connectivity - led by two divisional heads. Supported by the Group’s central resources, each business operates independently under its own brand, but within a well-defined control framework and under discoverIE’s shared vision and strategic goals. This decentralised approach empowers individual businesses to make their own decisions, fostering a strong sense of ownership and accountability.

Collaboration through clustering:

To encourage collaboration and synergy, businesses within each division with similar or related technologies are grouped into clusters. These clusters are led by the leadership teams of the largest operating businesses within their own cluster, removing the need for an additional management layer. This flat structure allows for faster decision-making and greater agility, enabling businesses to adapt quickly to changing market demands.

This decentralised model empowers our businesses, while fostering collaboration through the cluster system. It allows them to leverage the benefits of autonomy and agility, while still maintaining a supportive and collaborative environment across the Group.

3 How we do it differently

Bespoke product design

Our products are a small but essential part of larger systems, which typically have a revenue life cycle of five to seven years. We work with our customers to design components that fit their system design and technical requirements. Once designed in, the product is used throughout the life cycle of the customers' product, resulting in long-term repeat revenues for the Group. It also ensures our customers' peace of mind and enables them to focus on their core business.

Strong customer relationships

We have been supplying many of our customers for decades. Our highly skilled engineers work closely with customers, developing a deep understanding of their industry and sharing knowledge and insights. Our long-lasting customer relationships are built upon our product knowledge and expertise, manufacturing know-how, product quality and reliable delivery.

4 Sustainable mindset

Sustainability is embedded throughout discoverIE. We design enduring, energy-efficient products that minimise service or replacement needs. We focus on markets aligned with the UN Sustainable Development Goals. By collaborating with our customers on their sustainability journey, we help them achieve their sustainability goals, while working to achieve our own.

Our sustainability focus areas

Our Planet



Our People



Our Products



[READ MORE ON PAGES 48 TO 70](#)

The Groups' head office functions, including legal, finance, M&A, IT, communications and sustainability provide support to our businesses, enabling them to grow. The Group risk and internal audit function ensures compliance and effective controls, and that risks are managed appropriately.



The value we create

Customers

Quality, reliability and efficiency. 100% on time, in full delivery target.

Employees

Empowering and collaborative culture and healthy and safe environment.

9%

VOLUNTARY EMPLOYEE TURNOVER

Shareholders

Attractive returns and growth opportunities.

403%

TEN-YEAR TOTAL SHAREHOLDER RETURN

Communities

Contribution to local employment, tax revenue, community engagement and decarbonisation.

£23.7m

TAX AND SOCIAL SECURITY CONTRIBUTION IN FY2024

47%

CARBON REDUCTION SINCE CY2021

Suppliers

Reliable partnership and shared knowledge

STRATEGIC AND OPERATIONAL REVIEW



This year's results reflect another strong operational performance, with good growth in underlying operating profits and margin, as well as earnings per share."

Nick Jefferies
Group Chief Executive

Good progress towards our targets

The Group designs and manufactures niche, customised, innovative electronics. Good progress was made this year towards our near and medium-term goals of increasing operating margins, supplying UN SDG-aligned target markets internationally, generating consistently strong cash flow and enhancing our value-creation through a disciplined approach to capital allocation.

The Group continues to deliver sustained compounding growth over time, both organically and from acquisitions. Since FY 2017/18, sales have grown by 14% CAGR, of which organic growth was 7% CAGR. In the same period, returns have grown at a faster rate with underlying operating profit growth of 22% CAGR and underlying EPS growth of 17% CAGR.

During the year, underlying operating profit grew by 16% at CER and underlying EPS by 5% (10% at CER), despite the economic headwinds. Organic ROCE, which excludes this year's acquisitions, rose by 1.9ppts to 17.8% with an overall ROCE (including this year's acquisitions) of 15.7%, ahead of our benchmark target, reflecting the effectiveness of our investment approach.

Sales in the year increased by 1% CER on strong comparators of 48% in the last two years, with an organic reduction of 1% for the year and growth of 2% in the final quarter.

The target markets of medical, renewable energy and transportation (46% of Group sales), grew by 12% organically, driven by strong demand in both existing and new projects. This was offset by the industrial automation market (29% of Group sales) which reduced by 19% as major industrial customers reduced their global inventories. Additionally, other markets (25% of Group sales) grew by 3% organically, driven by the space, aeronautics and security sectors, offsetting declines in distribution and general industry.

By region, organic sales growth was strongest in North America (25% of Group sales), and grew by 20%, driven by growth in key target market customers, easing of semiconductor supply chains and customer re-shoring of production. The UK and Nordics (30% of Group sales) grew by 1%, whilst the rest of Europe (29% of Group sales) declined by 8%, due primarily to softness in Germany. Growth in Asia (16% of Group sales) reduced by 15% driven principally by one large customer destocking in India. Excluding this customer, Asia reduced by 1%, with India continuing to grow and with China in line with last year.

By organising into clusters, our businesses are able to generate efficiencies which result in higher gross margins and lower operating expenses.

These efficiencies combined with higher margin acquisitions led to an underlying operating margin of 13.1%, an increase of 1.6ppts year-on-year and another significant step towards achieving our Group targets of 13.5% in the year ahead, and 15% in the medium-term.

During the year, our enlarged M&A team delivered five higher margin acquisitions (two platforms and three cluster bolt-ons) for a total investment of £83m. We also reached an agreement to sell Santon's solar business unit enabling it to focus on its higher margin industrial business. This exit, which results in £5.9m of cost in the year reported, is expected to realise c.£7m in net cash proceeds next year. Expansion of the Group's production capacity in Germany and Thailand was also completed this year, as was the transfer of production from Tempe, Arizona to Mexico.

Following supply chain constraints last year, the Group order book, which peaked at £257m in September 2022 (c.7 months of sales), has normalised as expected with the order book at 31 March 2024 reducing to £175m, representing c.4.5 months of sales, in line with historic coverage levels and appropriate to meet current sales expectations.

With strong growth in design wins (up 23% this year), an end to the customer destocking cycle and reductions in interest rates stimulating both demand and earnings, the Group is very well positioned to accelerate growth once market conditions improve.

Positioned well for market recovery

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

- **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 resilient gross margins.
- **Broad footprint:** a decentralised model with 36 manufacturing sites and with operations around the world, able to support customers locally and contribute to 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 our 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.

With a capital-light business model, a differentiated product portfolio, a strong balance sheet and low customer concentration (the Group's largest customer is c.7% of Group sales), the Group has grown strongly and consistently over the last decade whilst proving resilient through economic downturns, including the pandemic. We expect this to continue to be the case.

Continued financial progress

Group sales for the year increased by 1% at CER after adjusting for pass-through costs to £437.0m, notwithstanding strong comparators (+48% growth in the prior two years). As a result of significant operating efficiencies, underlying operating profit increased by 16% at CER to £57.2m with underlying operating margin increasing by 1.6ppts to 13.1%. Conversely interest rate rises contributed to a £3.5m increase in finance costs to £9.0m, and together with a stronger Sterling, reduced growth in underlying profit before tax to 4% (increasing from £46.3m to £48.2m) with underlying earnings per share up 5% to 36.8p (FY 2022/23: 35.2p).

This year saw a greater number and value of acquisitions (five deals for a total of £83m compared with two last year for a total of £23m) resulting in proportionately higher acquisition expenses. In addition, there were £5.9m of costs associated with the disposal of the Santon solar business unit (see note 12); net cash proceeds of c.£7m from this transaction are due to be received in the new financial year. After underlying adjustments for the inclusion of acquisition and disposal related costs, profit before tax on a reported basis reduced by £6.9m to

£22.2m (FY 2022/23: £29.1m) with fully diluted earnings per share reducing by 5.9p to 15.8p (FY 2022/23: 21.7p).

Free cash flow of £37.0m was generated this year, being 12% higher than last year and representing 102% of underlying earnings, well ahead of the Group's conversion target of 85%. With £83m invested in five acquisitions this year, net debt at 31 March 2024 increased to £104.0m (31 March 2023: £42.7m) with a gearing ratio of 1.5x, at the lower end of our target range of 1.5x to 2.0x.

Increased dividend

The Board is recommending a 4% (0.35 pence) increase in the final dividend to 8.25 pence per share, giving a 5% increase in the full year dividend per share to 12.0 pence (FY 2022/23: 11.45 pence) and an underlying earnings cover of 3.1 times (FY 2022/23: 3.1 times). The final dividend is payable on 2 August 2024 to shareholders registered on 28 June 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 funding of both dividend growth and a higher level of investment in acquisitions from internally generated resources.

At the time of the interim dividend in January 2024, the Company started a Dividend Re-Investment Programme ("DRIP"), details of which are available from the Company's Registrars, Equiniti. The final date for DRIP elections for the final dividend will be 12 July 2024.

Sustainability and social responsibility

The Group creates innovative electronics that help customers produce new technologies. Our focus on sustainability forms the core of our target markets where, through focused initiatives, we aim to grow our revenues organically ahead of the wider industrial market. These trends are reported in our key strategic indicators as target market sales.

STRATEGIC AND OPERATIONAL REVIEW continued

Our target markets are aligned to the UN Sustainable Development Goals with our target of generating around 85% of new design wins from these markets. 90% of our new design wins during the year were into these target markets, while sales from target markets were 75% of Group sales. Please refer to the Group's website which illustrates how we are working with customers and suppliers to meet the global sustainability agenda.

The Group was awarded the MSCI ESG "A" Rating in April 2022, which was subsequently upgraded to "AA" rating in July 2023, being in the top 16% of all companies surveyed; the Group is also rated by Morningstar Sustainalytics as one of the Regional (Europe) Top Rated companies in 2023, a recognition given to companies that have achieved the highest scores in ESG risk management.

Last year, the Group conducted detailed scenario analysis and financial modelling for climate-related risks and opportunities, and published the process and findings in our TCFD report. This can be found in the Group's 2023 Annual Report and Accounts and on our corporate website. In early 2024, we carried out an interim reassessment of our climate risk analysis, taking into account the newly-acquired businesses. The results showed that there has been no material change in the climate-related risk profile of the Group.

During the year, we also made good progress against our Net Zero plan and other sustainability targets, including:

Environmental

- Carbon emissions:
 - Scope 1 & 2 emissions reduced by 47% in CY 2023 (CY 2022: 35%) compared with the CY 2021 baseline despite multiple acquisitions, and we remain on track to meet our target of a 65% reduction by CY 2025;
 - Completed a full assessment of Scope 3 emissions; we are working on our reduction plan and are on target to complete our SBTi submission by the end of this year;
- Energy intensity (kWh/£m revenue) reduced by 11% year-on-year, with 72% of our electricity from renewable / clean sources;

- 13 more sites achieved ISO 14001 Environmental Management Systems accreditation, bringing the total number of sites to 43 sites; revenue generated from these sites represents 69% of Group sales (CY 2022: 59%);
- 12 sites completed energy audits in the year, which means 81% of Group sites have now completed an audit since 2018, meeting our 80% CY 2025 target two years early;
- Electric or hybrid vehicles now represent 40% of our car fleet (CY 2022: 33%), also on track to meet our target of 50% by CY 2025;

Social

- 13 more sites achieved ISO 45001 Occupational Health & Safety Management Systems accreditation, bringing the total number of employees covered to 60% of our global workforce (CY 2022: 48%);
- 16,500 hours of health and safety training was carried out, representing a 3% increase year-on-year. The health and safety representative to employee ratio increased to 1:20 (CY 2022: 1:21), well ahead of our original target of maintaining a ratio of at least 1:50;
- Made further progress on learning and development, including the initiation of a cloud-based learning platform and an internal knowledge sharing webinar series, and the launch of an industrial placement scheme;
- 98% of Group revenue was from operations accredited with ISO 9001 (CY 2022: 92%).

Governance

- Enhanced ESG accountability by establishing three-year ESG objectives and KPIs for each operating business;
- Rolled out a new carbon reporting system across the Group to help streamline data collection, consolidation and reporting on greenhouse gases;
- Launched a Business Ethics Policy and a Sustainability Policy;
- Completed Carbon Disclosure Project ("CDP") full disclosure for the first time;
- Increased transparency by reporting on the Sustainable Finance Disclosure Regulation Principal Adverse Impact (PAI) indicators;

- Preparation for IFRS Sustainability Reporting underway with dedicated resources in place;
- Improved Board gender diversity with female members representing 43% of the Board.

A proven growth strategy

The Group has been built through a focus on organic growth and enhanced operational efficiency, alongside 26 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 opportunities in development.

The Group's strategy comprises four elements:

1. Grow sales well ahead of GDP over the economic cycle by focusing on the structural growth markets that form our sustainable target markets;
2. Improve operating margins by moving up the value chain into higher margin products;
3. Acquire businesses with attractive growth prospects and strong operating margins;
4. Further internationalise the business by expanding operations in North America.

These elements are underpinned by core objectives of generating strong cash flows from a capital-light business model and delivering long-term sustainable returns while progressing towards net zero carbon emissions and reducing our impact on the environment.

Focused on UN SDG-Aligned target markets

Our four target markets of industrial automation & connectivity, medical, renewable energy, and the electrification of transportation accounted for 75% of sales. 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, an ageing affluent population, renewable sources of energy and the electrification of transport.

Our focus on these markets is driving the Group's organic revenue growth well ahead of GDP over the economic cycle, giving resilience in softer market conditions and creating acquisition opportunities.

During the year, target market sales overall were 2% lower organically. There was a return to organic sales growth in renewable energy which grew by 15%, with strong growth also in transportation (+22%) while medical grew by 5%. Growth in these markets was offset by a 19% reduction in industrial automation as major industrial customers reduced their global inventories as pull-through demand slowed. Since 2017, sales into the Group's target markets have grown organically by 80% compared with 19% in other markets. This reflects the sustained structural growth drivers and less cyclical nature of these markets.

Continued progress on Key Strategic and Performance Indicators

Since 2014, the Group's strategic progress and its financial performance have been measured through key strategic indicators ("KSIs") and key performance indicators ("KPIs"). The KSI targets are reviewed periodically, and were raised most recently in June 2023 when the new mid-term operating margin was set.

For tracking purposes, the KSIs and KPIs 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 from FY 2022/23. This year's performance relative to last year is discussed below.

Key Strategic Indicators	FY14	FY18	FY19	FY20	FY22	FY23	FY24	Targets
1. Increase underlying operating margin	3.4%	6.3%	7.0%	8.0%	10.9%	11.5%	13.1%	15% ¹
2. Build sales beyond Europe ²	5%	19%	21%	27%	40%	40%	41%	45%
3. Increase target market sales ²		62%	66%	68%	76%	77%	75%	85%
4. Carbon emissions Scope 1 & 2 reduction ³						35%	47%	65%

1 Also a target for FY 2024/25 of 13.5%.

2 As a percentage of Group revenue.

3 Carbon emissions are measured on a calendar year basis. Target is for absolute carbon emissions reduction by CY 2025 from CY 2021 with net zero by CY 2030.

The Group made further good progress on its KSIs during the year:

- Underlying operating margin this year was 13.1%, an increase of 1.6ppts on last year (FY 2022/23: 11.5%) with the second half margin of 13.4% being 0.5ppts higher than for the first half (H1 2022/23: 12.9%). The Group benefited in the year from operational efficiencies resulting in robust gross margin and lower operating costs, augmented by higher margin acquisitions. The Group remains on track to achieve its targets of 13.5% in FY 2024/25 and 15% in the medium-term.
- Sales beyond Europe increased by 1ppt to 41% of Group revenue compared with FY 2022/23, with strong organic growth in the US plus two US acquisitions being partly offset by reduced demand in Asia. The target is 45%.
- Target market sales reduced by 2ppts to 75% of Group revenue compared with FY 2022/23 as a result of lower sales in industrial automation, acquisitions which had lower target market sales at the outset, as is often the case, and a recovery in non-target market areas (space, aeronautics and security sectors and some non-UN SDG aligned industrial markets). Design wins, which are the bedrock of future sales, were up by 23% year-on-year with 90% in target markets, ahead of our 85% target.
- Carbon emissions (Scope 1 & 2) reduced further during the year and are now 47% lower on an absolute basis than in CY 2021, demonstrating excellent progress towards our reduction targets of 65% by CY 2025 and net zero by 2030.

Key Performance Indicators	FY14	FY18	FY19	FY20	FY22	FY23	FY24	Targets
1. Sales growth								
CER	17%	11%	14%	8%	27%	15%	1%	Well ahead of GDP
Organic ⁴	3%	11%	10%	5%	14%	10%	(1%)	
2. Underlying EPS growth	20%	16%	22%	11%	20%	20%	5%	>10%
3. Dividend growth	10%	6%	6%	6% ²	6%	6%	5%	Progressive
4. ROCE ³	15.2%	13.7%	15.4%	16.0%	14.7%	15.9%	15.7%	>15%
5. Operating profit conversion ³	100%	85%	93%	106%	101%	94%	103%	>85% of underlying operating profit
6. Free cash conversion ³			94%	104%	102%	95%	102%	

1 FY 2021/22 shown as growth over the pre-Covid year FY 2019/20 as this reflects the ongoing growth of the business. FY 2013/14 to FY 2019/20 are for total operations before disposals as reported at the time.

2 6% increase in the H1 2019/20 interim dividend; a final dividend was not proposed for FY 2019/20 due to Covid.

3 Defined in note 6 of the consolidated Financial Statements.

4 Group organic sales growth for FY2021/22 to FY2023/24, and Design & Manufacturing divisional organic growth for years prior to disposal of Custom Supply division during FY2021/22.

STRATEGIC AND OPERATIONAL REVIEW continued

The Group also made good progress on its KPIs during the year, especially given the prevailing economic headwinds.

- CER sales after adjusting for pass-through costs increased by 1% this year with organic sales reducing by 1%. Growth rates have reduced due to normalising markets and de-stocking in the industrial automation sector. Growth in the transportation, renewable energy and medical markets remained strong as well as in some of our other smaller market areas such as space, aeronautics and security. Over the last 10 years, organic sales have grown by 6% per annum on average, illustrating the strong through-cycle organic growth of the business, with 7% average growth per annum in the last seven years.

- Underlying EPS increased by 5% and by 10% at CER. Excluding increased finance costs and at CER (so eliminating the impact of stronger Sterling), underlying operating profit increased by 16% due to our operational efficiencies with robust gross margins, tight control of operating costs, and contributions from acquisitions.
- It is proposed to increase the full year dividend by 5%, continuing our progressive policy whilst providing for a higher proportion of investment in acquisitions from internally generated resources. This progressive policy has seen a more than doubling of the dividend per share since 2010 (up 135%), whilst dividend cover on an underlying basis remained at 3.1x for the year.
- ROCE for the year was 15.7% and remains ahead of our 15% target. As

expected, it was marginally lower than last year (FY 2022/23: 15.9%), following five acquisitions this year for a total investment of £83m, as acquisitions will typically be dilutive to ROCE initially. Organic ROCE, which excludes acquisitions this year, increased by 1.9ppts to 17.8%.

- Underlying operating cash flow and free cash flow for the year were 22% and 12% higher respectively than last year with underlying operating cash conversion of 103%, and free cash conversion of 102%, both well ahead of our 85% targets. Over the last ten years, both underlying operating cash conversion and free cash conversion have been consistently strong, averaging well over 90%, reflecting the cash generative nature of the business through the economic cycle.

Divisional Results

The divisional results for the Group for the year ended 31 March 2024 are set out and reviewed below.

	FY 2023/24			FY 2022/23				
	Revenue £m	Underlying operating profit ¹ £m	Margin	Revenue £m	Underlying operating profit ¹ £m	Margin	CER revenue growth	Organic revenue growth
M&C	265.1	40.6	15.3%	265.9	36.4	13.6%	0%	(2%)
S&C	171.9	28.9	16.8%	165.3	25.1	15.2%	+4%	+2%
Unallocated		(12.3)			(12.2)			
Total (CER)	437.0	57.2	13.1%	431.2	49.3	11.4%	+1%	(1%)
Pass-through ²				5.0	-		(1%)	
FX				12.7	2.5		(3%)	
Total	437.0	57.2	13.1%	448.9	51.8	11.5%	(3%)	

¹ Underlying operating profit excludes acquisition & disposal-related costs

² Revenue for FY 2022/23 included a £5.0m of one-off increase in semiconductor costs passed through to customers at nil 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 comprises two clusters and three further businesses operating across 17 countries. Products are manufactured in-house at one of the division's 21 manufacturing facilities, with its principal sites being in China, India, Mexico, USA, Poland, Sri Lanka, Thailand and the UK. Geographically, 6% of sales by destination are in the UK, 49% in the rest of Europe, 26% in North America and 19% in Asia.

This year has seen three new acquisitions into the division: Silvertel, a UK-based high performance power-over-Ethernet modules business; Shape, a US speciality transformer business to be part of the Noratel magnetics cluster; and DTI, a US custom embedded modules business to be part of the Beacon embedded modules cluster. Capacity of our facility in Thailand has also been expanded and the move to a new facility in China is underway. Construction of a larger production facility in Kerala, India has been put on hold following the reduced demand by a major customer there.

Our US facility in Tempe, Arizona has been closed with production being integrated into one of our existing sites in Mexico.

With supply chain conditions back to normal during the year, the divisional order book normalised as expected with orders reducing by 7% CER to £237.1m (FY 2022/23: £254.9m CER) for a book-to-bill ratio of 0.90:1 against exceptional prior year comparators. The book-to-bill ratio improved during the year, from 0.89:1 in the first half to 0.91:1 in the second half. Normalisation of inventories at customers led to sales reducing in the year by 2% organically.

Strong growth in North America of 19% was offset by sales in Asia reducing by 15%, primarily due to one major customer's slowdown in India, and the rest of Europe reducing by 5%, mainly in Germany. Excluding one large customer destocking in India, sales in Asia were down only 1%.

Combined with a 2% sales increase from acquisitions, overall sales were in line with last year at CER. Including the impact of translation from a stronger Sterling on average, reported divisional revenue reduced by 6% to £265.1m (FY 2022/23: £280.8m reported and £265.9m CER). Underlying operating profit of £40.6m was £4.2m (+12%) higher than last year at CER and £2.2m (+6%) higher on a reported basis (FY 2022/23: £38.4m). The underlying operating margin of 15.3% was 1.7pts higher than last year at CER and 1.6% higher on a reported basis (FY 2022/23: 13.7%), reflecting the positive effect of operating efficiencies, robust margins and higher margin acquisitions.

Sensing & Connectivity Division ("S&C")

The S&C division designs, manufactures and supplies highly differentiated sensing and connectivity components for industrial applications and comprises four clusters and three further businesses operating across nine countries. Products are manufactured in-house at one of the division's 15 manufacturing facilities, with its principal ones being in Hungary, the Netherlands, Norway, Slovakia, the UK and the US. Geographically, 22% of sales by destination are in the UK, 44% in the rest of Europe, 23% in North America and 11% in Asia.

This year has seen two new acquisitions into the division; 2J Antennas, a high performance antennas business forming an RF (radio frequency) & wireless cluster with our existing Antenova business and IKN, which is now part of the Foss Nordic cabling business cluster. Additionally, the Group has sold its lower margin, solar business unit within Santon, enabling it to focus on its higher margin industrial business. This year has also seen the opening of a new, purpose built, larger facility in Germany for MTC, a business acquired in 2011.

As with the M&C division, supply conditions returned to normal during the year, with the divisional order book normalising as expected leading to orders reducing by 11% CER to £152.6m (FY 2022/23: £170.9m CER) for a book-to-bill ratio of 0.89:1, also against exceptional prior year comparators. The book-to-bill ratio improved in the year, from 0.84:1 in the first half to 0.93:1 in the second half. Normalisation of inventories at customers impacted sales which grew by 2% organically, with 22% organic growth in North America and 7% in the UK, offset by a 14% reduction in the rest of Europe and an 11% reduction in Asia, principally in China.

Combined with a 2% sales increase from acquisitions less disposals, overall sales increased by 4% CER. Including the impact of translation from a stronger Sterling on average, reported divisional revenue increased by 2% to £171.9m (FY 2022/23: £168.1m reported and £165.3m CER).

Underlying operating profit of £28.9m was £3.8m (+15%) higher than last year at CER and £3.3m (+13%) higher on a reported basis (FY 2022/23: £25.6m). The underlying operating margin of 16.8% was 1.6ppts higher than last year (FY 2022/23: 15.2%), which, as with the M&C division, reflects the positive effect of operating efficiencies, robust margins and higher margin acquisitions.

Design wins driving future recurring revenues

As a business with an engineering led sales function, organic growth is achieved by identifying and winning new design opportunities and as such, project design wins are an indicator of new business creation. These are achieved by working with customers at an early stage in their project design cycle to identify opportunities. Once the products are specified into their designs, a design win is registered which leads to future recurring revenue streams.

The Group has a strong bank of design wins built up over many years, creating the basis for the Group's strong organic growth through the cycle. During the year, new design wins were registered with an estimated lifetime value of £337m, an increase of 23% over last year and with 90% being in our target markets.

This increase in design wins reflects both the expected increase in customer project design activity at this stage in the cycle, catch-up from designs that were paused during last year's supply chain bottlenecks, and increased focus and implementation by Group engineers.

Additionally, new project design activity remains at a high level, being broad-based across all target markets along with a smaller proportion in other market areas with similar high quality recurring revenue characteristics such as space, aeronautics and security. 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 businesses we acquire are typically led by entrepreneurs who wish to remain with the business for a period following acquisition. We encourage this as it enables integration and helps retain a dynamic, decentralised and entrepreneurial culture.

We acquire high quality businesses that are successful with good long-term growth prospects, paying a price that reflects this quality whilst generating good returns for shareholders. We invest in these businesses for growth and operational performance development. According to the circumstances, we add value in some or all of the following areas:

Strategy and operations:

- Creating a long-term strategy for growth with operational leverage;
- Grouping businesses into clusters;
- Generating operational efficiencies;
- Internationalising sales channels;
- Accelerating organic growth by focusing sales development onto target market areas, expanding the customer base including through cross-selling, and;
- Developing the product range.

STRATEGIC AND OPERATIONAL REVIEW continued

People:

- Investing in management capability;
- Enabling peer networking and collaboration;
- Increasing diversity;
- Succession planning and management transition.

Sustainability:

- Aligning sustainability strategies with those of the Group;
- Creating carbon emission reduction plans;
- Inclusion in the Group's SBTi net zero carbon emission reduction program;
- Providing training and development.

Investment:

- Capital investment in manufacturing and infrastructure;
- Internationalising operations;
- Expansion through further acquisitions;
- Upgrading systems such as IT.

Controls and support:

- Implementing robust financial measurement, KPIs and controls;
- Finance and related support, such as treasury, banking, legal, tax and insurance;
- Risk management and internal audit.

The Group has acquired 26 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 organic growth in acquired and integrated businesses, the Group has generated substantial value organically. As reported in the finance section, our ROCE increases over time, broadly according to the period of ownership.

During the year, the Group completed five high margin acquisitions:

- i. Silvertel, a UK-based designer and manufacturer of differentiated, high performance Power-over-Ethernet ("PoE") modules and complementary products for global industrial electronic connectivity markets, which sells into more than 70 countries. Silvertel was acquired

for an initial cash consideration of £21.7m on a debt free, cash free basis, together with an earn-out of up to £23m payable subject to Silvertel's performance over the next four years.

- ii. 2J Antennas, a Slovakian-based designer and manufacturer of high performance antennas for industrial electronic connectivity applications for a cash consideration of €50.8m (£44.1m) on a debt free, cash free basis. 2J Antennas, which has subsidiaries in the US and UK and sells into more than 50 countries, will form a new technology cluster with the Group's existing antenna business, Antenova, creating a leading platform in the growing, high performance, industrial wireless connectivity market.
- iii. Three smaller bolt-on deals for a total debt free, cash free consideration of £17.0m for an average mid-single digit EBIT multiple, namely: Shape, a US-based designer and manufacturer of speciality transformers; DTI, a US-based designer and manufacturer of custom embedded modules; and IKN, a Norwegian cable designer and manufacturer. All three will be part of existing clusters, with Shape part of the Noratel cluster, DTI part of the Beacon cluster and IKN being part of the Foss cluster.

The Group's operating model is well established and has facilitated the smooth integration of acquired businesses. Through a combination of investment in efficiency and leveraging of the broader Group's commercial infrastructure, the businesses acquired since 2011 and owned for at least two years delivered a return on investment ("EBIT ROI") of 18.5% this year, well above our target of 15%.

Summary and Outlook

Over the past three years, the underlying profitability of the business has nearly doubled on revenues that have increased by almost 50% as the combination of organic growth with efficiencies and higher margin acquisitions came through. This year's results reflect another strong performance against a tougher trading backdrop, with good growth in underlying operating profits and margin, as well as underlying earnings per share. Revenues in our

transportation, renewable and medical markets delivered strong organic growth whilst industrial & connectivity declined as a result of customer destocking.

Cash generation has again been strong reflecting both the high quality of earnings and the capital-light nature of the business. Naturally, higher interest rates have taken effect although we will see the corresponding benefit if and when rates reduce.

Underlying operating profit grew by 16% at constant exchange rates with underlying operating margin increasing by 1.6ppts to over 13% driven organically by efficiencies and value creation. Underlying operating cash flow increased by 22% to £59m.

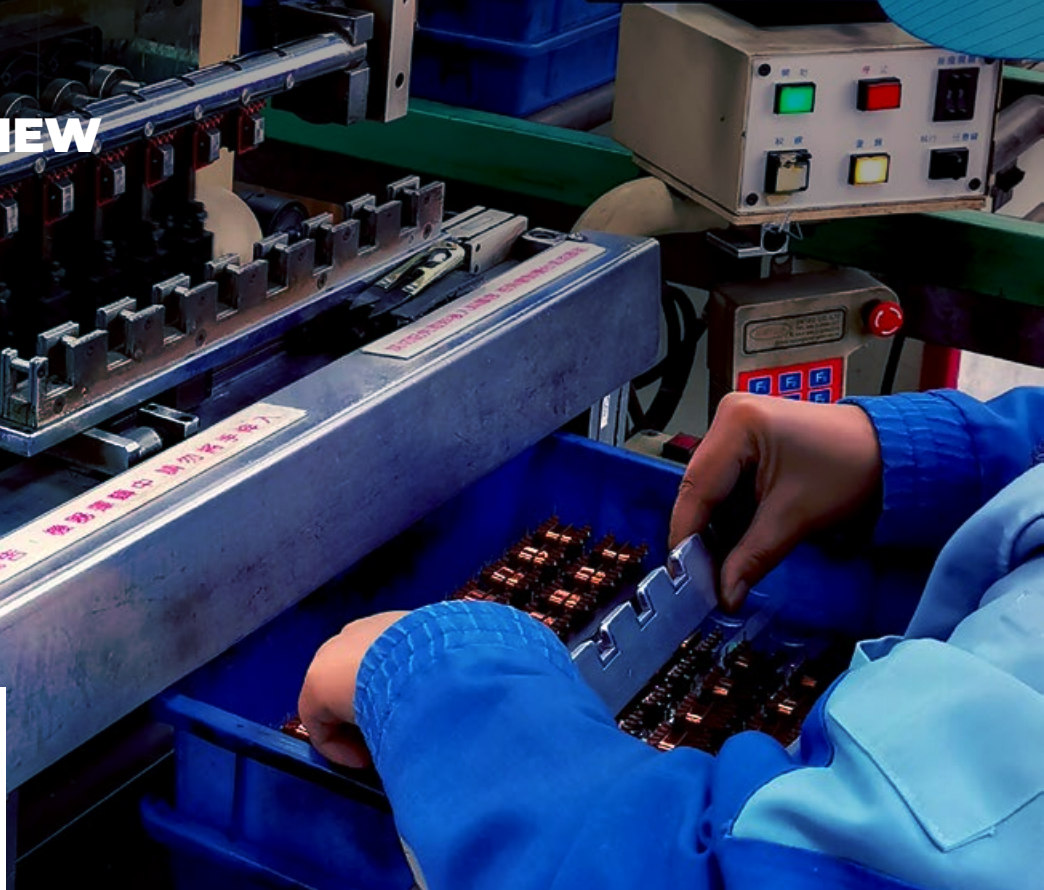
We made five acquisitions during the year for a consideration of £83m. Our approach to long-term compounding organic growth is delivering increasing ROCE over time, with our longer standing acquisitions now generating 28% ROCE and we expect our newer businesses to generate similar returns over time. Our commitment to disciplined capital allocation includes review of the business portfolio and during the year we sold our solar switches production lines, enabling us to focus on the remaining higher margin products in the Santon business.

Whilst the softer market conditions in some sectors are expected to continue for the first half of the year, we have a strong pipeline of design wins, order backlog and acquisition opportunities. With the benefit of a robust balance sheet, we expect to make further progress in the year ahead, in line with the Board's expectations, building on the essential role that our specialist products provide for our customers.

Nick Jefferies

Group Chief Executive





The Group continues to deliver strong cash flow with operating cash up 22% and conversion rates at over 100%.”

Simon Gibbins
Group Finance Director

Revenue and Orders

Group sales of £437.0m were 1% higher than last year at CER after adjusting for pass-through sales (FY 2022/23: £431.2m CER). Acquisitions and disposals in the last 12 months added a net 2% to organic sales which were 1% lower than last year as customers continued to normalise their inventory levels. Acquisitions comprised five deals this year plus two deals last year and in the final quarter, the Group agreed the sale of its lower margin, Santon solar business unit.

Last year's revenue included £5.0m of one-off increases in semiconductor purchase costs due to the unprecedented supply constraints. These costs were passed through to customers at nil margin and impacted sales growth by 1%. A stronger Sterling on average during the year, particularly compared with Nordic currencies and the US Dollar, reduced sales by 3% on translation, resulting in sales being 3% lower than last year.

Revenue (£m)	FY 2023/24	FY 2022/23	%
Organic sales	404.4	408.1	(1%)
Acquisitions	18.6		
Disposals	14.0	23.1	
Sales at CER	437.0	431.2	+1%
Nil margin pass-through costs		5.0	(1%)
FX translation		12.7	(3%)
Reported sales	437.0	448.9	(3%)

As mentioned above, the Group order book normalised as supply chains eased, ending the year at £175m (c.4.5 months of sales) compared with £257m at 30 September 2022 (c.7 months of sales) at the height of global supply constraints.

Orders for the year were £389.7m, 8% lower at CER than last year (FY 2022/23: £425.7m CER), in line with the order book normalisation. The extent of normalisation reduced during the year with a book to bill ratio of 0.87:1 in the first half improving to 0.91:1 in the second half, for a full year ratio of 0.89:1.

Group Operating Profit and Margin

Group underlying operating profit for the year was £57.2m, a 10% increase on last year (FY 2022/23: £51.8m), and 16% higher at CER, delivering an underlying operating margin of 13.1%, 1.6ppts higher than last year (FY 2022/23: 11.5%) and 1.7ppts higher at CER. Underlying operating margin in the second half of the year increased to 13.4%, being well on track to reach our targets of 13.5% in FY 2024/25 and 15% over the medium term.

Group reported operating profit for the year (including acquisition and disposal-related costs discussed below) of £31.2m was £3.4m lower than last year (FY 2022/23: £34.6m). This was due to the costs arising from the disposal of Santon's lower margin solar business unit (£5.9m) and higher acquisition expenses (£3.9m) due to an increased number and value of acquisitions this year (five deals for £83m) compared with last year (two deals for £23m). Proceeds from the disposal will be recognised in next year's accounts.

£m	FY 2023/24			FY 2022/23		
	Operating profit	Finance cost	Profit before tax	Operating profit	Finance cost	Profit before tax
Underlying	57.2	(9.0)	48.2	51.8	(5.5)	46.3
<u>Underlying adjustments</u>						
Amortisation of acquired intangibles	(16.2)	–	(16.2)	(15.8)	–	(15.8)
Acquisition and disposal expenses	(9.8)	–	(9.8)	(1.4)	–	(1.4)
Reported	31.2	(9.0)	22.2	34.6	(5.5)	29.1

Underlying operating profit growth has been achieved through a combination of strong operating efficiencies and acquisitions as shown below:

£m	Underlying Operating Profit
FY 2022/23	51.8
Gross profit on lower organic sales	(1.5)
Organic gross margin improvement	4.9
Organic opex savings	0.5
Organic profit growth	3.9
Profit from acquired companies	4.0
CER growth in operating profits	59.7
Foreign exchange impact	(2.5)
FY 2023/24	57.2

£3.9m or half of the incremental CER profits in the year were generated from organic operating performance of the businesses driven by robust gross margins from operational efficiencies and tight management of operating costs amidst a high inflation environment. The remaining incremental profits were delivered by the seven acquisitions made in the last two years.

Sterling has been stronger this year versus 12 months ago, compared with the US Dollar (+4%) and Nordic currencies (+7%), while the Euro was at the same level as last year on average. This gave rise to a reduction in underlying operating profits on translation of £2.5m for the year.

FINANCIAL REVIEW continued

Underlying Adjustments

Underlying adjustments for the year comprise the amortisation of acquired intangible assets of £16.2m (FY 2022/23: £15.8m) together with acquisition and disposal expenses of £9.8m (FY 2022/23: £1.4m).

The amortisation charge for the year has increased over last year following the five acquisitions completed during the year. With the annualisation effect of those acquisitions, the expected charge for next year is c.£17m.

£3.9m of the acquisition and disposal expenses are the costs associated with the five acquisitions during the year together with movements in accrued contingent consideration costs relating to the acquisitions of Limitor, Phoenix, CPI and Silvertel.

£5.9m of costs (of which c.£2.4m are cash costs) arise from the agreed sale of Santon's lower margin solar business unit including £3.0m of costs being the assets of the business unit, and

£2.9m of exit and restructuring costs. c.£2.0m of profit is expected to accrue in FY 2024/25 on completion of the disposal for an overall net transaction book loss of c.£4.0m with a net cash inflow on the whole transaction arising next year of c.£7m.

Financing Costs

Net finance costs for the year were £9.0m (FY 2022/23: £5.5m) and include a £0.7m charge for leased assets under IFRS 16 (FY 2022/23: £0.6m) and £0.6m charge for amortised upfront facility costs (FY 2022/23: £0.6m). Finance costs related to our banking facilities were £7.7m (FY 2022/23: £4.3m) and have increased by 79%. This increase is mainly linked to the rise in interest rates during last year and the first half of this year. From April 2022 to September 2023, the Sterling base rate increased from 0.75% to 5.25%, the US Dollar Federal rate from 0.5% to 5.5% and the ECB lending rate from 0% to 4.5%, these being the Group's three principal borrowing currencies.

Together with five debt funded acquisitions in the last seven months of the year, net finance costs for next year are expected to annualise to c.£11m. Looking forward, with interest rates expected to have peaked, and the Group's banking facility being at variable rates, a 1ppt reduction in interest rates would reduce annualised finance costs by approximately £1.3m, and increase EPS by c.1.0p or c.2.5%.

Underlying Tax Rate

The underlying effective tax rate ("ETR") for the year was 24.9%, marginally lower than last year's rate (FY 2022/23: 25.3%) due to a positive impact on this year's tax charge from adjustments to prior year tax liabilities.

The overall ETR was 30% (FY 2022/23: 27%). This was higher than the underlying ETR due to there being a lower rate of tax relief expected on acquisition and disposal expenses (within underlying adjustments above).

£m	FY 2023/24		FY 2022/23	
	PBT	ETR	PBT	ETR
Group underlying	48.2	25%	46.3	25%
Amortisation of acquired intangibles	(16.2)	22%	(15.8)	20%
Acquisition & disposal expenses	(9.8)	16%	(1.4)	57%
Total reported	22.2	30%	29.1	27%

Profit Before Tax and EPS

Underlying profit before tax for the year of £48.2m was £1.9m higher (+4%) than last year (FY 2022/23: £46.3m), with underlying EPS for the year also increasing by 5% to 36.8p (FY 2022/23: 35.2p).

£m	FY 2023/24		FY 2022/23	
	PBT	EPS	PBT	EPS
Underlying	48.2	36.8p	46.3	35.2p
Underlying adjustments				
Amortisation of acquired intangibles	(16.2)		(15.8)	
Acquisition & disposal expenses	(9.8)		(1.4)	
Reported	22.2	15.8p	29.1	21.7p

After the underlying adjustments above, reported profit before tax was £22.2m, a reduction of £6.9m compared with last year (FY 2022/23: £29.1m) while reported fully diluted earnings per share was 15.8p, 5.9p lower than last year (FY 2022/23: 21.7p). The reductions reflect the costs associated with the agreed sale of Santon's solar business unit (with costs recognised this year and income recognised only on receipt of the sale proceeds next year) and expenses associated with the increased level of acquisitions.

Working Capital

Working capital at 31 March 2024 was £77.5m equivalent to 16.6% of fourth quarter annualised sales at CER with an additional £9.3m of working capital from acquisitions during the last 12 months offset by £2.2m from foreign exchange translation. This is 2.2ppts lower than at the half year as Group inventory levels reduced following the global supply chain constraints. The working capital ratio is higher than last year when working capital was £69.4m or 15.1% of fourth quarter annualised sales.

Working capital KPIs have remained robust with debtor days of 50 (5 days above last year), creditor days of 80 (in line with last year) and stock turns of 3.3 (0.1 turn better than last year).

Asset return ratios

ROCE for the year of 15.7% was ahead of our 15% target and 0.6ppts ahead of ROCE reported at 30 September 2023 (H1 2023/24: 15.1%). While 0.2ppts below last year (FY 2022/23: 15.9%), this reflects the dilutive effect of five acquisitions for an £83m investment over the last seven months.

Organic ROCE, excluding acquisitions this year, was 17.8% (an increase of 1.9ppts 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 have a ROCE of 28% including an apportionment of Group central costs.

Return on Tangible Capital Employed ("ROTCE") for the year, which excludes intangible and non-operational assets, was 54.1% 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 this year (FY 2022/23: 1.2%).

ROTCE was 5.8ppts ahead of last year (FY 2022/23: 48.3%) with improvements from organic operating efficiency and also from acquiring high margin businesses with low capital requirements.

Cash Flow

Net debt at 31 March 2024, excluding leases, was £104.0m, compared with £42.7m at 31 March 2023 with the increase in the year of £61.3m mainly related to five acquisitions during the year partly offset by continued strong free cash flow. The movements in net debt during the year are summarised as follows:

£m	FY 2023/24	FY 2022/23
Opening net debt at 1 April	(42.7)	(30.2)
Free cash flow (see table below)	37.0	33.0
Acquisitions & disposals	(85.4)	(30.6)
Equity issuance (net of taxes)	(0.3)	(0.6)
Dividends	(11.2)	(10.5)
Foreign exchange impact	(1.4)	(3.8)
Net debt at 31 March	(104.0)	(42.7)

Total acquisition costs of £85.4m during the year comprised £82.8m on five acquisitions, on debt free, cash free bases and £2.6m of acquisition and disposal expenses.

Dividends of £11.2m paid during the year were 7% higher than paid in the previous year (FY 2022/23: £10.5m) mainly following a 6% increase in the total dividends declared last year.

The cash impact from FX translation was lower this year, compared to last year which saw Sterling significantly weaken in particular compared to the US Dollar. 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.

FINANCIAL REVIEW continued

Underlying operating cash flow and free cash flow for the year (see definitions in note 6 to the consolidated Financial Statements) compared with last year are shown below:

£m	FY 2023/24	FY 2022/23
Underlying profit before tax	48.2	46.3
Net finance costs	9.0	5.5
Non-cash items ⁽¹⁾	15.9	14.6
Underlying EBITDA	73.1	66.4
IFRS 16 - lease payments	(6.8)	(5.8)
EBITDA (incl. lease payments)	66.3	60.6
Changes in working capital	(2.2)	(6.4)
Capital expenditure	(4.9)	(5.6)
Underlying operating cash flow	59.2	48.6
Finance costs	(7.7)	(5.0)
Taxation	(12.5)	(9.0)
Legacy pensions	(2.0)	(1.6)
Free cash flow	37.0	33.0

1 Non-cash items are depreciation, amortisation, share-based payments and IAS19 pension charge

Underlying EBITDA (pre IFRS 16 lease payments) of £73.1m was 10% higher than last year (FY 2022/23: £66.4m) reflecting operating efficiency combined with contributions from the seven acquisitions made since the start of last year.

During the year, the Group invested £2.2m in working capital, a reduction of £4.2m on last year as supply chain conditions continued to normalise with Group inventory turns increasing to the highest level in the last two years.

Capital expenditure of £4.9m was invested during the year including various new production line extensions, ERP upgrades and ESG initiatives. This represents 1.1% of sales, down from 1.2% of sales last year illustrating the capital-light nature of the Group's businesses.

£59.2m of underlying operating cash flow was generated in the year, an increase of 22% on last year (FY 2022/23: £48.6m) representing 103% of underlying operating profit, well ahead of our 85% conversion target.

Finance cash costs of £7.7m were £2.7m higher than last year, partly due to increased interest rates and partly on additional levels of debt used to fund five acquisitions during the year. Corporate income tax payments of £12.5m were £3.5m ahead of last year reflecting higher profitability this year and loss utilisation last year, notably in the US.

Free cash flow (being cash flow before dividends, acquisitions and equity fund raises) of £37.0m was generated in the year, £4.0m or 12% higher than last year (FY 2022/23: £33.0m), a lower growth rate than underlying operating cash flow due to the higher finance and tax costs. This represents a free cash conversion rate of 102% of underlying earnings, again well ahead of our 85% target. Over the last 10 years, the Group has consistently achieved high levels of underlying operating cash and free cash conversion, averaging well in excess of 90%.

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 at 31 March 2024 of £104.0m, the Group's gearing ratio at the end of the year (being net debt divided by underlying EBITDA, excluding IFRS 16 and as annualised for acquisitions) was 1.5x compared with a target gearing range of between 1.5x and 2.0x. Excluding acquisitions in the year, organic gearing reduced from 0.7x at 31 March 2023 to 0.3x following continued strong cash generation during the year.

Balance Sheet

Net assets of £301.6m at 31 March 2024 were £2.0m lower than at the end of the last financial year (31 March 2023: £303.6m). The decrease primarily relates to the net profit after tax for the year of £15.5m partially offset by currency translation impact of £7.7m and dividend payments this year of £11.2m. The movement in net assets is summarised below:

£m	FY 2023/24
Net assets at 31 March 2023	303.6
Net profit after tax	15.5
Dividend paid	(11.2)
Currency net assets – translation impact	(7.7)
Loss on defined benefit scheme	(0.9)
Share based payments (inc tax)	2.3
Net assets at 31 March 2024	301.6

Defined Benefit Pension Scheme

The Group's IAS 19 pension asset, associated with its legacy defined benefit pension scheme, decreased this year by £2.0m from £2.3m at 31 March 2023, to £0.3m at 31 March 2024 (30 September 2023: £0.7m). The key drivers were the reduction in the value of fund assets and the cost of scheme administration.

Risks and Uncertainties

The principal risks faced by the Group are covered in more detail in Principal Risk and Uncertainties on pages 75 to 81. These risks comprise: the economic environment, particularly linked to the geopolitical issues arising from the ongoing conflicts in Ukraine and the Middle East; inflationary headwinds and rising interest rates; 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.

The Board reviewed the Group's principal risks and the mitigating actions and processes in place during the financial year. The Board's view is that risks associated with the macroeconomic environment have increased during the financial year, while the supply chain issues flagged last year have reduced, with no material change to the relative importance or quantum of the Group's other principal risks.

Risk management is 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 mitigating actions. Some level of residual 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.

Simon Gibbins
Group Finance Director

OUR ENGAGEMENT WITH STAKEHOLDERS

Stakeholder engagement remains vital to building a sustainable business and we interact with many stakeholders at different levels of the Group. Engagement is carried out by those most relevant to the stakeholder group or issue. The table below identifies some of our stakeholders and how we engage with them.

Why it is important to engage	Stakeholder key interests	Ways we engage
Our people engagement Employee engagement is critical to our success. We work to create a diverse and inclusive workplace where employees can reach their full potential. Engaging with our employees ensures we can retain and develop the best talent. Please see pages 90 to 93 for more on employee engagement.	- Health and safety - Remuneration and benefits - Career opportunities - Employee engagement - Training and development - Well-being - Reputation	- Employee surveys - Regular town hall meetings - Board and Group management visits to operating companies - Annual performance evaluations - Newsletters - Employee events - Social media - Apprenticeship and placement programmes - Online learning and development portal - Fair pay - Recognition and reward
Our operating businesses We operate a decentralised model where our operating businesses are empowered to innovate and grow, and decision-making takes place in the frontline and close to customers. Our companies are key stakeholders of the Group and are vital for our growth strategy.	- Operational and financial performance - International expansion - Capital investment - Collaboration - Strategic guidance - Resources and support	- Quarterly business reviews - Regular site visits and management meetings - Operating business management forums - Support in specialist areas, such as tax, legal and commercial, M&A, and ESG - Sustainability workshops - Knowledge sharing webinars - Internal audit and compliance
Customers Understanding the needs of our customers allows us to provide application-specific products which both add value and differentiate our customers from their competitors. We engage with our customers to build trusting relationships from which we can mutually benefit.	- Safety, quality and reliability - Engineering capabilities - Technical know-how - Competitiveness - Our availability and responsiveness - Relationship - Compliance - Convenience - Range of products	- Customer visits, telephone calls, engineering visits - Participation in industry forums and events - Social media and commercial websites - Contract negotiation, implementation and management of ongoing relationships - Customer audits of our manufacturing facilities - Trade shows and exhibitions - Distributor conferences - Geographical footprint allows us to meet customers in their locations - Satisfaction surveys
Suppliers Our external supply chain and our suppliers are critical to our performance. We engage with our suppliers to build trusting relationships from which we can mutually benefit and to ensure that they are performing to our standards and conducting business to our expectations.	- Quality management - Cost-efficiency - Long-term relationships - Responsible procurement, trust and ethics - Technological advances, including digital solutions - Knowledge sharing	- Joint customer visits - Supplier audits - Employee training - Regular business reviews - Geographical footprint allows smaller suppliers to operate globally - Logistics efficiencies - Supplier conferences

Why it is important to engage	Stakeholder key interests	Ways we engage
Shareholders To understand their requirements and generate returns and value. We ensure that we provide timely disclosures and fair, balanced and understandable information to Shareholders and investment analysts and work to ensure that they have a strong understanding of our strategy, performance, culture and ambition.	■ Growth ■ Financial performance and economic impact ■ Governance and transparency ■ Operating and financial information ■ Confidence in the Group's leadership ■ Dividend growth	■ Regular market updates ■ Investor presentations ■ 1x1 and group meetings ■ Site visits ■ Corporate website, including dedicated investor section ■ Shareholder consultations ■ Annual reports ■ Annual General Meetings ■ Capital Markets Days ■ Investor conferences and roadshows
Global communities We support communities and groups local and relevant to our operations and consider the environmental and social impacts of our operations.	■ Local operational impact ■ Health and safety and environmental performance ■ Employment	■ Charitable donations and volunteering ■ Corporate and operating company websites ■ Local environmental initiatives ■ Prioritising local employment

The Group promotes policies and procedures across the Group that consider the interests of the Group's employees, the need to foster reasonable business relationships with suppliers, customers and others, the impact of the Group's operations on its workforce, the community and the environment, and the maintenance of high standards of business conduct. Our policies and procedures can be found at our Group website www.discoverIEplc.com/sustainability/company-policies and are referred to on pages 84 and 93 of this Annual Report and Accounts.

Day-to-day responsibility for implementation of policies (other than the Board Diversity Policy) is delegated to the management of discoverIE's operating companies, under the supervision of the Group Management Committee.

Where appropriate, the Group policies and procedures are supported by the local operating businesses' policies, all within a framework established by the Board and Group Management Committee, intended to ensure that we operate as a Group to the highest standards.

The Group also has due diligence processes in place to support the ongoing assessment and management of risks associated with both existing and newly acquired companies and the development of relationships with new suppliers.

These include site visits by both executive and non-executive management, meetings with customers and suppliers and, where relevant, asking our suppliers to confirm compliance with Group policies.

Management is committed to environmental, social and governance affairs in its actions, endeavours to show due respect for human rights and works to high standards of integrity and ethical propriety.

As an international organisation, discoverIE takes account of cultural differences between the various territories in which it operates. discoverIE's values are essential to how it operates and to the long-term success and growth of the Group.

discoverIE believes that who we are and how we behave matters not only to our employees but also the many other stakeholders who have an interest in our business. In the last three years, none of our staff have been involved in any matters involving bribery or corruption, and no disciplinary action has been taken against any person who reported any whistleblowing issue.

SECTION 172 STATEMENT

The Board of discoverIE Group plc takes seriously its duties to act in accordance with legal requirements and appropriate business and ethical standards. This includes fulfilling the duties described in Section 172 of the Companies Act 2006 (the “Act”).

Section 172

Duty to promote the success of the company

A director of a company must act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

- The likely consequences of any decision in the long term;

- The interests of the company's employees;
- The need to foster the company's business relationships with suppliers, customers and others;
- The impact of the company's operations on the community and environment;
- The desirability of the company maintaining a reputation for high standards of business conduct; and
- The need to act fairly as between members of the company.

The information below describes how the Directors have had regard to the matters referred to in Section 172 of the Act in performing their duties and constitutes the Board's Section 172 Statement for the year ended 31 March 2024. This section is incorporated by reference into the Strategic Report.

Section 172 of the Companies Act 2006 (the “Act”)

The discoverIE Board's response

Long-term decision-making (s.172(a))

The Board delegates day-to-day management and decision-making to its senior management team, but it maintains oversight of the Company's performance, and reserves to itself specific matters for approval, including the strategic direction of the Group, acquisitions and disposals and entering into material contracts above set thresholds.

The Board monitors performance against strategy and that decision-making is appropriate by receiving regular updates, both in Board and Committee meetings and at other intervals, as appropriate.

Processes are in place to ensure that the Board receives all relevant information to enable it to make well-judged decisions for the long-term success of the Company and its various stakeholders.

In FY2024, the Board:

Considered long-term sustainability-related issues and their potential impact on the Group's strategy and ongoing performance, including ongoing monitoring of climate-related risks and opportunities and the Group's net zero targets and related plans.

Considered a number of acquisition proposals and the proposed disposal of the Santon Solar business. The Board only approves an acquisition or disposal if it is satisfied, after full consideration, that it meets the Section 172(l) requirement that it is most likely to promote the success of the Company for the benefit of its members as a whole, and it considers the value forecasted to be added to the Group, over a defined future period. This judgement is recorded. During the year, the Board approved the acquisitions of Silvertel (August 2023), 2J Antennas (September 2023), Shape (January 2024), DTI (March 2024) and IKN (March 2024) and the disposal of the Santon Solar business.

Received presentations on specific business areas and, through ongoing discussion with business leaders, determined strategic priorities for a three-year period, and the development of robust supporting operating plans.

Agreed the Group's principal risks, considered emerging risks and received regular risk management and internal control reviews throughout the year.

Set annual budgets and capital allocation and oversaw business performance against targets, enabling the Board to confirm the Company's outlook for the year ahead, the going concern statement and its longer-term viability.

Employee interests (s. 172(b))

The success of the Group depends upon a highly skilled and motivated workforce, an entrepreneurial and innovative culture, set within structures that provide fairness for all.

In FY2024, the Board:

Received updates on the impact on staff of global inflation and specific local issues affecting their livelihoods.

Continued to ensure that the communications between the Board, Group Management Committee, individual operating companies and Group staff were optimised. Board members and representatives from the Group Management Committee also visited a number of sites to meet with staff, including a whole Board visit to MTC in Germany.

Reviewed Board and Senior Management remuneration and employment relations and arrangements across the Group.

Section 172 of the Companies Act 2006 (the “Act”)

The discoverIE Board's response

Relations with external parties (s. 172(c))

The Group works with a huge number and variety of customers, suppliers and other third parties. It is of great importance that relations with those parties are appropriate.

In FY2024, the Board:

Regularly considered the marketplaces within which the Group's customers operate and the challenges they face, and opportunities available. This helped shape the way in which resources were allocated in order to ensure that the Group was well positioned to meet customer needs.

Community and environment (s. 172(d))

Wherever the Group operates, it forms a part of its local community and, more broadly, seeks to ensure that it provides a positive contribution to the environment.

In FY2024, the Board:

Continued its focus on environmental, social and governance matters and, in particular, further embedded the Sustainability Committee that was recently established, further details of which can be found in the Sustainability Report on pages 48 to 64.

Continued its support for the Community Foundation for Surrey.

Reputation for high standards of business conduct (s.172(e))

The Board is responsible for developing a corporate culture across the Group that promotes integrity and transparency. It has established comprehensive systems of corporate governance, which promote corporate responsibility and ethical behaviour.

In FY2024, the Board:

Received regular reports from the Group Risk Manager designed to strengthen governance and compliance, integration of new and recent acquisitions into the Group, and the identification and management of existing and emerging risks.

Approved the Company's Modern Slavery Act Statement.

Acting fairly as between members of the Company (s.172(f))

The Board aims to understand the views of Shareholders and always to act in their best interests.

In FY2024, the Board:

Maintained close relations with its main Shareholders through regular dialogue, both after the publication of full-year and half-year results, and on an ad hoc basis.

Approved value-enhancing acquisitions, Silvertel (August 2023), 2J Antennas (September 2023), Shape (January 2024), DTI (March 2024) and IKN (March 2024), as well as the disposal of the Santon Solar business.

Consulted with Shareholders representing 70% of the Company's issued share capital in relation to the Remuneration Policy to be put to Shareholders at the 2024 Annual General Meeting.

Received investor relations updates at every Board meeting and direct feedback from investors during specific consultation exercises and on publication of trading results and updates.

Other key activities

- The Board met regularly throughout the year and, in the year ended 31 March 2024, held nine meetings. The Board's agenda considers all relevant matters at scheduled meetings.
- As part of its regular programme of Board activities, the Board also receives reports from the Group Chief Executive, the Group Finance Director and the Group General Counsel & Company Secretary, keeping them informed as to financial and commercial performance and regulatory and legal affairs.

SUSTAINABILITY REPORT



We have made substantial progress in addressing key challenges, whilst fostering sustainable growth.”

Rosalind Kainyah
Chair of the Sustainability Committee

Dear Shareholder,

Throughout the year, our sustainability initiatives have continued to evolve, guided by our purpose to create innovative electronics that help to improve the world and people's lives, and mindful of the broader economic circumstances. We have made substantial strides in addressing key environmental and social challenges, while fostering sustainable growth in line with our Stakeholders' expectations. As we reflect on the past year's achievements and challenges, I am delighted to share with you some key highlights of the progress we have made in the past year:

- We continued to make good progress in reducing our carbon emissions, with Scope 1 & 2 emissions 47% lower than the CY2021 baseline.¹
- Energy intensity for continuing operations reduced 11% year-on-year, despite three acquisitions in CY2023. Now 72% of our electricity is from renewable or clean sources, compared to 67% in 2022.²
- Significant progress was made on ISO 45001 certification, with 13 more sites gaining accreditation. 60% of our workforce now work in operations covered by this health and safety standard, up from 48% last year.
- We introduced a new carbon reporting system across the Group, streamlining the data collection process and providing enhanced local and Group-wide reporting capabilities.
- We completed a more detailed calculation of our Scope 3 emissions and from that have been able to confirm those areas that are most material to the Group.
- We have appointed our first full-time dedicated ESG Manager.

While we are proud of these accomplishments, we recognise that there is always more work to be done and our key priorities for the coming year include the following:

- We will continue to seek ways to reduce our Scope 1 & 2 emissions further, while refining our processes for the collection of Scope 3 emissions data.
- We will continue to develop plans to reduce our Scope 3 emissions to achieve both our near-term goals (2030) and our longer-term target of being fully net zero by 2040.
- We will continue to work towards ISO 45001 and ISO 14001 accreditations at a number of our sites.
- We will monitor the gender diversity of our senior and operational leadership teams closely, and review opportunities to support more women in senior roles. One challenge we have is that the electronic sector is typically male-dominated at the senior leadership level. This is also reflected in the companies we acquire, meaning that maintaining and improving gender diversity is a constant challenge as we buy more businesses. Nonetheless, we will continue to improve diversity of all types where possible, fostering a broad range of skills across our international workforce.
- Given the significant progress made in achieving our initial range of ESG targets, we will review our ESG performance metrics and set targets beyond 2025.
- We will also continue to monitor new and upcoming regulatory developments, to ensure that we are prepared for future requirements.

¹ The CY2021 baseline and CY2022 reported figures have been rebased to factor in emissions from businesses acquired since CY2021. In accordance with the Greenhouse Gas Protocol ("GHG Protocol") reporting standards, prior year emissions from these acquisitions have been assumed to be the same as emissions in the first year of Group ownership.

² The reported CY2022 figure in last year's Annual Report was 58%. In calculating that figure, where a site had a mix of energy sources with some from zero emission sources and the rest from fossil fuel sources, the whole site was treated as using fossil fuel. This year the figures have been calculated to more accurately reflect the energy mix, factoring in the renewable or clean sources.

In FY2023, we conducted a detailed scenario analysis of climate change and its impact on our business model and strategy, and reported in accordance with the recommended disclosures of the Task Force for Climate-related Financial Disclosures ("TCFD"). Details of that analysis can be found on pages 66 to 86 of the 2023 Annual Report. We concluded that climate-related risks are immaterial to the Group and the Group's business model remains resilient. We carried out an interim reassessment of our climate risk analysis in early 2024, including for newly-acquired companies. This assessment reassured us that there has been no material change in the climate-related risk profile of the Group. However, we also recognise that climate change remains a threat to the Group's assets in the long term and that there are growing expectations among our stakeholders that we, as a responsible corporate citizen, address all identified climate risks in our business operations.

As such, we have incorporated climate-related risks into our principal risks and uncertainties and manage them as such. Further details of how we assess and manage climate-related risks and opportunities can be found in our TCFD Report on pages 67 to 83 of the 2023 Annual Report. A summary of the TCFD Report can be found on pages 65 to 70 of this Annual Report and Accounts.

Although the Group has made very good progress in its various sustainability initiatives, we are aware that there are areas where our impact and processes could be improved. For example:

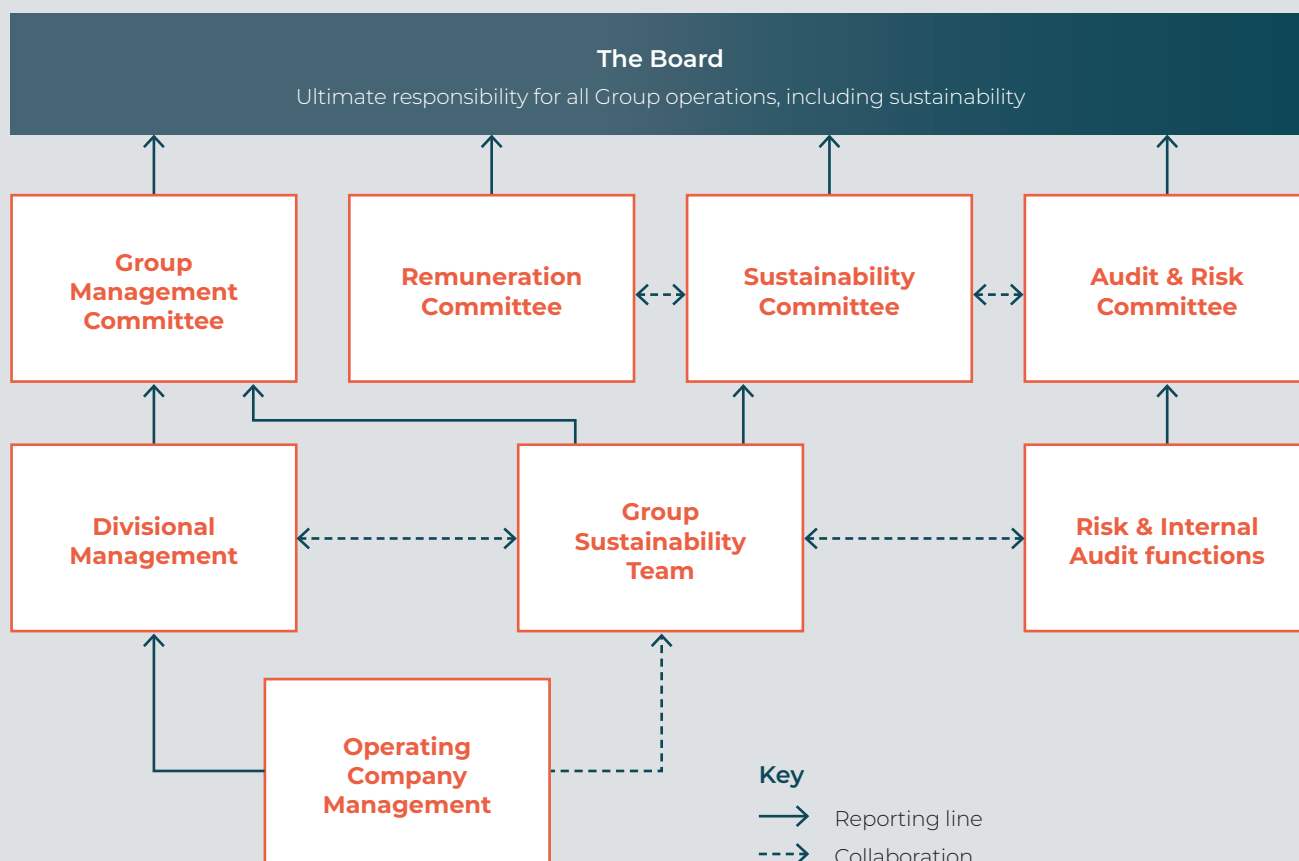
- As noted above, we will continue to work on our plans for tackling Scope 3 emissions.
- While a number of our businesses are trying to increase the level of recycled materials used in operations, especially for items such as packaging, our products still typically require virgin raw materials

in their manufacture. This usually derives from customer concerns related to product safety and performance requirements. This is a classic example of potentially conflicting ESG drivers – with resource use on the one hand, and safety and performance on the other. We cannot solve this dilemma alone and will continue working with customers and suppliers to improve our collective performance in this area.

Sustainability is an exciting and fast-moving area. We continue to prepare ourselves to meet the challenges it brings and to address the opportunities it presents. I am confident that our strong foundation, dedicated team, and strategic focus will enable us to navigate the evolving sustainability landscape and drive both sustainable growth and value creation for all our stakeholders.

Sustainability Governance Framework

While the Board has responsibility for overseeing our approach to sustainability, the Sustainability Committee is specifically dedicated to more detailed consideration of sustainability strategies and policies, and oversees and monitors practices and performance throughout the organisation. This is complemented by our wider governance structure as outlined in the diagram below. For further details, please also see page 68 of the TCFD Report in the 2023 Annual Report.



SUSTAINABILITY REPORT continued

As well as the general governance structures in place, discoverIE has a range of policies that it expects all of its businesses to adhere to. These include the following (all available at www.discoverIEplc.com):

Policy	Comment
Anti-Bribery & Corruption Policy	The Group has a zero tolerance approach to bribery, fraud and corruption matters and this is reflected in our Policy (which has been translated into all of the Group's predominant languages) and is supported through our global training programme.
Board Diversity Policy	The Board adopted its first Diversity Policy in May 2021 and updated it in June 2022, with revised targets in line with latest guidance.
Business Ethics Policy	discoverIE is committed to strong ethical values and good corporate practice and aims to conduct its operations on sound business principles with trust, honesty and integrity. This Policy provides a summary of those principles.
Conflict Minerals Policy	This Policy seeks to ensure that none of the Group's operations are exposed to sourcing conflict minerals anywhere in its operations.
Environmental Policy	This Policy summarises the Group's overall environmental objectives and focus.
Human Rights Policy	Respect for the well-being of all people, staff, customers, suppliers and other stakeholders alike is at the core of who we are and how we work. Treating people fairly, with dignity and respect is essential to our long-term success.
Modern Slavery Statement	discoverIE is committed to ensuring that no forms of modern slavery exist in its business operations or supply chains.
Supplier Code of Conduct	This Code defines the Group's basic requirements of suppliers, and in particular their responsibilities to their stakeholders and the environment.
Sustainability Policy	This Policy outlines the Group's commitment and priorities on matters considered important for the Group's long-term sustainability.
Group Tax Strategy	We seek to minimise exposure to material tax risk, ensure that tax affairs are managed efficiently, comply with tax laws in all jurisdictions and avoid aggressive tax planning.
Whistleblowing Policy	The Group encourages a "speak up" culture at all levels, if any kind of risk exists or wrongdoing (such as fraud, bribery or improper conduct of any kind) has occurred. A secure and confidential hotline to an independent third party is provided and has been made available and advertised to staff at all Group locations.



HOW WE CREATE POSITIVE IMPACTS

Sustainability is an integral part of our business. We create a positive impact on the world around us and people’s lives through both our products and our operations. By creating innovative electronics and focusing on four target markets – renewable energy, transportation, medical, and industrial & connectivity - we contribute to the UN Sustainable Development Goals (“SDGs”). In FY2024, 75% of the Group’s revenue was from the four UN SDG-aligned target markets.



Ensure healthy lives and promote well-being for all ages

How our products create positive impacts

We design and make products that go into medical devices and systems, such as ultrasound machines and defibrillators, contributing directly to the health and well-being of people.

The Group’s sensing products are used in environmental management systems, such as indoor temperature monitoring and water treatment plants.

Applicable markets



How our operations create positive impacts

It is our responsibility to ensure that our employees operate in safe and healthy working environment. Each of our operating businesses conducts health and safety refresher training every year. See page 58 and 64 for health and safety performance.

We have flexible and hybrid working, which helps our employees achieve a better work-life balance. Our trained mental health first aiders provide support to colleagues on sites.



Ensure access to affordable, reliable, sustainable and modern energy for all

How our products create positive impacts

Renewable energy is a target market for both our magnetics and sensing products. We provide transformers, switches and sensors for wind and solar systems, supporting the generation and distribution of renewable and clean energy. Our products are versatile and can be adapted for other types of renewable energy.

Applicable markets



How our operations create positive impacts

We support the growth of renewable energy generation by switching to renewable energy tariffs where possible. Higher demand leads to more investment.

Where economically appropriate, we invest in renewable energy self-generation, such as installing rooftop solar panels. The solar systems installed in our plants in Sri Lanka and Thailand in the last two years have contributed to our overall renewable energy generation capacity and provided over 1.5 million kWh of electricity in 2023.

Key



Medical



Industrial & Connectivity



Renewable energy



Transportation



Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation

How our products create positive impacts

We supply connectivity solutions to infrastructure that underpins the 'Internet of Things' ("IoT"), enables industrial automation and digitalisation, and brings people and communities together.

Our sensing and connectivity products are used to improve the resilience of infrastructure, such as road bridges and railways.

Applicable markets



How our operations create positive impacts

We are an electronic engineering company and we design and create innovative electronics that help to improve the world and people's lives.

Our engineers work with our suppliers and customers to create innovative solutions that solve technical challenges. Our product knowledge and technical know-how enable us to create products for industrial applications that contribute to resilient infrastructure.



Make cities and human settlements inclusive, safe, resilient and sustainable

How our products create positive impacts

Our products play a crucial role in the electrification of transportation and energy efficiency. We provide charging solutions for electric vehicles and power solutions for mass transport, such as trains and e-buses, helping to reduce the use of fossil fuels. Our magnetics products are used in the distribution of renewable energy.

Our connectivity solutions enable people to connect with one another, building communities and making them more inclusive.

Applicable markets



How our operations create positive impacts

We are a global company but a local operator. Our operating businesses and employees have a strong connection to the communities in which they operate. Through our operating businesses, we create jobs and contribute to the social and economic well-being of the communities through tax revenues, donations and volunteering.



Take urgent action to combat climate change and its impacts

How our products create positive impacts

We design products that are more energy efficient and less harmful to the environment than the ones they replace.

Our focus on products that reduce carbon emissions, aiding electrification, automation and improving efficiency, assists in combating climate change.

Applicable markets



How our operations create positive impacts

We play our part in tackling climate change by reducing carbon emissions. Our net zero plans set out our commitment to reduce emissions to net zero within our operations (Scope 1 & 2) by 2030, and within our value chain (Scope 3) by 2040. See our carbon reduction performance on pages 55 and 61.

We are also reducing resource consumption, such as energy and water, and recycling where possible in our operations.

OUR SUSTAINABILITY STRATEGY

Our sustainability strategy has three pillars: **Our Planet**, **Our People** and **Our Products**, connected to the three aspects of sustainability: environmental, social, and economic.

Our purpose is to create innovative electronics that help to improve the world and people's lives, now and in the future. Achieving our purpose and the long-term sustainability of our business requires a comprehensive approach.

47%¹

**REDUCTION IN
SCOPE 1 & 2
EMISSIONS SINCE
CY2021**

72%

**OF ELECTRICITY
FROM RENEWABLE
OR CLEAN
SOURCES**

60%

**OF GLOBAL WORKFORCE
WORKING AT SITES
WITH ISO 45001
ACCREDITATION**

98%

**OF GROUP
PRODUCTS
MANUFACTURED
UNDER ISO 9001**



Our planet



We understand the urgent need to preserve our planet for future generations and to mitigate the impact of climate change. At discoverIE, we contribute to the transition to a low carbon economy – through our products that help others reduce their emissions, and through our operations by committing to become a net zero emissions business.

Our focus areas

We focus on reducing greenhouse gas emissions and energy intensity. We aim to achieve SBTi-aligned net zero emissions for Scope 1 & 2 by 2030 and for Scope 3 by 2040.



Our people



Our employees are our most valuable asset. They are responsible for developing innovative solutions, creating high-quality products and services, and building lasting relationships with customers. Their contribution is critical to achieving our long-term success.

Our focus areas

We aim to maintain a positive and diverse work environment that fosters creativity, collaboration and teamwork. In addition to ensuring healthy and safe working conditions, we also focus on investing in our people through learning and development to ensure employees can grow and thrive.



Our products



We produce high-quality, reliable products that bring considerable benefits to customers and the environment alike.

Our focus areas

Our products play a critical role in the functioning of larger systems, which have zero tolerance to failure. We focus on product quality and reliability, which are paramount to our customers.

¹ Like-for-like emissions restated for acquisitions

SUSTAINABILITY IN ACTION



Our planet

At discoverIE, we contribute to the transition to a low-carbon economy through our products that help others reduce their emissions, and through our operations by committing to become a net zero emissions business.

We understand the urgent need to preserve our planet for future generations and to mitigate the impact of climate change.

Our progress

- In CY2023, we reduced Scope 1 & 2 emissions by 47% compared to the CY2021 baseline
- 72% of the Group's electricity is now sourced from renewable or clean sources
- 40% of the vehicles in our car fleet are now electric or hybrid
- In CY2023, natural gas emissions were 26% lower than the CY2021 baseline
- In CY2023, energy intensity was 30% lower than CY2021
- 81% of operations have now completed an energy audit, achieving our target two years ahead of plan
- 69% of revenue is generated by operations with ISO 14001 certification

Our targets

- Reduce Scope 1 & 2 emissions by 65% by 2025 against CY2021 baseline and to net zero by 2030
- Source 80% of energy from zero emission sources by 2025, and 100% by 2030
- 50% electric vehicles in the company car fleet by 2025 and 100% by 2030
- Replace at least 90% of gas heating with lower emission alternatives by 2029
- Reduce energy intensity by 10% by 2030
- 80% of operations to have completed an energy audit by 2025
- 80% of revenue covered by ISO 14001 certification

Greenhouse gas emissions

In November 2022, we announced our commitment to achieve net zero emissions and set science-based targets for the medium and long term. We report progress on our net zero short-term targets against the 2021 baseline, restated to exclude divestments and include acquisitions, in accordance with the GHG Protocol.

We aim to achieve net zero emissions for Scope 1 & 2 by 2030 and for Scope 3 by 2040 and have published a transition plan for net zero Scope 1 & 2 emissions by 2030. Further details of our net zero plan can be found at: <https://discoverieplc.com/sustainability/our-net-zero-commitment/default.aspx>

Our net zero plan for Scope 1 & 2 focuses primarily on addressing four of the Group's largest emission sources: electricity, natural gas, company cars and refrigerants, and aims to achieve an absolute reduction of 65% by 2025 against the 2021 baseline.

Further details of how we performed last year can be found in the Key metrics section on page 61.

We continue to make good progress in reducing our Scope 1 & 2 emissions across the Group, as outlined above. Key elements in achieving reductions to date include investment in heat pumps at our Myrra facility in Poland and at Foss in Norway, and in solar panels at our manufacturing plants in Thailand and Sri Lanka. We are considering future investments in solar panels at other sites, such as India, China and Mexico. Where available, we have also switched our sites' electricity supplies to renewable energy sources. CY2023 emissions were 47% lower than CY2021 (further details on page 61).

Our like-for-like natural gas emissions were 26% lower than CY2021. We have achieved this by taking the opportunity to move away from gas heating where we have relocated premises, such as MTC in Germany and Positek in the UK.

Through energy audits and increased awareness, we have also achieved more modest reductions at other sites. We have started investigating alternative technologies at sites where natural gas is still the main source of heating and will consider these based on a cost benefit analysis, prioritising those sites with the greatest impact and strongest business case.

This year, we enhanced our efforts to identify and calculate Scope 3 emissions. To support this, we engaged a carbon reporting specialist provider to collect operational data and calculate the resulting emissions. The exercise covered the entire Group (100% of all Group companies) and included as many of the sub-categories within Scope 3 of the GHG Protocol methodology as possible. We will continue to refine our processes and methodology and develop our future reduction plans. More information on our Scope 3 emissions can be found on pages 62 to 63.

SUSTAINABILITY IN ACTION continued

Use of resources

Energy usage

Energy consumption during CY2023 was 6% lower, despite acquisitions and strong manufacturing output. Energy intensity for continuing operations decreased by 11% in CY2023 compared to CY2022 and by 30% compared to CY2021. This is well ahead of our target to reduce consumption by 10% by 2030. Most sites have implemented energy saving measures, such as replacing lighting with energy efficient LED or fluorescent alternatives and by installing motion sensors.

81%¹ of our sites have now completed an energy audit, thereby achieving our 2025 target two years ahead of plan. The audits provide energy saving recommendations, which are considered and prioritised as appropriate.

Water usage

Our production processes typically require no or very little water. The water used is mainly for cooling purposes, in which the water is recycled, and for sanitary and drinking purposes. Therefore, the risk of water scarcity is not a material concern for the Group. However, we also recognise that water is a finite resource and reducing water consumption is an essential step in preserving the environment. Several sites use water-efficient equipment, such as low-flow toilets and sensor taps. We will continue work to increase awareness and promote water saving practices throughout the Group.

Waste management

We take measures to minimise waste in the manufacture of products, use recycling options where available and reduce packaging.

The majority of our products are non-hazardous. Where hazardous items are involved, environmental risks are minimised by use of appropriate labelling and technical information, in conjunction with training and procedures for handling, storage and disposal.

As an electronic and electrical manufacturer, we follow all relevant laws and regulations, including the following laws governing electronic waste handling, storage and disposal:

- Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment Regulations 2004 ("RoHS")
- Waste Electrical and Electronic Equipment Regulations 2006 ("WEEE")
- Producer Responsibility Obligations (Packaging Waste) Regulations 2005
- Waste Batteries and Accumulators Regulations 2009

Whilst plastic packaging is often necessary for protecting sensitive electronic components, discoverIE is committed to managing its use of plastics in a responsible and sustainable manner. One way that many of our businesses do this is by using

recycled and recyclable plastics, where appropriate. Additionally, we are actively working to replace foam packaging with more environmentally friendly and recyclable options. By taking steps to reduce our use of non-recyclable materials, we are helping to reduce our environmental footprint and promote more sustainable business practices.

ISO 14001 accreditation

The ISO 14001 (Environmental Management System) accreditation is an internationally recognised standard that sets out certain requirements for environmental management. It helps organisations improve environmental performance through more efficient use of resources and reduction of waste and provides an objective, independent view of an organisation's environmental credentials.

Thirteen further sites achieved ISO 14001 accreditation in CY2023. Sites generating 69% of Group revenue are now ISO 14001 certified (CY2022: 59%). This certification is becoming more important as customers place increasing focus on the environmental credentials of their value chain. Our aim is for two more sites to achieve this accreditation by 2025.

There were no fines relating to environmental non-compliance during the year or the previous three years.

¹ Excludes businesses acquired during FY2024.

Case Study

New sustainable building for MTC

In September 2023, Germany-based MTC Micro Tech Components GmbH moved into a newly-built office and logistics facility. The move marked a significant milestone for MTC, reflecting its strong growth over the last few years.

The new building not only doubles the space available for current and future employees but also aligns with our focus on sustainability and resource conservation.

- Energy is supplied exclusively from renewable sources
- Solar panels ensure the building is self-sufficient in electricity
- Heating is provided by a carbon neutral biomass pellet heating system

- Charging points for electric vehicles and e-bikes are available in front of the building

The office area requires only 67% of the energy typically required for a new building of its type, while the warehouse requires less than 30%.

The new building also caters for the enhanced well-being of colleagues, with flexible working spaces encouraging collaboration and fostering a pleasant and open working environment. Employees who live locally are encouraged to cycle to work or use e-bikes.



Our People

Our employees are highly valued, and we are committed to creating a supportive and inclusive workplace culture that promotes employee engagement, development and retention.

Our progress

- In the year, the ratio of health and safety representatives to employees improved from 1:21 to 1:20
- Thirteen more sites achieved ISO 45001 certification, bringing the total number of employees covered to 60% of the workforce
- 43% of the Board are female

Our targets

- Maintain a health and safety representative to employee ratio of at least 1:50
- 80% of workforce in operations certified with ISO 45001 by 2025
- 40% of the Board are female

Our culture

At discoverIE, we believe that a strong culture is key to achieving our mission and supporting our values. Our culture is built on a foundation of respect, fairness, and equality. We are committed to creating an inclusive workplace where everyone feels valued and empowered to contribute their best work.

Our culture is characterised by:

Diligence and determination:

We are dedicated to our work and take pride in delivering high-quality products and services to our customers.

Customer-centricity:

We prioritise our customers' needs and work closely with them to develop innovative solutions that meet their requirements.

Respect, fairness, and courtesy:

We treat our colleagues with respect, fairness, and courtesy, recognising that everyone's contributions are important to our success.

Open and constructive communication:

We believe in open and honest communication, with a willingness to listen and consider different perspectives.

Diversity and inclusion:

We value diversity and strive to create an open and inclusive environment where everyone has an equal opportunity to succeed.

High performance and target-driven:

We are go-getters, driven by a desire to achieve excellence in everything we do.

Diversity and inclusion

We are committed to creating an inclusive and welcoming environment for all our employees. We believe that diversity is a strength and that everyone should be treated with respect, dignity and fairness. We are dedicated to providing equal opportunities for all individuals, regardless of their gender, race/ethnicity, social background, religion, sexual orientation, family responsibilities, disabilities, political opinion, age, sensitive medical condition or trade union membership. We aim to foster a culture that values diversity and inclusion, where everyone feels respected, empowered and appropriately rewarded.

Our employment policies are fair, equitable and consistent with the skills and abilities of our employees and the needs of our businesses. Our policies

aim to ensure that everyone is accorded equal opportunity for recruitment, training and promotion. We do not tolerate any form of discrimination, harassment or bias in the workplace, whether it be sexual, physical or mental.

We recognise that diverse perspectives and backgrounds are essential to driving innovation, creativity and growth in our business. Therefore, we are committed to improving the diversity of our workforce and management team by promoting within and proactively managing our recruitment process.

Our Board Diversity Policy sets out our aim to achieve a Board that is diverse, not only in gender and race, but also in cultural background, experience and expertise. Our Board Diversity Policy can be found on our website: www.discoverIEplc.com. See pages 64 and 98 for further details of our diversity.

With three female Non-Executive Directors and one Non-Executive Director from a non-white ethnic minority background, we continue to meet our target of 40% female representation at Board level and to meet our target of having at least one person from a non-white ethnic minority background on the Board.

The gender diversity of the Group Management Committee shifted away from female representation slightly during the year. This was due to one member taking maternity leave and choosing to return in a more flexible projects-based role, to better fit with her family life. Her replacement was a male colleague who has developed his career at discoverIE over the last four years, having joined the Group on secondment in 2020.

Health and safety

We aim to provide healthy and safe working conditions. In addition to compliance with local regulations, discoverIE promotes working practices that protect the health, safety and well-being of its employees and other persons who enter its premises.

During CY2023, the number of health and safety representatives we have as a Group increased by 3% to 236 (CY2022: 229), across our c.4,500 employees. This gave a health and safety representative to employee ratio of 1:20, a small improvement on CY2022 and well ahead of our target of maintaining a ratio of at least 1:50. We also continued to emphasise the importance of health and safety training, conducting over 16,500 hours of training across the Group, equivalent to more than three hours per employee. These actions had a positive impact on our Lost Time Incident Frequency Rate ("LTIFR"), and we are pleased to report that both this and the number of work-related incidents resulting in the loss of five or more work days decreased, despite new acquisitions.

Thirteen sites achieved ISO 45001 (Occupational Health and Safety Management System) accreditation in the year. This means that 60% of the Group's workforce now work in operations with the accreditation, up from 48% previously.

There have been no work-related fatalities in the last five years.

Learning and development

Our businesses are proactive in anticipating both short and long-term employment needs and skills requirements. All employees are encouraged to actively engage in their career development and training opportunities are available across the Group. We provide technical training to our employees, as relevant for their role. This is scheduled and tracked.

Some of our operating businesses have structured apprenticeship and graduate schemes. In late 2023, we partnered with the University of Surrey on a student placements scheme, with a focus on engineering and science. Subsequently, we launched a pilot programme in the UK, with the first electronics engineering placements starting in July 2024.

Our employees are actively encouraged to undertake further learning, such as National Vocational Qualifications or similar level courses, as well as continual professional development to maintain any relevant professional accreditations. During the past 12 months, we launched two Group-wide initiatives to support the learning and development of our employees. First, we started a series of webinars in October 2023, covering a variety of topics, such as a technology deep dive, greenhouse gas emissions management, marketing and finance. The aim is to encourage knowledge and best practice sharing across the Group. Secondly, we launched an online learning and development platform, which enables our operating businesses to manage their talent development and skill gaps, and our employees to take control of their learning experience. Three operating businesses are currently undertaking a 12-month trial. The vast majority of employees receive annual performance appraisals, which include identifying their development needs.

Recruitment and retention

Clear, fair and competitive terms of employment are in place. It is Group policy to communicate with employees on major matters to encourage them to take an interest in the affairs of their employing company and the Group. Each operating business is encouraged to maintain effective employee engagement arrangements, including keeping employees aware

of the financial and economic factors affecting their employing company's performance. Please see pages 90 to 93 for further details of our engagement.

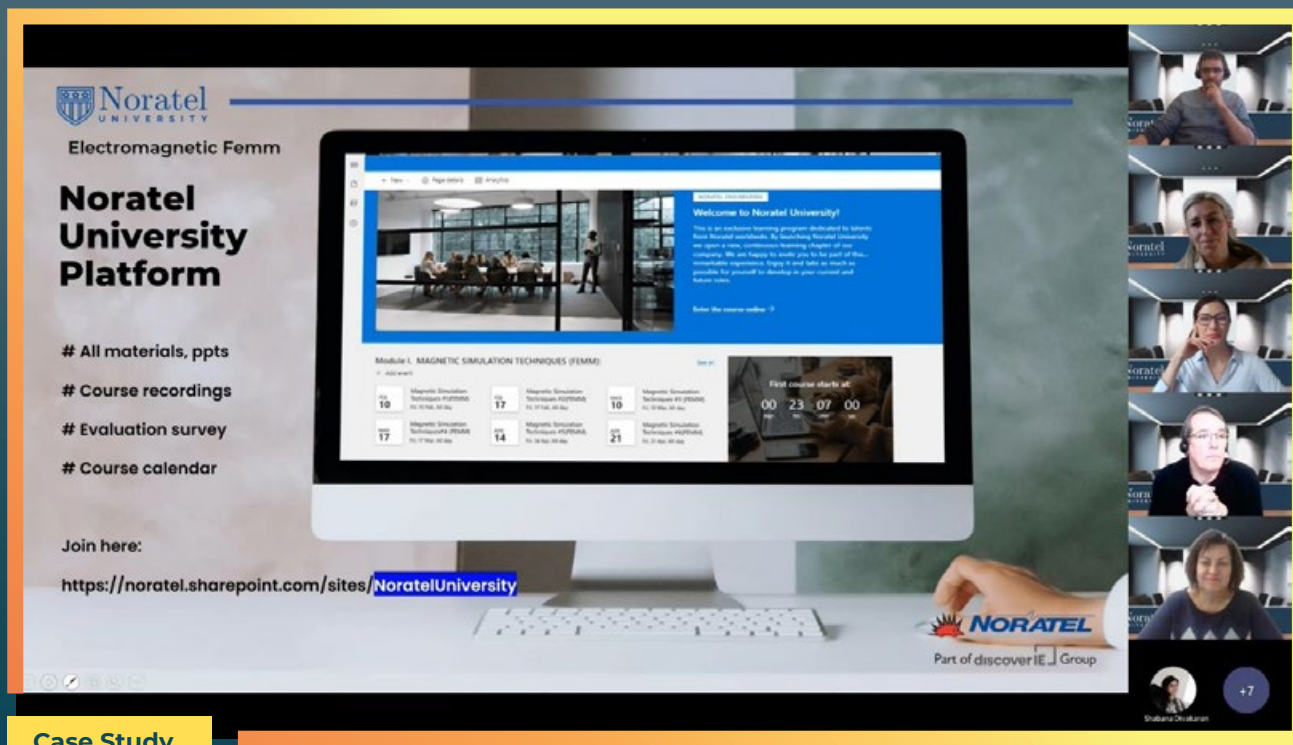
We remain supportive of the employment and advancement of disabled persons. Full consideration is given to applications for employment from disabled persons, where the candidate's particular aptitudes and abilities are consistent with meeting adequately the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Group's policy to provide continuing employment in the same or an alternative position wherever practicable, and to provide appropriate training and support to achieve this aim.

We are committed to retaining our talented and skilled workforce. We achieve this by offering clear and fair terms of employment, a competitive remuneration policy and regular communication with our employees on major matters. Our voluntary employee turnover in FY2024 reduced to 9%.

Community engagement

We value community engagement and strive to be an active participant in the local communities where we operate. We support local good causes by offering opportunities for employees to volunteer and through charitable donations (no donations are made to political causes). Our commitment to community engagement is highlighted by the Group's support of the Community Foundation for Surrey and other employee volunteering opportunities.

As well as supporting the causes themselves, initiatives such as these motivate employees and increase their sense of purpose in working for an organisation that is keen to play a positive role in society.



Case Study

Noratel Knowledge and Communication

Recognising the benefits of effective employee engagement and knowledge sharing among its global workforce, Noratel has taken further steps to improve employee communication, learning and development over the last 18 months. The team has built upon employees' desire for knowledge-sharing to create the foundations of a community of experts able to support their colleagues.

Building on its "One Noratel" culture and their core values of Passion, Accountability, Care, Teamwork and Excellence, the Noratel team has created a range of communication and training tools available to its employees. Starting with "TechTalk", an informal engineering forum which allows employees from across the group to discuss specific business challenges

and gain insights from their peers in an open and supportive environment, the initiative has expanded rapidly. The platform was used to host a session of the Female Engineering Forum on International Women's Day, discussing the challenges and rewards of a career in engineering for women, attended by both male and female colleagues.

The "Quick Learns" programme, where employees are invited to share knowledge and skills over interactive webinars on a range of topics, ranging from mental health to management systems, has proven to be a great success. Volunteers are given guidance and training to help them communicate more effectively.

Mindful of Noratel's core competency as a specialised design and engineering business, the team has also launched "Noratel University", where employees can sign up to a structured course to deep dive into key technologies with the aim to improve knowledge across the business. Tutors are selected from global engineering teams through an analysis of their respective skills, and given training to empower them to share their skills, knowledge and experience with colleagues. To date, over 70 employees from across Noratel's global footprint have benefited from gaining a deeper understanding of the company's core technologies.



Our Products

The Group produces high-quality, reliable products that bring considerable benefits to customers and the environment alike.

Our progress

- In CY2023, 98% of the Group's products, measured by revenue, were manufactured under ISO 9001 Quality Management Systems (CY2022: 92%)

Our targets

- 80% of Group products manufactured under ISO 9001

Product responsibility

Our products are essential components of electrical systems and electronic devices, and play a critical role in the functioning of larger systems, which tend to have long lifespans. Quality and reliability are paramount to our customers. In addition to designing for durability, the high quality and standards of our products are ensured and monitored through rigorous testing, which is often above the requirements of our customers, and the adoption of ISO 9001 Quality Management Systems. As a result, the overall rejection rates for our products due to quality issues are negligible.

Product sustainability

The sustainability of our products is a priority. We ensure raw materials used are from responsible sources, which are procured in accordance with the principles in our Supplier Code of Conduct, Modern Slavery Statement and Conflict Minerals Policy (all are available at www.discoverIEplc.com). These are verified and monitored through regular local checks and supplier audits. In the event of non-compliance, we would engage with the supplier to seek measures to rectify the non-compliance or seek alternatives if appropriate. During the year, we completed the third phase of our Group-wide supplier audit programme. Following the first and second phases completed in FY2022 and FY2023 respectively, this takes the overall proportion of Group suppliers audited (measured by spend) up to 55% over the last three years.

Our magnetic components use raw materials, such as copper and aluminium, which are essential to electrical equipment. We design, manufacture and deliver products with sustainability in mind. Where it is possible, and with customer permission, recycled raw materials are used in production processes. We also proactively reduce and recycle packaging and replace plastics with recyclable materials such as paper and cardboard.

Our products are components that are often embedded in larger systems, which means that the likelihood of replacements being required must be minimised. As such, our products are designed for long lifespans and are intended to be energy efficient in order to reduce downtime.

Key metrics

Carbon emissions

During 2023, we invested in a new carbon emissions data capture and calculation tool. To ensure consistency with prior year data, we used the tool to verify and recalculate CY2021 and CY2022 emissions. Some small differences to previously reported figures were identified as a result, amounting to a 145 tCO₂e increase in the Scope 1 & 2 total for CY2021 and a 285 tCO₂e increase for CY2022. During this exercise, we also became aware of an error in the Scope 2 emissions of our subsidiary Beacon, which had been understated by 350 tCO₂e in CY2021 and 390 tCO₂e in CY2022. This error has been rectified in the prior years' figures below.

Location-based	Total Emissions ¹ (tonnes)			Like-for-like Emissions ² (tonnes)		
	CY2021	CY2022	CY2023	CY2021	CY2022	CY2023
Scope 1	1,488	1,338	1,606	1,704	1,514	1,606
Scope 2	9,365	8,710	6,736	9,477	8,792	6,736
Total Scope 1 & 2	10,853	10,048	8,342	11,181	10,306	8,342
Scope 3	–	–	196,879	–	–	196,879
Total emissions	–	–	205,221	–	–	205,221
Intensity – tCO ₂ e / £m revenue (Scope 1 & 2)	30.73	23.49	18.61	29.22	22.69	18.61

Market-based	Total Emissions ¹ (tonnes)			Like-for-like Emissions ² (tonnes)		
	CY2021	CY2022	CY2023	CY2021	CY2022	CY2023
Scope 1	1,488	1,338	1,606	1,704	1,514	1,606
Scope 2	6,460	4,392	2,820	6,594	4,486	2,820
Total Scope 1 & 2	7,948	5,730	4,426	8,297	6,000	4,426
Reduction on CY2021	–	28%	44%	–	28%	47%
Scope 3	–	–	196,879	–	–	196,879
Total emissions	–	–	201,305	–	–	201,305
Intensity – tCO ₂ e / £m revenue (Scope 1 & 2)	22.50	13.39	9.88	21.68	13.21	9.88

Market-based	Total Emissions ¹ (tonnes)			Like-for-like Emissions ² (tonnes)		
	CY2021	CY2022	CY2023	CY2021	CY2022	CY2023
Energy consumption (kWh)	25,575,035	24,117,547	22,577,592	26,971,017	25,291,981	22,577,592
Energy intensity (kWh/£m revenue)	72,406	56,379	50,367	70,486	55,689	50,367
UK based energy consumption ³	7.2%	8.9%	10.1%	N/A	N/A	N/A

1 The "Total Emissions" columns include all continuing operations owned by the Group as at the end of each calendar year. The discontinued operations Vertec SA (disposed January 2022) and Acal BFi (disposed March 2022) are excluded from all figures.

2 "Like-for-like Emissions" include the assumed impact of emissions from companies acquired since 2021. In accordance with GHG Protocol guidance, historic emissions for these companies are deemed to be the same in prior years as in the year of acquisition.

3 The energy consumption of our UK-based businesses as a percentage of our total Group power consumption.

Noratel selected as Sustainability Supplier of the Year

In September 2023, Noratel was awarded Sustainability Supplier of the Year by Siemens, a global pioneer in sustainability and innovation. Siemens is a major customer of Noratel.

Grégory Malherbe, CEO of Noratel, said, "This award is a testament to our unwavering commitment to environmental responsibility and our relentless pursuit of excellence in all aspects of our operations. It is truly an honour to be acknowledged by Siemens for our sustainability efforts. We recognise that we all share responsibility

for the well-being of current and future generations. It is one of our core values at Noratel that with a customer-first mindset, we strive for excellence in everything we do."

Based in Norway, with operations across three continents, Noratel designs and manufactures magnetic components for industrial applications, such as MRI scanners and wind turbines. This award affirms Noratel's position as a leading advocate for sustainability and recognises its contribution to a greener, more sustainable future.



Grégory Malherbe (CEO) and Remi-Brice Magne (SVP North America) of Noratel at the Siemens Supplier Sustainability Day

Scope 3

This year we completed our second Group-wide exercise to capture data on all Scope 3 emissions. The exercise sought to cover the entire Group (including new acquisitions), and included as many of the Scope 3 sub-categories defined by the GHG Protocol as possible. With the new carbon data collection and calculation tool, we were able to complete a more detailed and comprehensive analysis of Scope 3 emissions, a significant improvement on last year's exercise. As well as a more comprehensive data set, in certain sub-categories we were able to include elements of activity-based data, whereas last year emissions were calculated almost exclusively using spend-based data. Despite the significant improvements in processes already made, we are aware that data collection in respect of Scope 3 emissions is more challenging for most businesses than for Scope 1 & 2. The Group will continue to take this into account as our processes evolve in future years.

Like Scope 1 & 2, Scope 3 emissions were reported on a calendar year basis, from 1 January to 31 December. This differs from our financial year to be consistent with previous emission assessments.

There were two key elements to the exercise in our second year:

- To confirm the categories and sub-categories that are most relevant and material to the Group
- To identify the challenges faced in the accurate and comprehensive collection of Scope 3 data and help prepare the Group to complete this more efficiently and systematically in future.

A summary of the key findings is as follows:

- Our CY2023 Scope 3 emissions were significantly higher than those identified last year, at c.196,879 tCO₂e, comprising almost 98% of the Group's total emissions across all of Scope 1, 2 and 3
- The largest category of Scope 3 emissions was from purchased goods and services (Category 1), with that category alone representing c.75% of total Scope 3 emissions

- The second largest source of Scope 3 emissions was freight (Categories 4 and 9). This year we were able to separate upstream (Category 4) and downstream (Category 9) emissions, an improvement in process on the prior year. Data collection for downstream transportation poses a particular challenge because the data is often held by customers rather than the Group. We will in future enhance the data collection and accuracy of intra-Group shipments and customer distribution. Together they comprise c.22% of total Scope 3 emissions
- The third and fourth largest sources were fuel- and energy-related activities, and employee commuting, each respectively at c.1% of total Scope 3 emissions.

In terms of the methodology used to calculate our Scope 3 emissions:

- For Purchased Goods and Services (Category 1), we enhanced our analysis from last year, using a variety of activity-based data where available, particularly in using the weights and quantities of raw materials consumed. Where quantity data was not available, all other goods and services purchased used spend-based data relating to the type of goods and materials purchased at a generic level (for example, copper, aluminium, plastics, paper, etc.). That data was then processed by our carbon emissions data capture and calculation tool. This is in line with the GHG Protocol reporting methodology but is less accurate than supplier-specific data (where such data is available). It also relies on the correct material codes having been applied. We expect our calculations to become more established and accurate as we continue to refine our methods and processes in the coming years.
- Transportation data was based on weights carried, distances travelled and mode of transportation used where possible. Where such data was not available, spend on transportation was used to calculate an assumed emissions factor.
- In the employee commuting category, rather than figures

being calculated at an individual employee level, each of our operating businesses provided estimates for both the "average" employee journey to work via each mode of transport and the number of people using that mode of transport. Whilst this data was collected at an individual operating business level, it nevertheless relies on the estimation being reasonably accurate.

The exercise has provided valuable insight into the emissions in our value chain. In particular, it has highlighted where we should focus our efforts in future, both in ensuring the accuracy and completeness of the data collected and also in terms of where to target future emissions reductions.

We recognise that this is an iterative process, and our methodology and systems will be refined over time. However, within the next 12 months, we aim to:

- Start upgrading our systems and processes to enable this data to be captured more accurately and efficiently going forward
- Complete the equivalent exercise for our CY2024 Scope 3 emissions
- Develop an SBTi-aligned reduction plan for our Scope 3 emissions

Building on our existing plan to achieve net zero emissions by 2030 for our Scope 1 & 2 emissions, this work will help us achieve our ultimate goal of becoming a net zero emissions business across all Scopes 1, 2 and 3 by 2040.

A summary of each of the categories within Scope 3, and their relevance and materiality to us as a Group, is provided below:

Category	Description	Screening criteria	Percentage of Scope 3
1 Purchased goods and services	Extraction, production, and transportation of goods and services purchased	Total Group spend or, where available, the weight of goods purchased (which provides a more accurate conversion)	74.8%
2 Capital goods	Extraction, production, and transportation of capital goods purchased	Partially captured this year and we intend to assess more fully in future years	0.3%
3 Fuel- and energy-related activities	Extraction, production, and transportation of purchased fuels and energy that are not already accounted for in Scope 1 & 2	a. Scope 1 & 2 Well to Tank ("WTT") b. Transmission and distribution c. District heating distribution	1.1%
4 Upstream transportation and distribution	Transportation and distribution of products and services purchased	Transport emissions of lorry, sea, air, and rail freight purchased by the Group (excluding those paid by customers or suppliers)	15.9%
5 Waste generated in operations	Disposal and treatment of waste generated in operations		0.0%
6 Business travel	Transportation of employees for business-related activities in vehicles not owned by the Group	Business travel in employee-owned cars, hire cars, flights, taxis, rail journeys and ferries	0.3%
7 Employee commuting	Transportation of employees between their homes and workplaces	Estimated by each operating business	1.1%
8 Upstream leased assets	Operation of assets leased by the Group that are not included in Scope 1 & 2	Not applicable	N/A
9 Downstream transportation and distribution	Transportation and distribution of products sold by the Group	Transport emissions of lorry, sea, air, and rail freight purchased by customers	6.5%
10 Processing of sold products	Processing of intermediate products sold by downstream companies	Our products can be used in a wide variety of applications and typically form a small part of the end product, which together make this category difficult to calculate. Once data collection for the other categories is more established, the intention is to reassess this category	–
11 Use of sold products	End use of goods and services sold	See category 10 above	–
12 End-of-life treatment of sold products	Waste disposal and treatment of products sold	See category 10 above	–
13 Downstream leased assets	Operation of assets owned by the Group and leased to other entities	The Group does not have leased assets	N/A
14 Franchises	Operation of franchises	The Group does not have franchises	N/A
15 Investments	Operation of investments	The Group is not involved in financial investments	N/A
			100%

SUSTAINABILITY IN ACTION continued

Health and safety

Lost time incident frequency rate ("LTIFR") information

	FY21	FY22	FY23	FY24
Lost time incidents ("LTIs") ¹	15	19	19	17
Average headcount ²	4,269	4,522	4,863	4,441
LTIFR ³	0.19	0.23	0.21	0.18

1 LTI or lost time incident is defined as a work-related incident resulting in the loss of five or more work days in the reported period.

2 Reported headcount includes all full-time and part-time employees and contractors.

3 LTIFR is the number of LTIs divided by the total work hours in the reported period, multiplying by 100,000 hours (representing the estimated number of working hours in an employee's work lifetime).

There were no fatalities among the Group's employees or contractors during any of the four years stated above.

Gender Diversity³

	Group Management Committee			Senior Management ¹			Operational Management ²			All Employees		
	FY24 (No.)	FY24 (%)	FY23 (%)	FY24 (No.)	FY24 (%)	FY23 (%)	FY24 (No.)	FY24 (%)	FY23 (%)	FY24 (No.)	FY24 (%)	FY23 (%)
Total	13	–	–	47	–	–	75	–	–	4,543	–	–
Male	10	77%	69%	34	72%	72%	50	66%	70%	2,357	52%	53%
Female	3	23%	31%	13	28%	28%	26	34%	30%	2,186	48%	47%

1 Senior Management is the Group Management Committee and Direct Reports.

2 Operational Management is the most senior managers in the Group's operating businesses.

3 As at 31 March 2024.

As noted on page 58, the gender diversity of the Group Management Committee reduced during FY2024 due to one member taking maternity leave and choosing to return in a more flexible projects-based role, to better fit with her family life, and her replacement being a male colleague who has developed his career at discoverIE over the last three years, having joined the Group on secondment in 2020.

Other ESG KPIs

	2023	2024	2025 Target
Our Planet			
ISO 14001 accreditation ¹	59%	69%	80%
Energy audits ²	63%	81%	80%
Company cars (EV/hybrid) ³	33%	40%	50%
Our People			
ISO 45001 accreditation ⁴	48%	60%	80%
Health and safety representatives ⁵	1:21	1:20	1:50
Voluntary staff turnover ⁶	10%	9%	<15%
Our Products			
ISO 9001 accreditation ⁷	92%	98%	80%

1 Measured as a percentage of Group revenue generated by operations with a ISO 14001 accreditation.

2 Measured as a percentage of the number of Group sites that have had an energy audit since 2018, excluding businesses acquired in CY2023.

3 Measured as the percentage of Group company cars that are electric or hybrid.

4 Measured as the percentage of the Group employees that work in operations covered by ISO 45001 accreditation.

5 Measured as the proportion of health and safety representatives to the overall number of employees.

6 Staff turnover is measured on a financial year basis (i.e., from 1 April to 31 March).

7 Measured as a percentage of Group revenue generated by operations with ISO 9001 accreditation.

Rosalind Kainyah

Chair of the Sustainability Committee

SUMMARY DISCLOSURE AGAINST TCFD RECOMMENDATIONS

We have continued to disclose in line with the FCA Listing Rules 9.8.6, the UK Climate-Related Financial Disclosure Requirements (“CFD”) and the recommended disclosures of the Taskforce for Climate-Related Financial Disclosures (“TCFD”). Being in the electrical and electronic components sector, the Group follows the TCFD’s All Sector Guidance in preparation of our report.

Climate-related risks and opportunities are routinely considered in our strategic and financial planning, operational management, M&A and capital allocation decisions. The table below gives a high-level summary and further details are available in the TCFD Report on pages 66 to 86 of our 2023 Annual Report. This is the same process as we follow for detailed disclosure on other strategic considerations for our business, including risk, tax and social issues.

For more detailed information, please refer to the TCFD Report on our website at: www.discoverieplc.com/sustainability/tcf-d-report/

Governance

The Board's role in oversight	Whilst the Board has responsibility for overseeing our approach to sustainability, the Sustainability Committee, on behalf of the Board, reviews the Group's sustainability strategies and policies, and oversees and monitors practices and performance against commitments and targets. During FY2024, the Sustainability Committee met twice and climate change-related matters were discussed by the Committee at both of these meetings, and it was also an agenda item at six Board meetings. The Sustainability Committee reviewed each key action of the Group's three sustainability pillars and progress against our targets.
Management's role in assessing risks and opportunities	Together with the Group Risk and Internal Audit and Group Finance teams, the Group Sustainability Team (“GST”) identifies and assesses climate-related risks and opportunities, which are then reviewed and discussed by the General Management Committee (“GMC”). Action plans to mitigate such risks are drawn up and agreed upon by the GMC.
Identify persons or committees responsible	The GST comprises members with sustainability, finance, legal and operations experience, and is responsible for monitoring, reviewing, consolidating and reporting the Group's operating businesses' progress on sustainability implementation. It reports to the Sustainability Committee and the GMC. The GST drives sustainability initiatives throughout the Group and works closely with divisional management and individual operating businesses on implementing the Group's sustainability strategy.

Strategy

Climate-related risks and opportunities	We have identified and assessed 12 climate change-related risks, of which eight were transition risks and four physical. Of these, we consider four transition risks and two physical risks to be the most material, based on a combination of impact magnitude and likelihood. We have also identified three climate-related opportunities.
Impact on our businesses, strategy and financial planning	We have modelled the financial impact of these six most material risks and three opportunities. Our assessment that climate-related risks pose a net neutral risk to discoverIE's financial position remains unchanged.
Resilience based on scenarios, including a 2°C or lower scenario	We assessed the emerging trends affecting the exposure of our physical assets to climate-related risks in the medium (up to 2050) and long term (up to 2100) under two scenarios: RCP 4.5 and RCP 8.5. RCP 4.5 is the current climate development trajectory, and RCP 8.5 is the worst-case scenario trajectory. It is estimated that 35% of the Group's 64 facilities would be exposed to some sorts of physical risks, such as heat stress, precipitation and river flood. A handful of sites were more vulnerable, the costs of which were also factored into the financial impact model.
Details of mitigation actions, planned or in place	We monitor the developing physical risks to our assets and have plans in place to switch production to alternative sites, or move to new facilities where necessary. Our focus on sustainable markets, such as renewable energy, and our alignment to the UN Sustainable Development goals puts us in a good position to take advantage of new opportunities. Our specialised durable products, and the long-term relationships we foster with our customers, lends resilience to our business.

SUMMARY DISCLOSURE AGAINST TCFD RECOMMENDATIONS continued

Risk Management

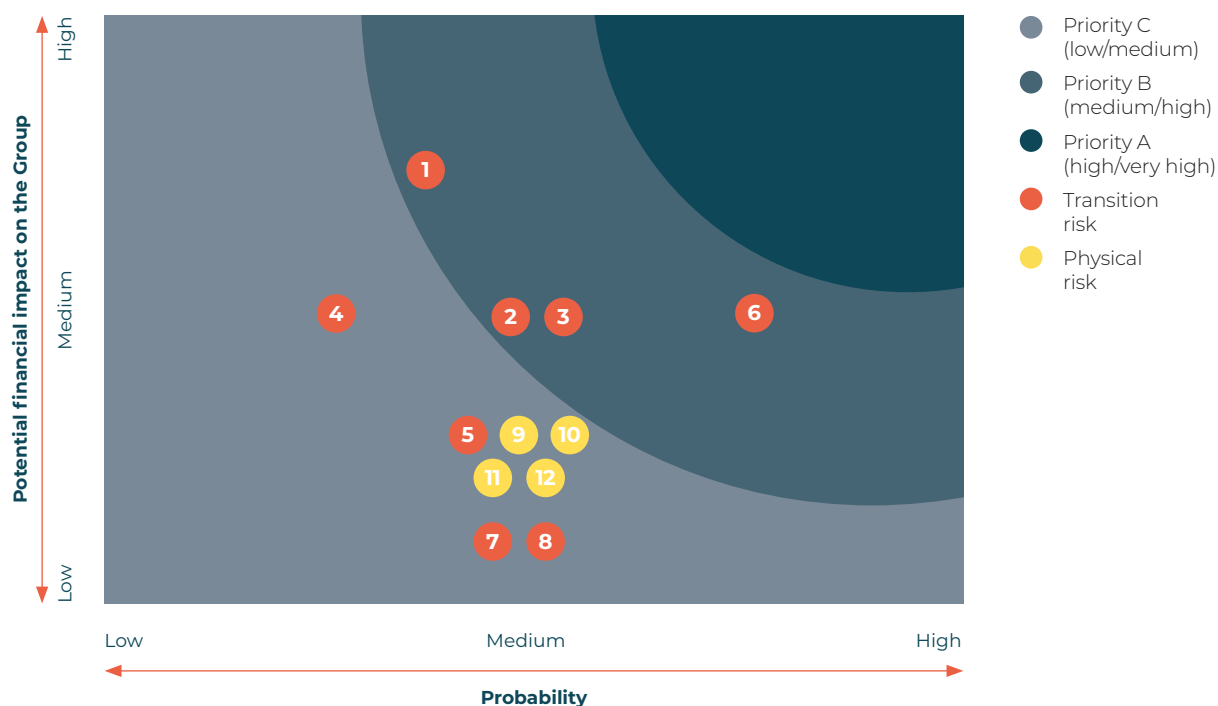
Processes for identifying and assessing climate-related risks	In identifying and assessing climate-related risks to the Group's operations, assets and reputation, we use primarily a top-down approach. Given the Group's decentralised structure, we consider this approach more appropriate for assessing climate-related risks, particularly physical ones.
How we consider risks at subsidiary level	We also take a bottom-up approach by factoring in the feedback from our operating businesses where appropriate.
Processes for managing climate-related risks	Action plans to mitigate any risks are managed and reported at Group level, whereas the responsibility for implementing the plans is delegated to the management of the operating businesses. The operating businesses report on ESG progress, including carbon reduction actions, in quarterly business reviews chaired by the divisional heads.
How we integrate those risks into our overall risk management	Climate-related risks are managed as part of the Group risk management process, alongside other strategic and operational risks and, as with all matters in the Group Risk Register, these risks are reviewed annually. Climate-related risks and mitigation progress are monitored by the Risk and Internal Audit team on an ongoing basis, which updates the Audit and Risk Committee at each meeting.

Metrics and Targets

Greenhouse gas emissions targets	In November 2022, we announced our commitment to achieve net zero emissions and set science-based targets for the medium and long term. The net zero commitment was a significant step up from our previous target. We aim to achieve net zero emissions for Scope 1 & 2 by 2030 and for Scope 3 by 2040, and have published a transition plan for net zero Scope 1 & 2 emissions by 2030.
Internal metrics	Our net zero strategy has three priorities: Reduce, Replace and Remove. ■ Reduce energy intensity across the Group ■ Replace higher carbon energy sources with lower or zero carbon options ■ Invest in removing emissions that cannot be replaced or reduced Supplementary information can be found in the Road to Net Zero Emissions Report on our website: www.discoverieplc.com/sustainability/our-net-zero-commitment/default.aspx
Targets used to manage climate-related risks and opportunities and performance against them	■ 80% of Group sites to complete energy audits by the end of 2025 ■ Reduce energy intensity by 10% by 2030 ■ Install solar panels in Sri Lanka and Thailand ■ 80% zero emission energy by 2025 and 100% by 2030 ■ Replace 90% of gas heating with electric options ■ Replace 100% company-owned cars with fully electric vehicles by 2030 ■ Remove all refrigerants by 2025 where feasible ■ Invest in carbon removal projects to remove residual emissions beyond 2030 Our performance against these targets can be found in the Key metrics section on pages 61 and 64, and on page 55 (Our Planet), of the Sustainability Report.

Climate-related risks and opportunities

We assess and report climate change-related transition risks and opportunities on the short- (up to three years), medium- (three to seven years) and long- (more than seven years) term basis. For physical risks, we define short-term as the period up to 2030, medium-term up to 2050 and long-term up to 2100. However, given the fast-changing and unpredictable nature of economic and environmental conditions, we model the financial impact of the physical risks up to 2030 only. Having identified 12 climate change-related risks, we prioritised them based on a combination of impact magnitude and likelihood, then modelled the potential financial impact of the six risks – four transition risks and two physical risks – that had the highest scores. We also identified and modelled the financial impact of three climate related opportunities. The results of the analysis of all 12 risks are shown in the matrix below. A detailed description of the top six risks and three identified opportunities, and our responses to them, follows on pages 68 to 70.



- 1 Capital markets shift investment to low-carbon activities
- 2 Changing customers' preference to low emissions alternatives
- 3 New and emerging technologies substitute our customers' existing products and services
- 4 Increased stakeholder concern or negative stakeholder feedback from lack of climate action plan
- 5 Increased energy costs due to increasing carbon taxes and alternative low emission energy sources
- 6 Increasing costs of commodity and raw materials
- 7 Increased borrowing costs
- 8 Mandatory environmental standards or requirements for existing products and services
- 9 Extreme weather events such as cyclones or floods
- 10 Changes in precipitation patterns and extreme variability in weather patterns
- 11 Gradual changes in key climate variables such as temperature, humidity and precipitation
- 12 Rising sea levels

SUMMARY DISCLOSURE AGAINST TCFD RECOMMENDATIONS continued

Climate-related risks and opportunities continued

Risk	Risk description	Our response	Our progress
Transition risks			
1 Capital markets shifting investment to low carbon activities Timeframe Medium-long term	Our growth strategy relies on both organic sales generation and acquisitions. Both require capital investment. We may need to raise additional funding in the capital markets. The shifting of investment to low carbon or green activities may impact our ability to raise capital or increase our cost of capital, in turn reducing our ability to invest in the existing business or acquire new businesses.	Our strategy focuses on markets with structural, sustainable growth, such as renewable energy, electrification of transportation, industrial automation and connectivity, all of which support the transition to a low-carbon economy. Operationally, we constantly work to improve market perceptions by providing timely and transparent disclosures.	Our target market revenue decreased slightly from 77% in FY2023, but remains high at 75%. We have a strong pipeline of design projects, with over 90% of projects won in FY2024 being in target markets. Our MSCI ESG Research rating was increased from A to AA in July 2023.
2 Changing customers' preference to low emissions alternatives Timeframe Medium-long term	The majority of our customers are industrial OEMs. They may adopt an aggressive approach to reduce emissions in their value chain. They may switch to low emission versions of products or suppliers, or be required to change due to more stringent legislation.	Our business model of designing and manufacturing customised electronics means that we work closely and collaboratively with our customers. Our engineers design products with customers' requirements in mind, ensuring technical compatibility as well as environmental compliance. We have set emission reduction targets and made good progress against these.	Reduced Group Scope 1 & 2 emissions by 47% against the CY2021 baseline on a like-for-like basis. Thirteen more sites achieved ISO 14001 environmental management system certification in the year, with 69% of CY2023 revenues being from sites with ISO 14001.
3 New and emerging technologies substitute our customers' existing products and services Timeframe Short-long term	We supply to industrial OEMs. If our customers' existing products and services become obsolete, our ability to achieve growth well above GDP may be impacted.	Our products are designed and built on well-established technologies that are adaptable. They are applicable to many industrial applications. Our product and technologies portfolio and customer base are broad. We continue to diversify our product and customer base organically and through acquisitions, reducing our risk exposure.	Completed five more acquisitions during the year, Silvertel, 2J Antennas, Shape, DTI and IKN. The acquisitions expand the Group's technical reach through new technologies such as power-over-ethernet, and consolidate our position in existing specialisms, such as RF and Wireless.

Risk	Risk description	Our response	Our progress
6 Increasing costs of commodity and raw materials Timeframe Short-long term	Prices of some raw materials, such as copper and aluminium, are expected to rise as supply cannot meet rapid increases in demand. Significant price rises may cause customers to switch to low cost suppliers. The raw material shortage may impact our ability to continue to supply certain products.	Our products are designed and customised for specific applications and are priced according to project specifications and material costs at that point in time, which to some extent protects the Group from price fluctuation. Furthermore, our products are designed into applications and are often protected by our design IP. Our technical know-how and reliable delivery engender long-lasting customer relationships.	Our supply chain is resilient, as tested and proven during the pandemic. We source materials and components from multiple suppliers where possible, except for those specified by customers. We continue to engage with our key suppliers locally, and through the Group-wide Supplier Audit Programme. In CY2023, we purchased 72% of our electricity from renewable or clean sources.

Acute physical risks

9 Extreme weather events such as cyclones or floods Timeframe Short-long term	Increased severity of extreme weather events, such as cyclones and floods, may disrupt production activities and incur higher operating costs.	The Group has 64 sites globally, including 36 manufacturing facilities across Asia, Europe and North America. Some production activities can be transferred to other locations to ensure business continuity, if necessary. We have experience in moving manufacturing between sites where circumstances require us to do so.	We repeated the risk assessment carried out in FY2023 to include all newly-acquired sites.
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Chronic physical risks

11 Gradual changes in key climate variables such as temperature, humidity and precipitation Timeframe Medium-long term	Rising average temperature causes heat stress, drought, wildfires and changes in rainfall patterns. Some of the Group's manufacturing sites are in areas exposed to heat stress and precipitation, and some are at risk of rising sea levels. Our workforce may be affected if the average temperature continues to rise. Our supply chain may also be disrupted, causing delays and cancellations.	Using the WTW Climate Diagnostic Analytical Tool, we have identified a number of sites that may be affected by changing climate patterns in the next 30 to 80 years. The analysis showed rising temperatures and precipitation were likely to impact a number of our businesses.	External assessments were carried out at four of the ten sites deemed to be at medium to high risk. This is in addition to the two sites assessed in FY2023. As the risks to property involved are inherently long term, we will continue to monitor the situation year-by-year and take further action if required in future.
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SUMMARY DISCLOSURE AGAINST TCFD RECOMMENDATIONS continued

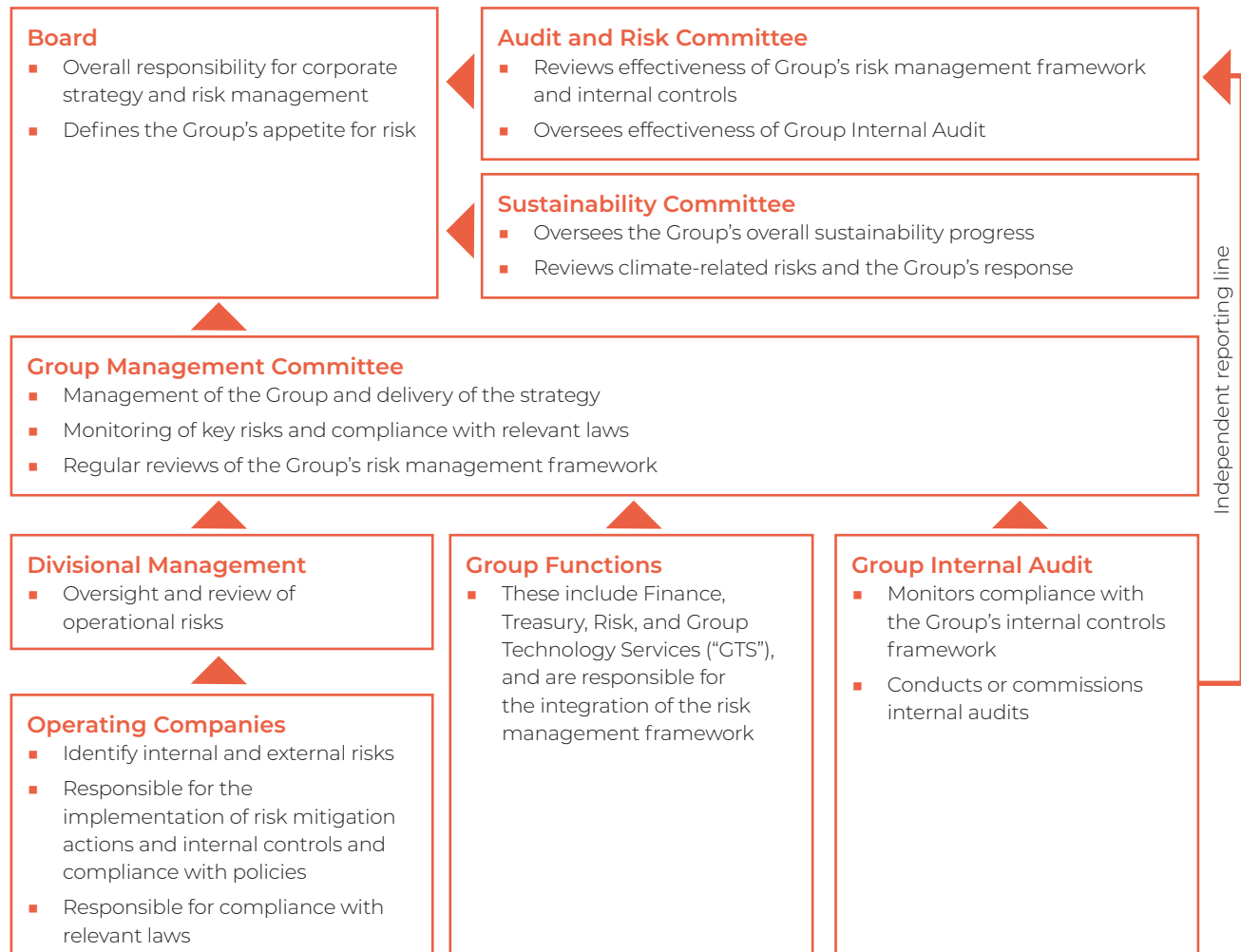
Climate-related risks and opportunities continued

Opportunity	Opportunity description	Our response	Linked to strategy
1 Acceleration of renewable energy Timeframe Short – long term	Driven by decarbonisation and increasing regulations, the renewable energy market will continue to grow in the business as usual scenario (under which no further efforts to reduce emissions will be made), and accelerate in the 2DS scenario (in which emissions reductions are consistent with limiting global temperature increase to 2°C). The International Energy Agency has estimated over half of energy generated will be from renewable sources by 2050.	Renewable energy is one of our target markets, and we are leading in the fields we serve, such as transformers for wind turbines and sensors for solar systems. Our products can also be applied to other types of renewable energy, such as hydro, which will be an addition to our existing renewable energy exposure. Our broad range of technologies is applicable to many parts of the renewable energy value chain. From generation to transportation and distribution, we will be able to take advantage of these opportunities.	   SEE OUR STRATEGY ON PAGES 16 and 17
2 Acceleration of transportation electrification Timeframe Short – long term	Decarbonisation and the recent energy crisis have driven the acceleration of the electrification of transportation. This is reflected both in personal vehicles and mass transportation infrastructure. It is estimated that around USD 1 trillion will be invested in transportation by 2050 to meet global net zero goals.	Transportation is one of the major sources of carbon emissions globally. Switching to cleaner methods of transportation is crucial for meeting the net zero goals of many governments. Being one of the Group's target markets, we focus on mass transportation, such as rail, buses and ships, and specialist vehicles such as delivery trucks. We are targeting retrofitting ageing systems as well as developing new applications. In addition, our knowledge and know-how of magnetic components will enable us to take advantage of growth in the electric vehicle infrastructure market, such as charging stations.	   SEE OUR STRATEGY ON PAGES 16 and 17
3 Acceleration of plant and machinery automation Timeframe Medium – long term	Climate change could reduce productivity as the workforce is impacted and production disrupted. An increasing number of companies will look to automate processes to improve efficiency and productivity.	Industrial and connectivity are our largest target markets. Our fibre optic and wireless connections and a broad range of sensing capabilities, essential for automation, will enable us to continue growing in this market.	   SEE OUR STRATEGY ON PAGE 16 AND 17

RISK MANAGEMENT

Governance and culture

The Board of Directors has overall responsibility for the Group's risk appetite and risk management strategy. Roles and responsibilities for managing risks across the discoverIE Group have been clearly defined as shown in the diagram below.



The Company's risk management framework follows a three lines of defence model. The first line of defence is operational management in our businesses. Day-to-day risk management controls, policies and procedures are implemented and monitored by the local management teams with oversight and review by Divisional Management. This is conducted within a series of delegated authority levels. Relevant internal control systems are in place to identify, evaluate and manage the Group's business risks.

The second line of defence comprises Group functions such as Risk, Finance, GTS, Treasury, and Tax. This focuses on monitoring and compliance with risk and control systems, and processes implemented by the Group.

The Group Internal Audit function provides independent assurance of the operation of risk management

processes, internal controls and governance, and serves as the third line of defence. As well as carrying out full audits on individual entities, the team conducts thematic audits, focusing on specific areas across the Group. All audits conducted by the Group Internal Audit function are completed on-site. During FY2023/24, the team also continued preparations for complying with the revisions to the UK Corporate Governance Code, specifically the need for the Board to prepare a statement on the effectiveness of internal controls. Preparations during the year included control pilots at Group businesses and the roll-out of a revised Internal Controls Manual to enhance the overall control environment. Other activities carried out by the function include reviewing and updating Group policies and improving processes and procedures where opportunities for improvement have been identified during previous audits.

The Group operates a decentralised management model that is target and results driven, with a strong culture of open, constructive communication and a willingness to listen. The Group Internal Audit function applies this culture in how it operates and reviews control environments across the Group.

In pursuing the Group strategy, a number of key objectives are agreed annually for the Group and for each business unit. Progress against these is reported on a regular basis to Divisional and Head Office functional management, the Group Management Committee and the Board. Having a clear understanding of our strategy and objectives assists with the effective identification and management of existing or emerging risks that have the potential to prevent or hinder these objectives from being achieved.

Risk profile

The Group's overall risk profile is mitigated by a number of overriding factors, including:

- Our business units operate largely independently of one another and so if an issue arose in any one business, it would be unlikely to affect other businesses in the Group.
- We operate in 20 countries and no single site represents more than 6% of Group turnover or 14% of Group profit.
- Most of the Group's businesses operate on separate IT systems, which assists in minimising the risks of a major cyber security incident affecting the wider Group. In FY2022, a Group-wide project was completed to further enhance cyber security controls across the Group's businesses by implementing consistent web and end-point security as well as introducing an outsourced Security Operations Centre ("SOC") to monitor and respond to IT security threats 24/7. This was further enhanced in FY2023 with the establishment

of an external incident response team to assist with any incidents identified by the SOC. We further enhanced these controls during FY2024 by completing a vulnerability scanning exercise across a number of businesses. In addition to the Group-wide security controls, a revised Cyber Security Framework, was rolled out to all Group businesses during FY2024. The framework has been designed to further enhance the information security controls at a business level.

- The Group operates from over 50 separate sites so that, if an incident were to occur at one site, it would not directly affect the other businesses within the Group. Further, we have business continuity arrangements in place to identify where there is scope to switch production between certain sites if needed.
- The Group has very limited reliance on any single customer or supplier, with the largest customer representing approximately 7% of revenue.

- The Group manufactures and sells multiple product lines, across multiple geographies and market sectors, removing reliance on any single revenue stream. This is further reinforced by the innovative, bespoke nature of the Group's products, which continue to evolve as circumstances change.
- The Group operates in structural growth markets, which reflect long-term needs and are less cyclical in nature.

Risk appetite

One of the Group's core principles is to deliver its strategic priorities in a sustainable and responsible manner. This requires that the Board gives careful consideration to the nature and level of risks that the Group should accept.

The Group draws a clear distinction between those risks that it is more willing to take (typically relating to advancing business prospects) and those that it is less willing to accept (e.g. safety, reputational, regulatory or compliance risks). The following table provides a summary:

Risk Tolerant (Willing to take greater risk)	Risk Neutral (Taking a balanced approach to risk)	Risk Averse (Taking as little risk as possible)
■ Product innovation ■ Operating in new markets	■ Investment in facilities ■ Business development initiatives ■ Acquisitions and disposals ■ New customers and suppliers in existing markets ■ Foreign exchange translational risk	■ Product safety ■ Health and safety ■ Cyber risks ■ Regulatory/covenant compliance ■ Foreign exchange transactional risk ■ Markets with greater business cyclicity ■ Environmental risks

Regardless of the appetite in respect of a particular risk, all risks are identified and managed in the appropriate manner.

Enterprise risk management

discoverIE applies an Enterprise Risk Management framework to identify potential events or circumstances that may affect the Group and to manage the associated existing and emerging risks. The risk management framework is made up of a number of discrete steps to identify, assess, mitigate and monitor risks.

Step 1	Two processes are conducted in parallel: ■ A top-down review of the Group Risk Register to: – identify new or emerging risks – assess changes to existing risks – consider the potential impact and likelihood of risks, linking each risk to the Group's corporate strategy – evaluate existing mitigating actions and controls – consider the residual risks remaining after the applications of the Group's internal control processes (and if appropriate, the implementation of further mitigating actions) ■ A bottom-up review by the management of each business to: – identify new or emerging risks – assess changes to existing risks – consider the potential impact of risks – evaluate existing mitigating actions and controls – consider residual risks (and if appropriate the implementation of further mitigating actions) The top-down review of the Group Risk Register is conducted by the Group Risk team, Divisional Management, Group Technology Services, and the internal Group Sustainability Team. The bottom-up review is conducted by the management team within each business with support from the Risk team.
Step 2	■ Comparison of the results of the top-down and bottom-up identification processes above The benefits of conducting both top-down and bottom-up reviews are: – increased assurance that all risks have been identified, with input from multiple perspectives – ensuring alignment between local management and Head Office – ensuring that businesses take ownership of the risks most relevant to their individual operating unit – ensuring that controls in place to mitigate risks at the operating unit level are appropriate ■ An assessment of any differences identified and update of the Group Risk Register as appropriate
Step 3	■ Review of the Group Risk Register by the Group Management Committee. This review focuses on: – the materiality of each of the risks identified – prioritisation of the allocation of the Group's resources to the most important areas – clarity of ownership for each of the risks identified This review takes into account the Group's risk appetite in respect of the various types of risk identified. The Group Risk Register is then updated as appropriate following the review. This is then summarised in a table of principal risks and uncertainties, the final version of which (for FY2024) is set out on pages 75 to 81.
Step 4	■ Review by the Audit and Risk Committee – this includes: – consideration of the Group's risk management framework – review of the Group Risk Register – identification of any other areas of potential risk – review of the table of principal risks and uncertainties – challenging actual or potential control weaknesses – review of the effectiveness of the Group's internal controls and risk management systems

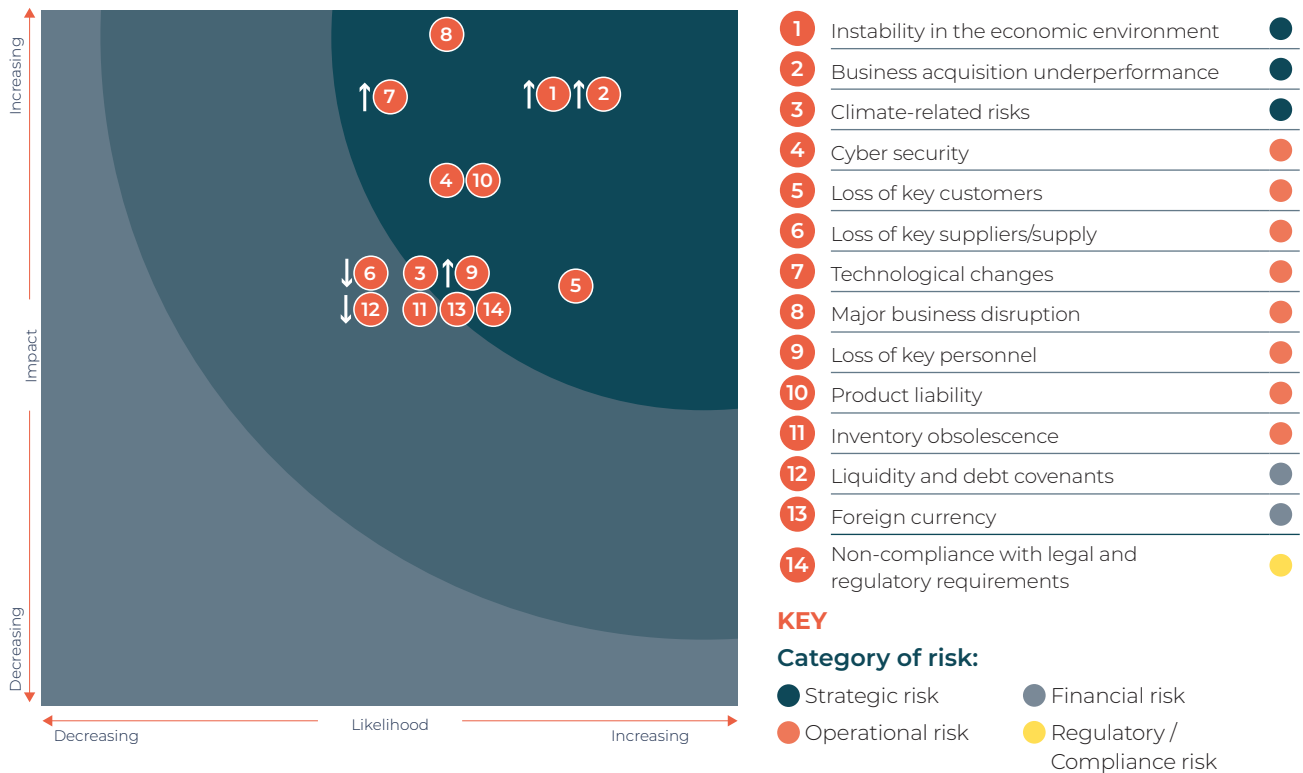
These processes are conducted twice each financial year:

- an interim review, typically completed shortly ahead of announcement of the Group's interim results, focuses predominantly on changes during the first half of the year
- a comprehensive review of all risks within the Group Risk Register is completed shortly prior to the Group's full-year preliminary results announcement.

RISK MANAGEMENT continued

The processes ultimately lead to the compilation of the Group's principal risks and uncertainties ("PRUs"), of which further detail can be found on pages 75 to 81.

The Group Risk function is continually looking to improve the Group's Enterprise Risk Management framework. During FY2024 the Group Risk function was subject to a maturity assessment, which assessed the effectiveness of the function against recognised risk management standards, such as ISO 31000 and the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") Internal Control - Integrated Framework. The aim of this exercise was to ensure the function is best placed to manage the risks the Group currently faces and is effectively horizon scanning for new risks.



A key element in assessing the Group's principal risks is considering likelihood and potential magnitude of impact, over a range of time horizons, as well as whether the risks are new or emerging, or have changed in importance during the year. The above diagram provides a summary of the PRUs on that basis.

Ongoing monitoring, mitigation and improvement

In addition to the processes outlined above, key risks, and the internal control processes adopted to address these risks, are monitored on an ongoing basis. Among other controls, this includes a review by the Group Management Committee in all of its regularly scheduled meetings (typically seven per year) and escalation to the Board of any material developments as and when they arise.

discoverIE continually pursues improvements in its Enterprise Risk Management Framework. A summary of this continual cycle of risk identification, establishment of systems and processes to mitigate, communication and ongoing monitoring, is outlined in the diagram opposite.



PRINCIPAL RISKS AND UNCERTAINTIES

Focus on principal risks

This section of the Strategic Report provides an overview of the Group's approach to managing risk, focusing on the major risk factors to implementing the Group's strategy and business model. It is not an exhaustive list of all possible risks. Additional uncertainties exist, some of which may not be known to the Group and could have a negative effect on the Group's financial position and performance. The principal risks and uncertainties detailed below were considered in assessing the long-term viability of the Group. The viability statement can be found on pages 82 and 83.

The numbering of the below risks does not represent the ranking of these risks by the Group.

	Risk description	Potential impact	Mitigating actions	Change in the year	
Strategic risk					
1	Instability in the economic environment	▪ Risk of decline in financial performance due to recession, or geopolitical changes	▪ Reduction in sales ▪ Lower margins ▪ Closure of factories and suppliers stopping production ▪ Difficulty raising equity and debt, impacting ability to acquire businesses	▪ Market position as a specialist supplier focused on core target markets with diversified locations and product offerings ▪ A long-term credit facility is in place with significant headroom ▪ Careful monitoring of customers in relevant geographies to identify any issues early ▪ Flexible production and warehouse facilities to enable movement of production and supply to other countries if required ▪ Vigilance entering markets that are politically or financially unstable	↑ ▪ Increased cost of borrowing ▪ Conflict in the Middle East ▪ Continued conflict in Ukraine Link to KSIs: A B C Link to KPIs: 1 2 3 4 5 6
2	Business acquisition under-performance	▪ A degree of uncertainty exists in valuing acquisitions and evaluating potential synergies ▪ Post-acquisition risks arise due to change of control and integration challenges ▪ Failure to deliver targets from business plan during first three years	▪ Financial impact due to underperformance of acquisitions ▪ Loss of key employees and their expertise ▪ Expected synergies are not realised	▪ Operational, financial and legal due diligence on target businesses ▪ Appropriate warranties and indemnities from vendors ▪ Use of earn-out structures to incentivise key management ▪ Monitoring of the acquired business performance against budget and forecast ▪ Hiring of experienced finance and management personnel ▪ Where possible, new acquisitions become part of a cluster reporting operationally to an existing established senior business ▪ Dedicated staff managing tailored onboarding process for all new acquisitions ▪ Acquisition assurance programme put in place by Group Internal Audit Function to provide detailed insight into progress made in aligning businesses to Group standards	↑ ▪ A more uncertain economic environment increases the risk of underperformance of acquired businesses ▪ Increased number of acquisitions and investment in the year (five acquisitions for £83m) Link to KSIs: A B C Link to KPIs: 1 2 3 4 5 6

PRINCIPAL RISKS AND UNCERTAINTIES continued

	Risk description	Potential impact	Mitigating actions	Change in the year	
Strategic risk					
3	Climate-related risks	- Global warming leads to greater extremes of weather events and other local issues, which may cause production disruptions and increase operational costs - Rising temperatures and sea levels may adversely affect several of the Group's sites - Supply chains are affected by climate change on their operations - Our products or other activities or decisions in relation to climate-related risks may be judged negatively by external stakeholders - Failure to meet new ESG reporting requirements due to unreliable emission data and/or resource constraints	- The operations of Group facilities are affected by the impact of climate change (e.g., through weather related events) - Reduced revenue due to components and material shortages - Increased commodity and raw material costs due to rapid increase in demand and supply shortages. This may also lead to reduced sales as some products become less or non-profitable - Reduced sales due to customer revenues being impacted by climate-related effects on their businesses - Unable to raise capital to fund acquisitions and/or increased finance costs due to reputational impact and deterioration of relationships with external stakeholders and staff	- An assessment of the physical risks of climate change to the Group's facilities conducted using the WTW Climate Diagnostic analysis concluded that such risks are considered to be low impact overall for the Group. Those sites considered to be at high physical risk are insured for loss of revenue for 18 months resulting from climate-related disruptions. See our 2023 Climate Report for further details. The sites acquired in FY2024 have been assessed using similar methodology and are considered low risk - The Group has diverse supply chains and the ability to switch from individual suppliers that encounter issues. The agility of the Group's de-centralised operating model enables us to deal with supply issues promptly and effectively - Given the Group's target markets, customer revenues are expected to increase as a result of climate-related matters, which could offset the risk impact in other areas - The Group has a comprehensive plan to reduce emissions within its operations and has committed to net zero emissions for Scope 1 & 2 by 2030 and Scope 3 by 2040 - ESG matters are discussed at all meetings of the Board, Sustainability Committee and Group Management Committee, to ensure that the right activities are being prioritised and implemented. ESG targets are established at a Group and operating company level to ensure effective management of ESG matters	- Good progress made against Scope 1 & 2 net zero emissions plan, with an absolute reduction of 47% on the CY2021 baseline, building on the 35% reduction in CY2022. See further details on page 61. - Completed detailed Scope 3 assessment. Reduction plan in progress - Rolled out ESG objectives to individual operating businesses - Majority of Group businesses have achieved their ESG objectives in the year. Thirteen more sites were certified for ISO 14001 and thirteen more sites for ISO 45001 - Appointed dedicated ESG resources at the Group level to ensure data quality and reporting standards are met - Rolled out a new carbon reporting system across the Group to help streamline data collection, consolidation and reporting on greenhouse gas - Launched Sustainability Policy across the Group Link to KSIs: A D Link to KPIs: 1 2 3 4 5 6

	Risk description	Potential impact	Mitigating actions	Change in the year
Operational risk				
4	Cyber security	System downtime, loss of data and/or financial impact due to external attack	- Business disruption - Reduced service to customers - Financial loss - Theft of and/or access to confidential data - Reputational damage	- Different operating units operating on separate IT systems and networks minimises risk of a major incident impacting the wider Group - Next generation end point security, DNS monitoring and web security solution - Outsourced SOC (Security Operations Centre) provides 24/7 continuous security monitoring - Digital Forensics and Incident Response ("DFIR") Service - Cyber security training platform rolled out across the Group - Backup procedures in place - Revised cyber security framework rolled out to all businesses - Detailed review completed on outsourced IT support at a number of Group businesses, and remedial actions put in place - Cyber threat exposure assessment completed at Group businesses - Internal audit coverage of IT risk has been increased Link to KSIs: A Link to KPIs: 1 2 5 6
5	Loss of key customers	A key customer moves to a competitor, significantly reduces operations or goes into insolvency	- Loss of market share - Increased risk of bad debt - Reduced profitability and cash flow	- Low dependence on any single customer (the largest customer represents c.7% of Group revenues) - Culture of high-quality service and long-term customer relationships - Robust quality management systems (including ISO 9001) - Customer satisfaction surveys completed by all operating companies on a regular basis - Regular dialogue with local management in relation to sales and design pipeline - Link to KSIs: A - Link to KPIs: 1 2 5 6
6	Loss of key suppliers/supply	A key supplier suffers major business disruption or quality issues or goes into solvency	- Negative impact on production - Damaged relationships with key customers - Reduced sales	- Low dependency on any single supplier - Dual source suppliers in place where possible - Long-term supplier relationships, enhanced by strong customer relationships - Monitoring of market and technological developments, including input from customers - Supply chain constraints have eased during the year Link to KSIs: A Link to KPIs: 1 2

PRINCIPAL RISKS AND UNCERTAINTIES continued

	Risk description	Potential impact	Mitigating actions	Change in the year	
Operational risk					
7	Technological changes	■ The development of new technologies that gives rise to significant new competition or renders our products obsolete	■ Reduced sales ■ Loss of market share ■ Inventory write offs	■ The Group is diversified into a number of differentiated technology units ■ Focus on established technologies with low capital requirements ■ Group project underway to ensure use cases and best practice relating to AI is shared between businesses ■ Businesses work closely with core customers on new engineering projects to ensure products meet their needs ■ All businesses contribute to a design pipeline aimed at widening the product portfolio	 ■ Emergence of AI presents both a risk and opportunity for the Group ■ Acquisitions in the year increase the number of technologies within the Group Link to KSIs: A C Link to KPIs: 1 2
8	Major business disruption	■ Sustained disruption to production arising from a major incident at one or more sites ■ Global pandemic	■ Insufficient production to deliver goods on order ■ Damaged relationships with key customers ■ Reduced sales ■ Reputational damage	■ Ability to transfer between sites ■ Not overly reliant on one site for sales. Maximum revenue derived from a single site is equal to 6% of Group turnover ■ Insurance coverage	 ■ Acquisition of Shape increases manufacturing capabilities in the US ■ Assessment of alternative manufacturing locations undertaken as part of TCFD analysis Link to KSIs: A B Link to KPIs: 1 2 3 4 5 6
9	Loss of key personnel	■ Key employees leave, and effective replacements cannot be recruited on a timely basis	■ Loss of expertise ■ Potential business disruption ■ Reduced growth ■ Insufficient resources ■ Reputational damage	■ Staff development, training programmes and succession planning ■ Remuneration based on personal objectives and business success ■ Regular remuneration benchmarking ■ Use of earn-out structures to incentivise key management of acquired companies ■ The number of separate business units, each with their own management teams, minimises the risk that the underperformance of any one business impacts the Group as a whole	 ■ Five new acquisitions in the year ■ Increasingly challenging recruitment market Link to KSIs: A Link to KPIs: 1 2

		Risk description	Potential impact	Mitigating actions	Change in the year
Operational risk					
10	Product liability	A failure in one of our products results in serious injury, death, damage to property or non-compliance with product regulations	- Non-compliance with quality standards - Financial loss - Reputational damage	- Quality inspection controls before products are shipped to customers - Terms and conditions limit companies' liabilities - As a number of the Group's products are customised for individual customers, this reduces the risk relating to any one product and/or customer - Product liability insurance in place covering all Group companies	 Link to KSIs: A Link to KPIs: 1 2 3 4 5 6
11	Inventory obsolescence	Inventory value falls below its realisable value	Financial loss	- Orders built to specific customer requirements; many are non-cancellable, and non-returnable - Purchasing to reliable sales forecasts - Continuous monitoring of inventory turns	 - Supply chain constraints have eased supporting reduced inventory levels - Inventory and working capital improvement plan implemented - Inventory Management review undertaken by Group Internal Audit function Link to KSIs: A Link to KPIs: 2 4

PRINCIPAL RISKS AND UNCERTAINTIES continued

	Risk description	Potential impact	Mitigating actions	Change in the year
Financial risk				
12	Liquidity and debt covenants	- There is a breach of funding terms/covenants - Insufficient cash resources to support the Group's activities	- The Group has a revolving credit facility of £240m, which runs to August 2027 with £103m available to be drawn down at the year-end - Central treasury function oversees the Group's cash resources and financing requirements - Regular review of headroom against committed facilities and financial covenants - Working capital controls and monitoring of key working capital metrics - Issuance of equity from time to time to support acquisitions programme - Acquiring high margin, high cash-generative businesses	 - Gearing increased in the year from 0.7x to 1.5x following five acquisitions in the year for £83m - Interest rates increased during the first half of the year with finance costs increasing from £5.5m last year to £9.0m this year Link to KPIs: 2 5 6
13	Foreign currency	- The Group transacts in many currencies for both its purchases and sales, which differ to its reporting currency, and so the Group has translational and transactional exposures to foreign currency fluctuations - Reduction of the Group's reported results - Volatility in operating margins	- Use of forward currency contracts to hedge committed and forecast sales and purchases in foreign currency (the Group policy is not to hedge translation exposures) - Currency borrowings as a natural hedge against same currency assets - Central review of foreign currency exposures	 Link to KPIs: 2 5 6

	Risk description	Potential impact	Mitigating actions	Change in the year	
Regulatory/compliance risk					
14	Non-compliance with legal and regulatory requirements	Unintentional failure to comply with international and local legal and regulatory requirements	- Fines or penalties - Reputational damage	- The Group hires employees with relevant skills and uses external advisers to keep up to date with changes in regulations and legal requirements in order to remain in compliance - Internal control framework including Group policies, procedures and training in risk areas such as export controls and supplier and customer credit risk. Annual internal controls self-assessments used to identify and address gaps in control within Group businesses - Annual supplier audits undertaken across the Group to ensure compliance with Supplier Code of Conduct - Ongoing internal audit reviews assess compliance with Group policies - A whistleblowing hotline is in place and available for use by all employees - Insurance covers all standard categories of insurable risk	↑ - Revisions announced to UK Corporate Governance Code in January 2024, with some requirements effective from January 2025 - Increased exposure to and complexity of US Federal labor laws and US taxation following two US acquisitions this year (adding to five existing US businesses) Link to KPIs: 56

Risk indicators

Increased risk



Decreased risk



Risk stays the same

Key strategic indicators**A**

Increase underlying operating margin

B

Build sales beyond Europe

C

Increase target market sales

D

Reduce carbon emissions

Key performance indicators**1**

Sales growth

2

Underlying EPS growth

3

Dividend growth

4

Return on capital employed

5

Operating profit conversion

6

Free cash conversion

VIABILITY STATEMENT

In accordance with section 4.31 of the 2018 UK Corporate Governance Code, the Directors have assessed the viability of the Group over a three-year period to 31 March 2027.

In making this assessment, the Directors have considered the Group's current financial position, recent and historic financial performance and forecasts, its strategy and business model and the principal risks and uncertainties.

Viability assessment period

The Directors have concluded that the most appropriate time period over which to assess the Group's prospects for this purpose should be the three-year period ending 31 March 2027. The selection of this period is consistent with the Group's strategic planning process, its review of external credit facilities, and its assessment of the Group's principal risks and uncertainties.

Viability base case

The financial projections for this three-year period are based upon the Group's budget for the year ending 31 March 2025 and forecast progression thereon. The budget is a consolidation of sales, profits, working capital and cash flow forecasts made by each operating company and head office, incorporating associated key risk factors, including acquired company forecasts and associated contingent consideration payments, climate-related capex expenditures, latest views on supplier and customer payments impacting working capital, interest rates and applicable foreign exchange and tax rates.

The budget for the financial year ending 31 March 2025 and the financial years FY2026 and FY2027 assume steady sales growth (in total "The Viability Base Case").

Banking facilities and headroom

The Group has a syndicated banking facility of £240m, which is committed up to the end of 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.

The Group's financial covenants for its banking facility are:

1. Gearing: net debt to Adjusted EBITDA (being Underlying EBITDA plus the annualisation of acquisitions), excluding IFRS 16, of less than 3.0x; and
2. Interest cover: Adjusted EBITDA to interest (excluding IFRS 16 and amortised upfront costs) greater than 4.0x.

At 31 March 2024, the Group had net debt of £104m and was significantly inside these covenants with gearing of 1.47x and interest cover of 8.6x.

The Viability Base Case model shows increasing headroom with annually reducing levels of net debt and gearing, and increasing interest cover compared with the position at 31 March 2024.

Downside sensitivities

The Viability Base Case has been subjected to downside sensitivity analysis involving flexing a number of the underlying main assumptions, both individually and in conjunction. The sensitivities take into account the principal risks and uncertainties set out on pages 75 to 81, notably instability in the economic environment, underperformance of acquired businesses, climate-related risks,

loss of key customers and suppliers, major business disruption, liquidity restriction, debt covenants, interest rate increases and adverse foreign currency movements.

The most severe but plausible downside scenario assumes a worsening of the economic environment caused by a number of factors including geo-political events and significant reduction in consumer demand due to continuing inflationary pressures and elevated interest rates. This downside scenario results in a significant decline in second half sales of FY2025, negative sales growth in FY2026 and modest growth thereon in FY2027. Additionally, gross margin was reduced, working capital materially increased, significant one-off expenditures included (product liability, major customer insolvency or litigation, climate change, cyber-security incident), interest rates increased and the Group effective tax rate increased.

After factoring in these significant additional downsides to the Viability Base Case, there remains good headroom both in terms of liquidity and our debt covenants. This is supported by the fact that the Group sells a wide portfolio of different products across a diverse set of industries and geographies, has low customer/supplier concentration, a global supply chain network, diverse manufacturing capacity, and has well-established relationships with its customers. These factors are considered important in mitigating many of the risks that could affect the long-term viability of the Group.

Reverse testing has also been applied to the most plausible downside scenario to determine the level of additional downside that would be required before the Group would breach its debt covenants or current liquidity headroom during the assessment period. The reverse stress test was conducted on the basis that certain mitigating actions would be undertaken to reduce overheads and capital expenditure during the period as sales declined and, on that basis, a fall in underlying operating margin to below 6% in FY2025 would be required before such a breach occurred.

The Board considers the possibility of such a scenario to be remote and further mitigation, such as hiring freezes, pay and bonus reductions, headcount reductions, reduction in planned capital expenditure, suspension of dividend payments and equity raises, would be available if future trading conditions indicated that such an outcome were possible.

The Strategic Report on pages 01 to 84 sets out the key details of the Group's financial performance, capital management, business environment and principal risks and uncertainties. Based on the Directors' assessment, the Board has a reasonable expectation that, taking into account the Group's current position, having regard to the committed borrowing facilities available to the Company, and subject to the principal risks and uncertainties faced by the business as documented on pages 75 to 81 of the Strategic Report, the Group will be able to continue in operation and to meet its liabilities as they fall due for the three-year period of their assessment.

Going concern

Based on the assessment outlined above, the Directors also believe that it is appropriate to continue to adopt the going concern basis in preparing the Group Financial Statements for a period of at least, but not limited to, 12 months from the date of approval of the Group Financial Statements.



NON-FINANCIAL INFORMATION AND SUSTAINABILITY STATEMENT

In accordance with sections 414CA and 414CB of the Companies Act 2006, we set out below where the relevant non-financial information we need to report against can be found in this Annual Report:

Environmental matters	■ Please see our Sustainability Report on pages 48 to 64. ■ A summary disclosure against TCFD recommendations is on pages 65 to 70, including a detailed discussion of climate-related risks and opportunities on pages 67 to 70. ■ Please see pages 71 to 74 for our general approach to risk management and pages 49 to 50 and 65 to 66 for a summary of our governance framework relating to sustainability matters and climate-related risks in particular. These governance arrangements fit within our broader governance framework, which can be seen in our Corporate Governance Report on pages 88 to 99.
Employee matters	■ Please see pages 57 and 58 (Our People), page 44 (Our people engagement), page 46 (Section 172 statement) and pages 90 to 93 (Employee engagement).
Social matters	■ Please see pages 44 to 45 and 58.
Human rights	■ Please see pages 50, 57 to 58, 90 to 93, and 127.
Anti-bribery and corruption matters	■ Please see page 50 (Anti-Bribery & Corruption Policy and Whistleblowing Policy). ■ Please also see pages 45, 94 and 103.
Business model	■ Please see pages 28 to 29 for our Business Model. ■ Please see pages 11 and 24 to 27 for our target markets, pages 16 to 17 for a summary of our strategy and pages 02 to 05 for a summary of the Group.
Policies	■ The following codes, policies and standards can be found at our Group website (www.discoverieplc.com): – Sustainability Policy – Whistleblowing Policy – Business Ethics Policy – Anti-Bribery & Corruption Policy – Modern Slavery Statement – Group Tax Strategy – Board Diversity Policy – Supplier Code of Conduct – Conflict Minerals Policy – Environmental Policy – Human Rights Policy
Outcome of policies	■ The above policies contribute to the overall governance framework of the Group, providing common standards that operating companies and suppliers must observe. ■ The Group has a proven, flexible and resilient business model, as demonstrated by its strong financial performance over several years. These are underpinned by the Group's governance arrangements in general, including the Policies summarised above. ■ The Group has good relations with its various stakeholders, including staff, customers and suppliers. The above Policies help support those relations.
Principal risks	■ Where principal risks have been identified in relation to any of the matters listed above, these can be found on pages 75 to 81.
Non-financial KPIs	■ Our non-financial key performance indicators are set out on pages 61 and 64.

The Strategic Report, as set out on pages 01 to 84, has been approved by the Board.

On behalf of the Board

Nick Jefferies
Group Chief Executive

4 June 2024

Simon Gibbins
Group Finance Director

4 June 2024



discoverIE Board visited MTC
in Dillingen, Germany in January 2024

THE BOARD



Bruce Thompson

Non-Executive Chairman



Appointment to the Board

Non-Executive Director since February 2018, Senior Independent Director since March 2019 and Non-Executive Chairman since November 2022.

Tenure

6 years

Independent

Yes

Previous experience

Bruce brings a wide range of strategic and leadership expertise to the Board with proven experience of growing international industrial businesses. During his executive career, Bruce was Chief Executive Officer of Diploma plc. Prior to joining Diploma, Bruce was a director with the technology and management consulting firm Arthur D. Little Inc., both in the UK and the USA.

External appointments

Avon Protection plc, Non-Executive Director and Chair.



Nick Jefferies

Group Chief Executive



Appointment to the Board

January 2009

Tenure

15 years

Independent

No

Previous experience

Nick joined discoverIE as Group Chief Executive in 2009. He started his career as an electronics engineer for Racal Defence (now part of Thales plc), before joining Toshiba and then Hitachi's European electronic component businesses. Prior to discoverIE, he was General Manager for electronics globally at Electrocomponents plc.

External appointments

None.



Simon Gibbins

Group Finance Director



Appointment to the Board

July 2010

Tenure

13 years

Independent

No

Previous experience

Simon brings significant financial expertise and experience gained at an international level. Prior to joining the Group, he was at Shire plc for nine years, latterly as Global Head of Finance and Deputy CFO, and at ICI plc for six years in various senior finance roles, both in the UK and overseas. His earlier career was spent with Coopers & Lybrand where he qualified as a chartered accountant.

External appointments

None.



Tracey Graham

Senior Independent Director



Appointment to the Board

November 2015 and Senior Independent Director since November 2022.

Tenure

8 years

Independent

Yes

Previous experience

Tracey brings significant operational expertise to the Board. During her executive career, Tracey was Chief Executive of Talaris Limited and Managing Director of De La Rue Cash Systems. Prior to that she was President of Sequoia Voting Systems, Customer Services Director at AXA Insurance and held senior positions at HSBC.

External appointments

Link Scheme Ltd, Non-Executive Director

Close Brothers Group plc, Non-Executive Director

Nationwide Building Society, Non-Executive Director

Committee membership



Audit and Risk Committee



Nomination Committee



Sustainability Committee



Group Management Committee



Remuneration Committee



Chair of the Committee



Clive Watson

Non-Executive Director



Appointment to the Board
September 2019

Tenure

4 years

Independent

Yes

Previous experience

Clive is a Chartered Accountant and brings wide-ranging experience in senior financial roles to the Board. Prior to retirement from executive roles, he spent almost 13 years as Group Finance Director of Spectris plc, having previously held a number of other senior finance positions both in the UK and overseas. He also served as Senior Independent Director and Audit Committee Chairman of Spirax-Sarco Engineering plc.

External appointments

Breedon Group plc,
Non-Executive Director

Kier Group plc,
Non-Executive Director

Trifast plc,
Non-Executive Director



Rosalind Kainyah

Non-Executive Director



Appointment to the Board
January 2022

Tenure

2 years

Independent

Yes

Previous experience

Rosalind has extensive experience in sustainability matters and currently runs Kina Advisory, an ESG consultancy. Previously, she was VP, External Affairs & Corporate Social Responsibility at Tullow Oil and held various roles at De Beers SA, latterly as President of De Beers Inc. in the USA.

External appointments

GEM Diamonds Ltd,
Non-Executive Director

Kew Soda Ltd,
Non-Executive Director

EnQuest plc,
Non-Executive Director.



Celia Baxter

Non-Executive Director



Appointment to the Board
June 2023

Tenure

1 years

Independent

Yes

Previous experience

Celia brings many years of senior management, executive and board experience in several FTSE 250 and FTSE 100 companies, and has a good understanding of industrial businesses that have grown by acquisition. She spent her executive career in Human Resources, starting with Ford Motor Company and then KPMG, before moving on to Tate & Lyle plc, Enterprise Oil and Hays plc. More recently, at Bunzl plc, she was a member of the Executive Committee responsible for HR and sustainability.

External appointments

DS Smith plc,
Non-Executive Director &
Chair of the Remuneration Committee

Dowlais Group plc, Senior Independent Director and Remuneration Committee Chair.



Greg Davidson

Group General Counsel &
Company Secretary



Appointment to the Board
November 2019

Tenure

N/A

Independent

No

Previous experience

Greg joined discoverIE in November 2019 and is responsible for legal and company secretarial affairs. He is a qualified lawyer with extensive experience of technology, corporate and commercial matters. His experience includes five years at Wiggin & Co LLP, with clients focused predominantly in the technology sector and, prior to joining discoverIE, 16 years at RM plc, with seven years as General Counsel & Company Secretary.

External appointments

None.

CHAIRMAN'S INTRODUCTION



The Group's performance is underpinned by our strong governance arrangements"

Bruce Thompson
Chairman

Chairman's Governance Overview:

discoverIE is a strong business, with a clear purpose and set of values. This is underpinned by a governance structure that enables the Group's long-term objectives to be met.

The Group's performance over the last year was underpinned by our governance arrangements. These structures help ensure we are well positioned for continued growth and to meet the social and environmental challenges facing the Group today.

Bruce Thompson

Compliance with the UK Corporate Governance Code 2018

During the year ended 31 March 2024, the Company fully complied with the UK Corporate Governance Code 2018 (the "Code").

Section	Progress made
 Board Leadership and Company Purpose	The Board leads from the front in setting the tone for the business and has established a clear purpose, set of values and strategy, taking into account the interests of our various stakeholders. The right resources, structures and processes are in place to ensure that these are then implemented properly throughout the Group.
 Division and Responsibilities	The respective roles and responsibilities of the Executive and Non-Executive Directors are clear and consistently applied, providing for constructive and effective dialogue and clear accountability.
 Composition, Succession and Evaluation	The Board has a healthy balance of skills, knowledge and experience and the appointment process is rigorous and carefully applied. Annual evaluations keep the effectiveness of the Board and its Committees under regular review to ensure this remains the case. During the year ended 31 March 2024, an evaluation of the Board and its Committees was completed.
 Audit, Risk and Internal Controls	The Board has established clear processes and procedures to ensure that risks are carefully identified, monitored and mitigated against and then reported externally in an open and transparent manner. This helps ensure that the Company's financial statements are fair, balanced and understandable. Effective risk management is critical to achieving our strategy.
 Remuneration	Remuneration supports the Company's strategy and is appropriate to the nature and size of the business. The Board has clear processes in place and aims to report in a straightforward and easy to understand way, with a view to providing external stakeholders with reassurance that pay, performance and wider interests are aligned.

CORPORATE GOVERNANCE REPORT



Board Leadership and Company Purpose

Current composition and changes to the Board in the year

Details of the current members of the Board are set out on pages 86 and 87.

Tracey Graham is Senior Independent Director and Chair of the Remuneration Committee, Clive Watson is Chair of the Audit and Risk Committee and Rosalind Kainyah is Chair of the Sustainability Committee.

All of the Non-Executive Directors have considerable expertise in their respective roles.

Section 172 Statement

The Board takes all of its duties seriously, including those set out in section 172 of the Companies Act 2006. The statement required by section 172(1), explaining how it has taken those duties into account, can be found on pages 46 and 47.

Stakeholder engagement

We engage proactively with our stakeholder groups. Further details can be found on pages 44 and 45 and pages 90 to 93.

Sustainability

Provision 1 of the Code deals with the Company generating value over the long term in the context of future risks and opportunities. This is addressed in the Sustainability Report and in the Risk Management section of this Annual Report and Accounts. Further details of how climate-related risks and opportunities are assessed and managed can be found in the Sustainability Report.

Good governance

Following the introduction of the 2018 UK Corporate Governance Code, the Board reviewed the Group's governance frameworks and its purpose, culture and values. This was reviewed during the year ended 31 March 2023 and was updated as set out below. Our purpose, culture and values are communicated to our workforce through internal newsletters, meeting colleagues in-person, town hall meetings, digital channels and corporate brochures.

Our Purpose:

To create innovative electronics that help to improve the world and people's lives.

Values and Culture

Values

- **Integrity** – we act with honesty and openness, treating our partners and stakeholders fairly
- **Quality** – we strive for excellence and make constant improvements that deliver superior value to our customers
- **Empowerment** – we inspire growth and innovation by providing an entrepreneurial environment
- **Collaboration** – we work together, trust and respect each other
- **Positive impact** – we care about the environment and societies we live in and commit to making a positive impact

Culture

- **Dedication and determination** – driven by empowerment and a sense of ownership
- **Customer centricity** – allow employees closest to the customers to make decisions that directly affect customer satisfaction
- **Respect, fairness and equality** – create an open and inclusive environment in which everyone has an equal opportunity to flourish and grow
- **Open communication** – create a trusting environment where information flows freely and collaboration thrives
- **Target driven** – strive for results and high performance

Vision:

To be a leading global innovator in electronics.

Mission:

To design and manufacture innovative customised electronics that help our customers create ever better technical solutions around the world. We aim to achieve this through a motivated, entrepreneurial and empowered workforce that adheres to the highest ethical and quality standards.

In doing so, we expect to create value for Shareholders, while being seen as an attractive and responsible employer and a trusted partner for customers and suppliers.

Strategy:

To grow our business in custom and differentiated electronics for niche industrial applications by focusing on markets with structural, sustained growth prospects, complemented by value-enhancing acquisitions.

This is underpinned by strong cash generation and our commitment to the UN Sustainable Development Goals.

Strategic Priorities:

This strategy comprises the following priorities:

- Grow sales well ahead of GDP through the economic cycle by focusing on structural growth markets
- Move up the value chain where operating margins are higher through sustained innovation and acquisitions
- Acquire high-quality businesses with attractive growth prospects and strong, sustainable margins
- Further internationalise the business by expanding in North America and Asia.

Progress against our objectives is measured through our key strategic indicators (KSIs) and key performance indicators (KPIs). Details are set out on pages 18 and 19.



Board Leadership and Company Purpose continued

Employee engagement

Our employees are highly valued and skilled and we depend upon their dedication and hard work for the Group's success. Our decentralised business model relies on the expertise of our teams in different businesses and across different locations. Our strategy recognises the benefits of maintaining our businesses' individual identities, whilst contributing to the success of the Group overall. The Board therefore considers it most appropriate that engagement activities are carried out directly at a local level, with all feedback received by any member of the Board shared with the rest of the Board.

The below summarises why and how the Board and senior management both from Head Office and within our businesses engage, how it influences our strategic thinking, the feedback we receive as to any key concerns, and other factors that affect the day-to-day working environment.

Why we engage

- The well-being, dedication and performance of our people are critical to our continued success as a Group, the products that are delivered to and relationships maintained with customers and, as a result, the value delivered to all of our stakeholders.
- An engaged workforce can help us achieve our long-term strategic goals.
- Knowledgeable and well-trained employees help in the continued development of new and innovative products, both for us and our customers.
- Strong working relations help attract and retain talent.

We aim for a well-motivated workforce and recognise that, without their commitment, the Group would not have achieved its various successes over the last several years. This is both in terms of financial performance and our wider contribution to tackling the issues facing the world today, such as climate change and the need to reduce carbon emissions. As such,

it is important to the Board that our colleagues know how highly they are valued and that it recognises that our success depends on their continued invaluable contribution to the Group.

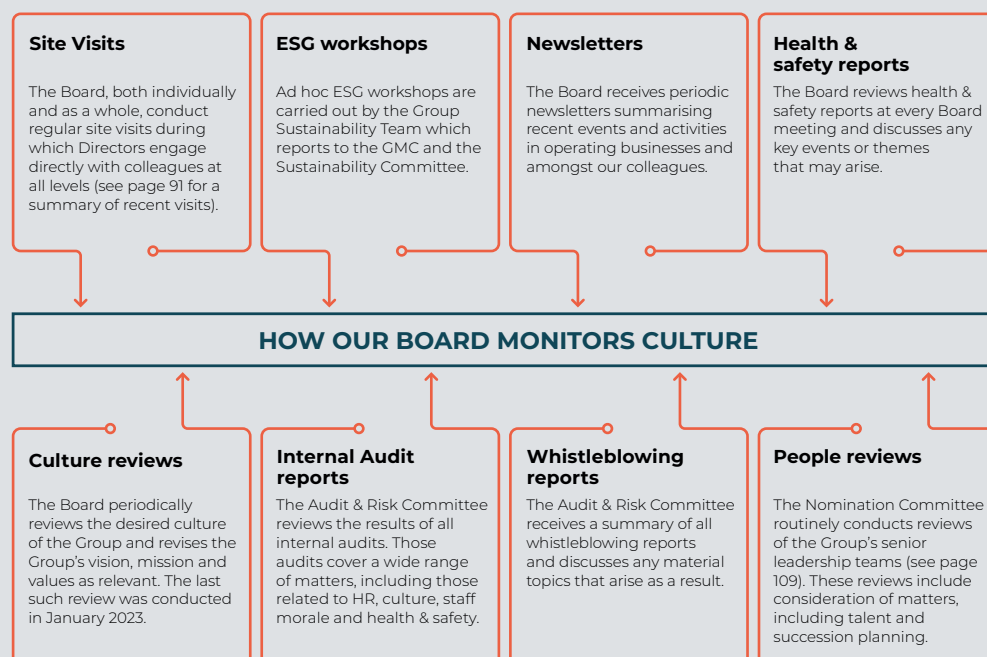
How we engage

A range of employee engagement mechanisms are in place, including employee surveys, performance evaluations, ESG workshops, newsletters, apprenticeship and graduate programmes, employee assistance programmes, employee conferences and town hall meetings. The Board receives updates at every meeting from the Group Chief Executive, the Group General Counsel & Company Secretary and other senior managers on a range of employee-related matters, including any local issues encountered, health and safety matters and the general health and well-being of our workforce. This was particularly important during the pandemic and more recently during the cost-of-living crisis. The Audit & Risk Committee also receives details of any whistleblowing reports, the steps taken to investigate, and any follow-up actions identified as a result.

Reviewing, embedding and managing our culture

We embrace a decentralised operating model, and our success hinges on a culture built on respect, fairness, and equality, that empowers our teams locally, fosters open communication, and unites us towards our shared ambitions.

Engagement is conducted using a variety of methods, starting within businesses at a local level, complemented by oversight from Head Office, and by the Board engaging directly. The diagram opposite provides a summary.



However, it is the personal interactions that the Board and senior management have that provide the most direct and valuable feedback. Since 2009, the Board has visited the Group's operating sites, meeting management and employees directly. In recent years, this has included visits in 2017 to Flux (Asnaes, Denmark), in 2018 to Myrra and Noratel (Guangdong, China) and in 2019 to Cursor Controls (Newark, UK). During the pandemic these visits ceased but the Board

continued with various forms of engagement, including in particular a virtual meeting with a team from Noratel involving nine colleagues covering a range of areas within the business.

In FY2023, following the easing of lockdown restrictions, the Board resumed its schedule of face-to-face meetings and this has continued during FY2024. Further details are given below. These visits enable all members

of the Board to meet with people directly and because the interaction is between all members of the Board, as opposed to just one or two holding this responsibility, this means that the Board is able to meet with a wider cross-section of our global workforce. It also enables the different experience and perspectives that each of our Board members brings to contribute to engagement, thereby fostering a much broader range of interactions than would otherwise be the case.

The below provides a summary of the Board's visits over the last couple of years:

Date	Board Member(s)	Site
April 2022	Rosalind Kainyah	Cursor Controls
April 2022	Rosalind Kainyah	Sens-Tech
October 2022	Bruce Thompson Nick Jefferies	Hectronic
October 2022	Bruce Thompson Clive Watson	Sens-Tech
November 2022	Nick Jefferies Simon Gibbins	CPI, Beacon
January 2023	Bruce Thompson Simon Gibbins Tracey Graham Nick Jefferies Rosalind Kainyah Clive Watson	Variohm
February 2023	Bruce Thompson Nick Jefferies	Limitor
May 2023	Nick Jefferies Simon Gibbins	Magnasphere, Phoenix America
September 2023	Celia Baxter	Cursor Controls
October 2023	Celia Baxter	Variohm Eurosensor
November 2023	Celia Baxter	Sens-Tech
January 2024	Bruce Thompson Celia Baxter Simon Gibbins Tracey Graham Nick Jefferies Rosalind Kainyah Clive Watson	MTC
April 2024	Bruce Thompson Nick Jefferies	CPI, Phoenix America, Shape, Magnasphere, Beacon
May 2024	Nick Jefferies	DTI



Board Leadership and Company Purpose continued

During these visits the Board seeks to better understand:

- The nature of each business, the products it makes and the customers and markets it serves
- Any operational challenges or constraints that the business may face
- Opportunities that have been identified for future product innovation and business growth
- Employee morale and motivation, working conditions, local skills and expertise, and the strength of relations among the workforce generally and with the local senior management team
- Relations between the business and the wider Group
- Where a business sits within a cluster of Group companies, how that cluster is working together and the opportunities and challenges that this brings
- Possible future acquisition targets that may complement the existing business
- Any health and safety concerns

In addition to regularly scheduled business reviews, several members of the Group Management Committee ("GMC") conduct routine functional meetings and other site visits with our businesses.

Updates from these visits are reported to the Board, either directly or via the Group Chief Executive. These reports typically include the matters referred to above, thereby enabling the Board to have oversight of workforce relations and benefit from their collective input.

The Audit & Risk Committee also receives updates at every meeting from the Risk & Internal Audit team, following internal audits that have been conducted at each site.

One key item that is checked on all internal audits is that the Group's whistleblowing posters are clearly displayed at all sites, so that if there are any matters that staff wish to raise in confidence, and anonymously if preferred, they know the channels through which they can do so.

For further details on our Global Whistleblowing Policy and the independent helpline available to all staff globally, please see page 50.

In the year ahead, as well as continued visits by members of the Board and GMC, an internal conference, bringing together over 100 of the Group's senior leaders, together with the Board and GMC, is scheduled for September 2024. That conference will foster further collaboration and knowledge sharing between the Board, GMC and all of our global businesses on a wide range of matters.

One area of key focus for the Board is to ensure that the right leadership teams are in place at all of our businesses. As well as guiding those businesses generally, these leaders shape the day-to-day experience of the people within each of those businesses, and regular direct employee engagement is delegated to them. On behalf of the Board, the Nomination Committee regularly reviews the most senior leaders throughout the Group and, in FY2023, that review covered 92 of our most senior business leaders. A further review is planned for FY2025. Please see page 108 and 109 of the Nomination Committee Report for further details.

Outcomes of engagement

The purpose of the various forms of engagement is as follows:

- To deepen the Board's knowledge, by using the expertise and insights of our workforce.
- To assess the culture of the Group.
- To identify any issues or concerns that staff may have.
- To ensure that the employee's voice is heard.

The Group's core strategy is well established and has been settled for several years. As such, employee engagement helps influence the Board's decision-making as to how that strategy is implemented in practice.

For example:

- During the pandemic, it was crucial that our businesses adapted to flexible working arrangements.

- Over the last two years, the need to support staff during the cost-of-living crisis has been highlighted and addressed. The Group's Human Rights Policy includes a commitment to pay wages at rates that are meaningfully ahead of minimum statutory rates. As part of its annual review of pay and working conditions, the Remuneration Committee received updates on pay rises being given to our colleagues globally, how they compared to local rates of inflation and how they compared to local minimum wage requirements.
- The Group closely monitored the political, economic and social situation in Sri Lanka. Additional allowances, food and transportation were consequently provided.
- In light of a general desire to increase knowledge-sharing and collaboration between Group companies, an internal communication platform has been set up, to enable people in similar functions at all levels to work together to solve common issues.
- Regular webinars have been held for colleagues in operating businesses across the Group to share best practice and knowledge, covering a variety of topics such as greenhouse gas emissions, technology deep dives and finance.
- In October 2022, the UK workforce employer pension rate was increased.
- Following interest from staff, a salary sacrifice electric vehicle car scheme was rolled out to our UK businesses in FY2023.
- Given the rise in living costs, the Group rolled out an employee rewards programme across our UK businesses to help support our employees through these challenging times.
- Our employee assistance programme provides our employees with various types of support, including advice on financial difficulties, and mental health and well-being.

The metrics and other measures that are used by the Board to help assess employee relations include:

- Staff turnover rates (see page 64 for more details)
- Pay rates globally (both in absolute terms and in relation to local inflation and minimum wages)
- Accident frequency rates (see page 64 for more details)
- Whistleblowing reports
- Employee rewards programme registration and activities
- The level of collaboration activities between businesses
- Diversity (see pages 64 and 98 for more details)
- Gender pay gap data (UK only)

Policies and procedures

The Board puts in place a range of policies and procedures that support employees in their various business activities. These policies consider the need to foster reasonable business relationships with suppliers, customers and others, the impact of the Group's operations on its workforce, the community and the environment, and the maintenance of high standards of business conduct. Our policies and procedures include the following:

- Sustainability Policy
- Human Rights Policy
- Group Health and Safety Policy
- Anti-Bribery and Corruption Policy
- Business Ethics Policy
- Whistleblowing Policy
- Board Diversity Policy
- Supplier Code of Conduct
- Modern Slavery Statement

- Conflict Minerals Policy
- Environmental Policy
- Group Tax Strategy

In addition to the above, clear and fair terms of employment are in place throughout the Group. The Group remains supportive of the employment and advancement of disabled persons and full consideration is given to applications for employment from disabled persons, where the candidate's particular aptitudes and abilities are consistent with meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion. Where existing employees become disabled, it is the Group's policy to provide continuing employment, wherever practicable, in the same or an alternative position and to provide appropriate training and support to achieve this aim.

Time allocation, Board and Committee meetings and attendance

During the year, attendance by Directors at Board and Committee meetings was as follows:

Director	Committees					Overall Attendance %
	Board	Audit and Risk	Remuneration	Nomination	Sustainability	
Bruce Thompson	9 / 9	–	5 / 5	2 / 2	2 / 2	100%
Celia Baxter ¹	7 / 8	3 / 3	4 / 4	1 / 1	1 / 1	94%
Simon Gibbins	9 / 9	–	–	–	2 / 2	100%
Tracey Graham	9 / 9	4 / 4	5 / 5	2 / 2	2 / 2	100%
Nick Jefferies	9 / 9	–	–	2 / 2	2 / 2	100%
Rosalind Kainyah	9 / 9	4 / 4	5 / 5	2 / 2	2 / 2	100%
Clive Watson	9 / 9	4 / 4	5 / 5	2 / 2	2 / 2	100%

¹ Appointed 1 June 2023

Time is provided at the start and the end of each meeting for the Chairman to meet privately with the Senior Independent Director and Non-Executive Directors. The Board's commitments are taken into account in the preparation and planning of meetings to ensure that all Directors are able to allocate sufficient time to discharge their responsibilities.

Board approval is required prior to any Director accepting any external appointments.

CORPORATE GOVERNANCE REPORT continued



Board Leadership and Company Purpose continued

Board activities

Topic	Key activities and discussions in FY2023/24	Key priorities in FY2024/25
Strategy	- Reviewed and approved the acquisitions of Silvertel, 2J Antennas, Shape, DTI and IKN and the disposal of the Santon Solar business - Reviewed key strategic indicators ("KSIs") and key performance indicators ("KPIs") - Reviewed the Group's long-term sustainability priorities and progress against targets	- Consider acquisitions as identified and determine the appropriate course of action - Keep KSIs and KPIs under review - Keep the Group's dividend policy under review - Continue to focus on international growth in key markets, including expansion into North America - Review of the Group's long-term sustainability related targets
Risk and risk management	- Carried out a robust assessment of principal and emerging risks (see pages 75 to 81 and 67 to 70) - Considered the Group's exposure to climate-related and other ESG risks - Conducted a further roll-out of the Group's Anti-Bribery Policy and related training - Reviewed internal audit reports and actions taken to address findings identified	Review key risks and ensure that the Group's internal control process remains appropriate
Governance	- Embedded the operation of the Sustainability Committee that had been newly created in the previous year - Continued focus on the composition, balance and effectiveness of the Board - Signed off and published the Group's modern slavery statement - Evaluated supply chain risks, especially in the context of global supply chain challenges and the conflicts in Ukraine and Gaza - Engaged with institutional Shareholders, investors and other stakeholders throughout the year - Reviewed and approved the 2023 Annual Report	Build further understanding and plan actions in relation to new regulations over the period
Organisational capacity	- Monitored health and safety performance across the Group. Regular Board updates received on actions improving health and safety - Received presentations by senior management including on M&A strategy	- Continue to monitor health and safety performance across the Group - Consideration of the Group's capacity as it continues to grow
Board development	- Continued focus on the composition, balance and effectiveness of the Board - Reviewed Board and Committee composition and discussed and acted on the recommendations of the Nomination Committee - Undertook an evaluation of the Board, its Committees and individual Directors	Focus on increasing diversity both for the Board and across the Group more generally





Division of Responsibilities

discoverIE is led by a strong and experienced Board with a broad range of skills, experience and knowledge.

Throughout the year under review, the Board consisted of Bruce Thompson as Non-Executive Chairman, Tracey Graham as Senior Independent Director, Celia Baxter (from 1 June 2023), Rosalind Kainyah and Clive Watson as Non-Executive Directors, with Nick Jefferies as Group Chief Executive and Simon Gibbins as Group Finance Director.

The composition of the Board, both as at 31 March 2024 and as at the date of this Annual Report and Accounts, is set out below. The Company confirms that it meets the requirements specified in Listing Rule 9.8.6(R)(9) as at both dates.

- The Board is 43% female
- The Senior Independent Director (Tracey Graham) is female
- The Board has one Director from a minority ethnic background

discoverIE collects the data used for these purposes from members of the Board and Group Management Committee on a voluntary basis, with each person confirming their gender and ethnicity. The senior positions are defined as Chairman, Group Chief Executive ("CEO"), Group Finance Director ("CFO") and Senior Independent Director ("SID"). The Group Management Committee is considered to be the Company's executive management as defined by the Listing Rules.

The Non-Executive Directors constructively challenge management proposals where appropriate and carefully monitor management performance and reporting on an ongoing basis. The Company has both a Chairman and a Group Chief Executive.

There is a clear division of responsibilities, which has been agreed by the Board, and a summary of their respective roles is described below.

Role of the Chairman

- Responsible for leading the Board, which includes the operation of the Board's overall procedures.
- Providing a forum for constructive discussion and ensuring receipt of clear and timely information.
- Overseeing Corporate Governance matters.
- Leading the performance evaluations of the Group Chief Executive, the Non-Executive Directors and the Board.

The Chairman, in conjunction with the Group Company Secretary, ensures that Directors receive a full, formal and tailored induction to the Group and ongoing training as relevant.

Role of the Group Chief Executive

- Leading the development and implementation of the Group's strategy.
- Communicating with Shareholders and other stakeholders.
- Responsible for the day-to-day management of the Group's businesses and reporting on their progress to the Board.
- Leading the Group Management Committee.

The Group Chief Executive is assisted in meeting his responsibilities by the Group Management Committee.

Role of the Board

- Setting the strategy.
- Oversight of the management of discoverIE.
- Review of the KSLs and KPIs.
- Review of acquisitions and corporate transactions.
- Recommending or declaring dividends.
- Approval of financial statements, business plans, financing and treasury matters.
- Approval of major capital expenditure and commitments.
- Maintaining sound internal controls and risk management systems.
- Review of the Group's overall corporate governance.
- Any litigation of a material nature.

As set out on the following page, certain matters are delegated to the Group Management Committee and to the Audit and Risk, Remuneration, Nomination and Sustainability Committees.

Governance framework

The Board

Chaired by Bruce Thompson

The Board meets a minimum of six times a year.

It is accountable to Shareholders for the long-term success of the Group. This is achieved via a clear division of responsibilities between the Chairman and Group Chief Executive, the setting of strategic aims and ensuring that the necessary resources are in place.

Nomination Committee

Chaired by Bruce Thompson

The Nomination Committee regularly reviews the structure, size and composition of the Board and its Committees. It identifies and nominates suitable candidates to be appointed to the Board (subject to Board approval) and considers diversity, culture, talent and succession generally.



FURTHER INFORMATION ON THE NOMINATION COMMITTEE IS ON PAGES 108 TO 109.

Audit and Risk Committee

Chaired by Clive Watson

The Audit and Risk Committee has responsibility for overseeing and monitoring the Group's financial statements, accounting processes, audit processes (internal and external), and controls.



FURTHER INFORMATION ON THE AUDIT AND RISK COMMITTEE IS ON PAGES 100 TO 106.

Remuneration Committee

Chaired by Tracey Graham

The Remuneration Committee reviews and recommends to the Board the framework and policy for the remuneration of the Chairman, the Executive Directors and the Group Management Committee.

The Committee ensures that the remuneration policy of the Group reflects the Group's strategy.



FURTHER INFORMATION ON THE REMUNERATION COMMITTEE IS ON PAGES 113 TO 138.

Sustainability Committee

Chaired by Rosalind Kainyah

The Sustainability Committee reviews the Group's ESG plans and arrangements, seeking to align with best practice and underpinning the long-term sustainability of the Group.



FURTHER INFORMATION ON THE SUSTAINABILITY COMMITTEE IS ON PAGES 48 TO 50.

Group Management Committee

The Group Management Committee chaired by Nick Jefferies, Group Chief Executive, and comprises Simon Gibbins, the Group Finance Director, the Divisional Managing Directors, Head of Corporate Development, Group General Counsel & Company Secretary, Group Financial Controller, Divisional Finance Director, Head of Tax, Head of Acquisitions, Head of Risk & Internal Audit, Head of Investor Relations and the Group Development Director. Further information about Committee members can be found on the Group's website www.discoverIEplc.com.

The Committee meets six to seven times a year and is responsible for the Group's day-to-day operations, for delivering results, and for driving growth and ensuring that this is done in a sustainable and ethical manner.

CORPORATE GOVERNANCE REPORT continued



Composition, succession and evaluation

Current composition

The biographies of the current members of the Board are set out on pages 86 and 87.

Work of the Nomination Committee

The Nomination Committee Report, which can be found on pages 108 and 109, describes the work of the Nomination Committee in ensuring that the Board continues to have the right mix of skills, knowledge and experience, and the process for ensuring that there is an effective process in place for succession planning. In June 2023, Celia Baxter was appointed to the Board. Following her appointment, the Board now meets the targets set out in the Board Diversity Policy, which include 40% female board representation (see www.discoverIEplc.com for more details).

Independence

The independence of the Non-Executive Directors is reviewed annually.

The Board considers that the Non-Executive Directors bring strong, independent oversight and continue to demonstrate independence. The Board recognises the recommended term for Non-Executive Directors as set out in the Code and is mindful of the need for suitable succession.

Tracey Graham is the Senior Independent Director and is available to Shareholders should they have concerns that cannot be resolved through other channels. Following Tracey Graham's retirement from the Board in November 2024, Celia Baxter will become Senior Independent Director.

Induction

All new Directors receive induction training on joining the Board and are expected to regularly update and refresh their skills and knowledge, with the Company providing the necessary resources, as required. The induction programme includes meeting with the Group's senior management and visits to key locations, as well as a comprehensive briefing pack.

Board composition

The composition of the Board, both as at 31 March 2024 and as at the date of this Annual Report and Accounts, is set out below. The Company confirms that it meets the requirements specified in Listing Rule 9.8.6(R)(9) as at both dates.

- The Board is 43% female
- The Senior Independent Director (Tracey Graham) is female
- The Board has one Director from a minority ethnic background

discoverIE collects the data used for these purposes from members of the Board and Group Management Committee on a voluntary basis, with each person confirming their gender and ethnicity. The senior positions are defined as Chairman, Group Chief Executive ("CEO"), Group Finance Director ("CFO") and Senior Independent Director ("SID"). The Group Management Committee is considered to be the Company's executive management as defined by the Listing Rules.

Gender diversity

Gender	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Chairman, CEO, CFO and SID)	Number in Executive Management	Percentage of Executive Management
Men	4	57%	3	10	77%
Women	3	43%	1	3	23%
Not specified / prefer not to say	0	0%	0	0	0%

Ethnic diversity

Ethnicity	Number of Board members	Percentage of the Board	Number of senior positions on the Board (Chairman, CEO, CFO and SID)	Number in Executive Management	Percentage of Executive Management
White British or other White (including minority-white groups)	6	86%	4	9	69%
Mixed / Multiple Ethnic Groups	0	0%	0	0	0%
Asian / Asian British	0	0%	0	4	31%
Black / African / Caribbean / Black British	1	14%	0	0	0%
Other ethnic group, including Arab	0	0%	0	0	0%
Not specified / prefer not to say	0	0%	0	0	0%

Evaluation

In accordance with the Code, the Board and each of its Committees undertake an evaluation each financial year. Such evaluations were completed during the year ended 31 March 2024.

As noted in last year's report, the Company conducted an externally-facilitated set of evaluations during the year ended 31 March 2022 and an externally facilitated review will be conducted at least every three years.

A summary of the process and findings for the 2024 evaluation are provided below.

Step 1

Each Director considers his or her individual performance, the performance of the Chairman and the overall performance of the Board and each of its Committees by using questionnaires. Additionally, Tracey Graham, as Senior Independent Director, conducted interviews with each of the other Directors to consider the performance of the Chairman.

Step 2

The results of the evaluation are discussed by the Board and actions for improvement are decided upon.

A summary of the 2024 Board evaluation is detailed in the box below.

Step 3

One-on-one discussions are held between the Chairman and Senior Independent Director on the evaluation of the Chairman and between the Chairman and the Non-Executive Directors on their respective evaluations.

Summary of the 2024 Board evaluation

Board composition

The composition of the Board was positively rated.

Board's expertise

The Board's understanding of the views of major investors and other stakeholders was rated positively but, given recent technological advances, Board members would benefit from more training in areas such as artificial intelligence (AI).

Board dynamics

The interaction among and between Board members was rated highly, with there being a positive atmosphere and strong relationships, set in the context of proper and constructive challenge.

Management of meetings

The management of meetings and the structure of the Committees, together with Board support, were appropriate.

Risk management

The effectiveness with which the Board takes risk into account when making decisions was positively rated. The Group's approach to risk is set out in the Risk Management section of this Annual Report on pages 71 to 74.

Re-election

In accordance with the Code, all Directors stand for re-election annually at each AGM.

Audit, risk and internal control

The Strategic Report notes that delivering the Group's strategic priorities in a sustainable and responsible manner requires careful consideration to be given by the Board to the nature and level of risks that the Group should accept.

The Board's approach to risk generally, including the identification, management and mitigation of risks (including internal controls), is described in further detail in the following sections of this Annual Report and Accounts:

- Our approach to Risk Management is described on pages 71 to 74.
- The Group's Principal Risks and Uncertainties are set out on pages 75 to 81.
- The Audit and Risk Committee Report on pages 100 to 106 summarises how the Committee provides oversight, and supports the Board, in relation to audit, risk and internal controls generally.
- The Board's approach to climate-related risks and opportunities can be found in the TCFD Report (see pages 65 to 70).

Remuneration

The Board's approach to remuneration is set out in the Remuneration Report (see pages 113 to 138).

Approval

This Corporate Governance Report has been approved by the Board and signed on its behalf by

Greg Davidson

Group General Counsel and Company Secretary

AUDIT AND RISK COMMITTEE REPORT



Responding to upcoming regulatory changes, the Committee oversaw further progress in enhancing the Group's risk and control environment."

Clive Watson
Chair of the Audit and Risk Committee

Member

Member since

Clive Watson (Chair)	2019
Tracey Graham	2017
Rosalind Kainyah	2022
Celia Baxter	2023

The Group Company Secretary acts as Secretary to the Committee.

Dear Shareholder,

I am pleased to report on the activities of the Audit and Risk Committee (the "Committee") during the year under review.

Role of the Committee

The Committee's role is central in bringing together the Group's risk management activities and control framework to ensure adherence to policies, the integrity of financial reporting and the maintenance of a strong risk-focused culture. The Committee oversees and reviews the management of risk, financial results, and the Group Internal Audit function. This includes reviews of recent and upcoming regulatory changes and the Group's exposure to all risks and opportunities, including those related to climate change. As Chair of the Audit and Risk Committee, I attend the Annual General Meeting and make myself available for any Shareholder questions within the Committee's remit.

Key responsibilities of the Committee:

- Consideration of the appropriateness of the accounting principles, policies and practices adopted in the Group's accounts
- Review of external financial reporting and associated announcements to ensure they are fair, balanced and understandable
- Managing the appointment and remuneration of the Group's external auditor, together with an assessment of the effectiveness and independence of the audit, including the policy on the award of non-audit services
- Initiating and supervising a competitive tender process for the external audit, as and when required
- Oversight of the Group Internal Audit function

- Ensuring the effectiveness of the Group's risk management processes and internal controls
- Oversight and update of the Group risk register
- Oversight of the Group's whistleblowing procedures in conjunction with the Board. If any issues are reported that require further investigation, this is typically conducted by the Group Internal Audit function, which reports back to the Committee as to its findings and whether any further action is necessary or desirable. During the year a moderate number of reports were made, with the majority proving to be routine HR matters. None of the matters reported were found to be a cause for concern
- Monitoring compliance with the UK Corporate Governance Code

Meetings

During the year, the Committee met four times and also met privately with the external auditor. The Committee comprised the people shown in the table above, all of whom are Non-Executive Directors.

In addition to the Committee members, the Group Chairman, Group Chief Executive Officer, Group Finance Director, representatives from the external auditor, the Head of Risk and Internal Audit and the Group Financial Controller attended some or all of these meetings by invitation. As Chair of the Committee, I maintain direct communication with the external auditor and the Head of Risk and Internal Audit, independently of the management of the Company.

Meetings of the Committee are scheduled so as to ensure the Committee is informed fully, and on a timely basis, on areas of significant risks and judgement. The Committee also receives sufficient, reliable and timely information from management on significant changes to financial accounting standards and reporting requirements,

regulatory and governance changes and developments concerning risk management, fraud prevention and detection, and cyber security. As Chair of the Committee, I report to the Board on any significant matters arising from the activities of the Committee.

The Board is satisfied that the members of the Committee have both recent and relevant experience (as set out on pages 86 and 87). The Committee is satisfied that the Group's executive compensation arrangements do not prejudice robust controls and good stewardship.

Committee activities during FY 2023/24 and FY 2024/25 to date

May 2023

- Reviewed and approved the updated Non-Audit Services policy
- Reviewed the results of the external audit of the 2023 Annual Report and Accounts
- Reviewed the going concern and viability statements
- Reviewed the 2023 Annual Report and Accounts, including assessing and confirming the presentation of the Consolidated Statement of Profit and Loss and that the Report was fair, balanced and understandable
- Assessed and agreed the independent status of the external auditor
- Discussed the overall adequacy and effectiveness of the Group's internal controls and reviewed the Group Internal Audit function's annual opinion on the Group's control framework
- Reviewed and approved the Group's Treasury policy
- Reviewed and approved the internal audit charter
- Review of twice yearly update of the Group Risk Register, including agreeing key risks for inclusion in the 2023 Annual Report and Accounts

November 2023

- Reviewed half-year results and judgemental accounting areas
- Reviewed the results of the interim review conducted by the external auditor
- Reviewed and agreed the external auditor's FY 2023/24 Audit Planning considerations

- Review of twice yearly update of the Group Risk Register, including risk reporting by each operating business
- Reviewed a maturity assessment of the Group's risk management function which assessed the Group's risk management function and activity using an external risk management maturity tool mapped to recognised risk management standards.
- Reviewed a Fraud Risk Assessment undertaken by the Risk & Internal Audit team

January 2024

- Reviewed the external audit planning report for 2024 Annual Report and Accounts (including review and approval of audit scope and fees)
- Reviewed and approved the 2024 annual report and accounts timetable along with the approach for ensuring the annual report would be fair, balanced and understandable
- Agreed a risk management and internal audit programme and resource requirements in detail for FY 2024/25, and at a higher level for the following three years to ensure all businesses would be audited over a four-year cycle
- Reviewed the Committee's Terms of Reference
- Annual review and update of the Group's tax strategy

February 2024

- Reviewed and discussed the announced updates to the UK Corporate Governance code and the topic of assurance.

May 2024

- Reviewed the results of the external audit of the 2024 Annual Report and Accounts
- Reviewed the going concern and viability statements
- Reviewed the 2024 Annual Report and Accounts, including assessing and confirming that the Report was fair, balanced and understandable
- Assessed and agreed the independent status of the external auditor
- Discussed the overall adequacy and effectiveness of the Group's internal controls, including reviewing the Group Internal Audit function's

annual opinion on the Group's control framework

- Discussed and agreed the Group's Treasury policy
- Reviewed progress against the recommendations arising from the external quality assessment
- Half-yearly review of the Group Risk Register, including agreeing key risks for inclusion in the 2024 Annual Report and Accounts

Standing items

The following matters were covered at the Audit and Risk Committee meetings in November, January and May:

- Private session with the external auditor without management presence
- Update on internal audits conducted and progress with management's implementation of actions
- Update on alignment of newly acquired businesses to group policies and procedures
- Review of regulatory updates
- Update on risk management projects
- Update on fraud and whistleblowing reports

After each meeting of the Committee, the Chair of the Committee reports to the Board, to enable the Board to discharge its responsibilities.

Fair, balanced and understandable

The Committee has, at the request of the Board, reviewed this year's Annual Report and Accounts to assess whether it presents a fair, balanced and understandable view of the Company's position and prospects. The Committee's review took account of the process by which the Annual Report and Accounts is prepared, which includes analysis of changes to applicable reporting requirements and standards, and a robust schedule of review and verification by senior management and external advisers to ensure disclosures are accurate. The Committee is satisfied that, taken as a whole, the Annual Report and Accounts is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's position and performance, business model and strategy, and has advised the Board accordingly.

AUDIT AND RISK COMMITTEE REPORT continued

Significant accounting matters considered and decisions taken

As part of the monitoring of the integrity of the financial statements, the Committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. The viewpoint of the external auditor is sought when undertaking these assessments.

During the year, the Committee's review of significant accounting and financial reporting issues included a focus on the following key areas:

Impairment of goodwill	Consideration of the carrying value of goodwill and the assumptions underlying the impairment review. The judgements in relation to goodwill impairment largely relate to the assumptions underlying the calculations of the recoverable amount of each business unit being tested for impairment, primarily the achievability of long-term business plans and macroeconomic assumptions underlying the valuation process. The assumptions are sensitised to ensure that there is adequate headroom between the recoverable amount and the carrying value of the business being tested for impairment. Specifically, this included a review of any business not performing in line with expectations, to assess any potential impact on the carrying value of goodwill.
Accounting for acquisitions and disposals	A review of the accounting for acquisitions and disposals in FY 2023/24 including the appropriateness of the assumptions used in assessing the fair value of the assets and liabilities acquired.
Valuation of the legacy defined benefit pension scheme	A review of the appropriateness of the assumptions used in the valuation of the legacy defined benefit pension scheme under IAS 19 – Employee Benefits.
The recognition and valuation of judgemental provisions	A review of the appropriateness of the assumptions used in the recognition and valuation of judgemental provisions, which relate mainly to onerous contracts, inventory, severance, indemnities, acquisition earn-out arrangements, long-term incentive plans, restructuring and integration.
Presentation of underlying profit adjustments	A review of the appropriateness of items disclosed as acquisition and disposal-related costs (including amortisation of acquired intangibles and acquisition and disposal expenses) in the Supplementary Statement of Profit or Loss Information and notes to the Group financial statements, in line with the Group's stated policy.
Climate-related financial disclosures	An evaluation of the impact of climate change on the Group in accordance with the TCFD framework. The process involved a review of risks and opportunities from climate change and evaluating the quantifiable financial impact on the Group under different climate change scenarios.
Going concern and Viability-related financial disclosures	A review of the paper prepared by management on the Group's going concern and viability assessment, including underlying forecasts, cash flow assumptions and downside scenarios.

The Committee was satisfied that each of the matters set out above had been fully and adequately addressed by the Executive Directors and then reviewed by the external auditor, and that the disclosures made in this Annual Report and Accounts were appropriate.

In respect of each significant matter reviewed, the Committee considered the assumptions made, the reasonableness of judgements made and how such matters have been presented. The Committee evaluated and challenged each of these to ensure that the Annual Report and Accounts is complete and accurate in all material respects.

Tax and Treasury

The Committee typically meets annually with the Head of Tax and the Group Treasurer to review the key tax and financing matters affecting the Group and to understand the areas of focus in the forthcoming year. In FY 2023/24, these meetings were conducted by the Board.

FRC Audit Quality Review

The Financial Reporting Council ("FRC") conducted a review of the audit performed by PwC of the Group's financial statements for the year ended 31 March 2022, in accordance with Part 2 of the FRC Corporate Reporting Review Operating Procedures. The review also covered the quality of communication with the Committee, plus certain matters relating to ethics, independence, quality control and completion. This review was not finalised until after the publication of the Group's Annual Report for the year ended 31 March 2023.

The outcome of the review was that the audit work in respect of offsetting of cash and overdraft balances required improvement and accordingly as communicated in the FY2023 Annual report, the Group reassessed its judgement to offset certain cash and overdraft balances at 31 March 2023 and reported them as gross balances in the financial statements. A consistent treatment has been adopted for the year ended 31 March 2024. We have been informed that PwC agreed a proposed action with the FRC in relation to their audit procedures in this area and they have confirmed that the required improvements were incorporated in the FY 2024 audit.

Risk management and internal controls

The Board has overall responsibility for the Group's risk appetite and risk management strategy, including determining the nature and extent of the risks it is willing to take in achieving the Group's strategy and objectives. In order to discharge these duties effectively, the Board is also required to ensure the effectiveness of the risk management strategy and framework, and internal controls systems.

Oversight of risk management is undertaken by the Committee, in accordance with its terms of reference. In order to ensure the effectiveness of the risk management and internal control systems, the Committee undertook a number of key activities during the year, including:

- Consideration of the risk management activities during the year (including particular focus on the specific areas of cyber security, anti-bribery and conformance of suppliers with the Group's code of conduct and financial controls)
- Review of risk management and reporting to ensure effectiveness and that the balance between risk and opportunity was in keeping with the Group's risk appetite
- Regular meetings with members of senior management and the Group Internal Audit function
- Review of reports on control matters and challenge of management's response to any matters raised
- Review of the maturity assessment conducted against the Group's Risk Management function to ensure that it continues to align with best practice
- Evaluation and challenge of the results and recommendations of audits undertaken by the Group Internal Audit function and the external auditor
- Review of the resource requirements of the Group Internal Audit function
- Review of the annual Audit and Risk Committee agenda

Preparation for changes in audit and governance reform

Developments and enhancements have continued to be made to the Group's internal control and risk management processes during FY 2023/24, further details of which are set out below. The main driver of these improvements was the revisions to the UK Corporate Governance Code, specifically the need for the Board to make an explicit conclusion on the effectiveness of internal controls. The Committee has been pleased with the enhancements being made to the Group's internal control and risk management framework and the preparations for enabling an explicit conclusion on control effectiveness within the FY26 Annual Report.

This work has included:

- The embedding of critical controls aligned to the Committee of Sponsoring Organisations (COSO) 2013 framework and implementation of agreed remediation actions
- The issue of a revised Group Accounting Manual and Internal Controls Manual to all Group companies
- The issue of a Group Reporting Manual to all Group companies
- The roll-out of a revised Cyber Security Framework aligned to CIS 8
- The embedding of a Group governance, risk and compliance system to provide a more efficient way to document, test and evidence internal controls
- Defined a target operating model for risk, control and internal audit
- A detailed update at each meeting on the progress being made to enhance the internal controls framework

The Committee will continue to receive regular updates and engage closely with management on any changes that might benefit the Group's existing approach to internal controls and to ensure compliance with legislation and best practice as they are updated.

Throughout the year, the Committee has monitored the Group's internal control and risk management systems and, at its meeting in May, specifically reviewed the effectiveness of these.

Internal Audit

The Group Internal Audit function's primary purpose is to provide risk-based and independent assurance, advice and insight to help improve all aspects of the organisation's governance and system of internal control, including management of risk. The remit of the internal audit function covers discoverIE Group plc and all of its subsidiaries. Resource in the function remained fixed during FY 2023/24 with three full time staff alongside assistance from the Group Projects Manager, as well as support from external consultants and outsourced providers. Further details on the operation of the Group Internal Audit function can be found in the Risk Management section on pages 71 to 81.

The Committee has overall responsibility for reviewing the effectiveness of the Group's risk management and internal control systems framework as well as the Group Internal Audit function. As part of this, we ensure that the Group Internal Audit function has unrestricted scope, the necessary resources, and appropriate access to information to enable it to perform its function effectively. The suitability of resources available to the Group Internal Audit function was considered in the year. The Committee also reviews regular updates on internal audit work carried out and the actions taken by management to implement the recommendations of internal audit reviews.

The Head of Risk and Internal Audit and I meet regularly between Committee meetings to ensure the team can effectively discharge its duties and to discuss pertinent issues, such as changes in legislation. Outside of the scheduled meetings, I have conducted the following activities on behalf of the Committee related to Risk and Internal Audit:

- Reviewed the maturity assessment of the Group's risk management effectiveness (November 2023)
- Reviewed and approved the internal audit charter (November 2023)
- Input into the Group Risk and Internal Audit team's plans for FY25 (April 2024)

A programme of internal audit activities has been completed during the year.

The scope of work carried out by the Group Internal Audit function generally focuses on the internal financial and operational controls within each business, particularly in recently acquired businesses. Further internal audit work is outsourced to external providers, where appropriate.

The Group Internal Audit function was subject to an External Quality Assessment (EQA) in August 2022. That assessment concluded that the function had made great strides in meeting most of the Standards, as well as the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing. During the year the Committee received regular updates on the completion of remedial actions from this review. Additionally, at the May 2024 meeting the Committee reviewed the function's plans to comply with the revised Global Internal Audit Standards which will come into effect in January 2025.

Control Environment

While no system of controls can provide absolute assurance against material misstatement or loss, the Group's systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and provide reasonable, and not absolute, assurance against material misstatement or loss. As part of the annual review of the effectiveness of the Group's internal controls, the Committee, on behalf of the Board, has regard to the design of the risk management framework, including the three lines of defence model, the significance of the risks involved, the likelihood and severity of an event occurring, and the costs associated with any relevant controls. The formal Annual Opinion for FY 2023/24 issued by the Group Internal Audit function was reviewed by the Committee, concluding that there were no material failings or weaknesses identified in the Group's internal control systems.

The principal components of the Group's systems of control are:

- A well defined organisational structure with short and clear reporting lines
- Recruitment of high-quality staff
- An ongoing process for the identification, regular review and management of the principal risks and issues affecting the business, both at Group and operating levels
- In-house and outsourced internal audit activities
- An ongoing review of regulatory compliance
- A regular review of the principal suppliers and customers of the Group, and how each impacts upon the Group's businesses
- A comprehensive planning process, which starts with a strategic plan and culminates in an annual budget and a long-term plan
- Regular rolling forecasting throughout the year of orders, sales, profitability, cash flow, working capital and balance sheets
- A regular review of actual performance against budget and forecasts
- Clearly defined procedures for the authorisation of major new investments and commitments
- A requirement for each operating company to maintain a system of internal controls appropriate to its own local business environment

The Finance team is responsible for producing financial information that is timely, accurate and in accordance with applicable laws and regulations. In addition, it is responsible for the distribution of financial information, both internally and externally. Key financial and operational performance is reported on a timely basis and measured against both the Board approved budget, management's rolling forecasts and comparable information from prior periods. A review of the financial statements is completed by management to ensure that the financial position and results of the Group are appropriately reflected. All financial information published externally by the Group is approved by the Board.

The above procedures apply to discover I E Group plc and all of its subsidiary companies.

External audit

The Committee is responsible for managing the relationship with the Group's external auditor on behalf of the Board including their appointment, remuneration, independence and performance.

During the year, the Committee's activities in respect of external audit were as follows:

- Considering and approving the reappointment of the external auditor as a resolution at the 2023 Annual General Meeting
- Considering and approving the audit approach and scope of the audit undertaken by PricewaterhouseCoopers ("PwC") and the related fees
- Agreeing reporting materiality thresholds
- Reviewing reports on audit findings
- Considering and approving letters of representation issued to the external auditor
- Considering the independence of the external auditor.
- Undertaking a tender for the Group audit for FY2024/25 in line with best practice (see below).

Audit performance and effectiveness

The performance and effectiveness of the external auditor, and the related audit, is reviewed annually by the Committee. This covers the robustness of the audit at both a Head Office and entity level.

The review covers the following:

- Robustness of the audit plan and, in particular, the identification of significant risks
- Execution of the above plan, including the external auditor's ability to challenge management on key accounting judgements and assumptions adopted
- Ensuring the external auditor demonstrates a deep and thorough knowledge of the business to enable them to reach appropriate conclusions on key accounting judgements
- Quality of reports provided to the Committee
- Communication between the external auditor and the Committee
- Feedback from management on the quality of the audit team
- Professional scepticism of the external auditor.

The Committee concluded that the audit team had the necessary professionalism, experience and understanding of the business to carry out a thorough and robust audit in FY2023/24.

The Group has complied with the provisions of the Competition and Market Authority (CMA) Order, issued by the CMA in September 2014, for "The Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities)".

External auditor independence

The Committee believes that the provision of non-audit services to the Group is closely related to external auditor independence and objectivity. The Committee recognises that the independence of the external auditor may risk becoming compromised if it also acts as the Company's consultant and adviser to any material extent.

The Committee accepts that certain work of a non-audit nature is best undertaken by the external auditor. The Committee reviewed its policy on the provision of non-audit services during the year to ensure that there is no likelihood of any impairment of external auditor independence or objectivity.

Fees for non-audit services (excluding interim review) provided by the external auditor during the financial year totalled £10,770 and represented 0.6% of the total audit fee (FY 2022/23: £9,790: 0.5%), were not considered to adversely impact the independence of the external auditor, were in line with the Group's policy on non-audit services and were permissible under Ethical Standards. Additionally, an interim review was conducted by the external auditor at a cost of £111,800 (FY 2022/23: £109,500).

External auditor tender

During FY2023/24, the Board decided to tender the Group's audit for the year ending 31 March 2025. A thorough tender process was conducted comprising Big Four and non-Big Four firms. Based on a detailed evaluation of the participating firms against the selection criteria, two audit firms were shortlisted with a recommendation of the preferred audit firm, Deloitte LLP. The relative merits of each of the firms were discussed and Deloitte LLP was chosen by the Board. A resolution for the appointment of Deloitte LLP as the Group's external auditor will be put to Shareholders at the 2024 Annual General Meeting. The Board confirms that this recommendation is free from influence and that no contractual terms have been imposed on the Company limiting the choice of auditor. A more detailed description of the audit tender process is as follows:

Audit tender process

The audit tender process was designed taking into account the FRC's guidance, "Audit Committees and the External Audit: Minimum Standard". As agreed with the Audit and Risk Committee, the governance of the Group audit tender process was delegated to a Selection Committee, led by the Chair of the Audit and Risk Committee and also comprising the Senior Independent Director, the Group Finance Director and the Group Financial Controller.

The Selection Committee oversaw the tender process, including agreeing the timetable, selecting which firms to invite to tender and the evaluation process and selection criteria that would be used in formulating the recommendation made to the Board.

Key selection criteria included:

- Technical Criteria: including tailoring of audit approach to the Group, the use of technology, the ability to deliver a high quality audit and capability to manage the transition.
- Team quality: including the leadership and experience of the team, understanding of the Group's business and the industry it operates in, understanding of key risk and judgemental areas and ability to provide independent and fair challenge to management.
- Resources and organisation including coverage of the Group's operating locations, quality of communication, access to specialists, and understanding of local requirements.
- Proactivity, ideas and added value: encompassing varied factors such as freshness of audit approach, feedback on control environment, technical updates and ability to support the Committee's role and responsibilities.

The audit tender process was conducted in two stages:

Stage 1

(November 2023 – January 2024)

- Due diligence and introductory meetings held with audit firms being considered for the tender process.
- Each audit firm was asked to confirm independence and if any non-audit services which would need to be terminated.
- Four audit firms plus the incumbent auditor, were invited to tender on the basis of a detailed tender process document. All firms accepted the invitation and confirmed their participation.
- A data room was opened to provide the four participant firms with access to relevant information about the Group.
- Structured engagement sessions were held with each of the four participant firms and relevant members of the Group management team including Group financial reporting, divisional finance, internal audit & risk, treasury, taxation, legal and Group IT ("the Group team"). These sessions provided the participant firms an opportunity to better understand the Group and discuss certain subject matter areas in greater depth. Feedback from each member of the Group team was collected to assist with evaluation of the participant firms together with selection criteria scores.
- All participating firms submitted written proposals covering the key evaluation areas stipulated in the tender process document.
- Based on the evaluation of written proposals, Group team feedback, and the score against the selection criteria, four audit firms including the current incumbent were invited to the next stage.

Stage 2

(January 2024 – March 2024)

- The four audit firms made presentations to the Selection Committee and answered questions from the Selection Committee members.
- The written proposals and presentations were evaluated and scored against the selection criteria by each of the Selection Committee members resulting in two firms being brought forward to the Board with a recommendation of the preferred audit firm, Deloitte LLP.
- The Board accepted the recommendation from the Selection Committee and a resolution to appoint Deloitte LLP will be put to Shareholders at the 2024 AGM.

Key areas of focus in 2024/25

- Manage transition of the new Group auditor
- Continuing assessment of ESG-related risks and reporting requirements
- Review the accounting for new acquisitions
- Monitor the Group's activities to comply with the revisions to the UK Corporate Governance Code effective from January 2025

Terms of reference

The Committee's terms of reference are available upon request and are on the Company's website: www.discoverIE plc.com

Clive Watson

Chair of the Audit and Risk Committee

4 June 2024



NOMINATION COMMITTEE REPORT



The Committee ensures that the Group has the right leadership in place to drive continued growth and success.”

Bruce Thompson
Chairman of the Nomination Committee

Member	Member since
Bruce Thompson (Chairman since 1 November 2022)	2018
Celia Baxter	2023
Tracey Graham	2018
Nick Jefferies	2009
Rosalind Kainyah	2022
Clive Watson	2021

The Group Company Secretary acts as Secretary to the Committee.

2023/24 key achievements

- Appointed Celia Baxter as a Non-Executive Director of the Company
- Approved the re-appointment of Bruce Thompson as Chairman
- Identified priorities for the coming year

Key areas of focus in 2024/25

- Review of talent and succession planning (following the last review in 2023)
- Increasing diversity across the Group
- Continued evaluation of knowledge and skills

Dear Shareholder,

During the year, the Committee met twice, with all Committee members attending and participating in a separate evaluation process, which identified areas for improvement. The Committee's recommendations were made after careful consideration of the independence, performance and ability to continue to contribute to the Board of the relevant people, in the light of the knowledge, skills, commitment and experience required.

Composition

The majority of the Committee members are independent Non-Executive Directors. During the year under review, the Committee was chaired by me, with Celia Baxter (following her appointment in June 2023), Tracey Graham, Clive Watson, Rosalind Kainyah and Nick Jefferies as Committee members.

Key responsibilities

The Committee's key duties are:

- To review the structure, size and composition (including the skills, knowledge and experience) of the Board and to recommend changes where appropriate
- To consider succession planning for the Directors and the right balance of skills, knowledge, experience and diversity on the Board
- To identify and nominate candidates to fill Board vacancies, having previously prepared a description of the role and capabilities required for a particular appointment
- To review the leadership needs of the organisation, both executive and non-executive
- To make recommendations to the Board on the reappointment of any Non-Executive Director at the conclusion of their specified term of office and on appointments to the Audit and Risk, Remuneration and Sustainability Committees
- To review, as part of the annual assessment exercise, the time commitment of the Non-Executive Directors to the role and to their external appointments.

Appointment of Directors

The Committee's principal role is to make recommendations to the Board on suitable candidates to fill Board vacancies as and when they arise, or when other changes or appointments may be desirable. In managing this process, the Committee takes into account the Board's existing balance of skills, knowledge and experience and has due regard for diversity. Unless the appointment is as an Executive Director, for which a suitable candidate is available from within the Group, the Committee will create a shortlist of suitable candidates for final selection by the Committee. References from appropriate third parties will then be taken on the prospective Director. Candidates meet all members of the Committee, which then makes recommendations to the Board. Adopted practice is for all members of the Board to meet with the relevant candidate before an appointment is made.

As noted in last year's Annual Report and Accounts, Russell Reynolds, a leading advisory firm that specialises in the appointment of Board members for listed companies, assisted with the recruitment of Celia Baxter to the Board. Russell Reynolds has no connection to the Company, or to any

individual Director, other than assisting with recruitment. Tracey Graham chaired the Nomination Committee when it was dealing with the extension of my appointment and I absented myself from these discussions.

Diversity and succession planning

The Board is committed to a culture which attracts and retains talented people and to ensure that a proper process exists for succession planning for the Board and senior management.

The Company's Board Diversity Policy can be found on the Company's website www.discoverIE plc.com

Please see page 64 of the Sustainability Report for a summary of the Group's current gender diversity and page 98 of the Corporate Governance Report for the current Board composition.

Terms of reference

The Committee's terms of reference are available upon request and are on the Company's website: www.discoverIE plc.com

Bruce Thompson

Chairman of the Nomination Committee

4 June 2024

Focus on talent and succession

- The Committee oversees and reviews the output from regular reviews of the Group's key roles and talent carried out by the Group Management Committee.
- A comprehensive review was conducted in FY2023, covering 92 people from across the Group's senior management teams. A further review will be conducted in FY2025.
- The Committee ensures that long-term and emergency succession plans are in place for all senior / key roles. It also considers the personal aspirations and opportunities for the people in those roles.
- The review confirmed the Committee's belief in the strength and talent of the Group's management teams and wider employee population.



Annual Report and Accounts for the year ended 31 March 2024

DIRECTORS' REPORT



The Board believes that maintaining a progressive dividend policy is appropriate to enable both dividend growth and a higher level of investment from internally generated resources.”

Greg Davidson
Group General Counsel &
Company Secretary

The Directors' report for the financial year ended 31 March 2024 is set out below.

Certain matters required to be included in the Directors' report are included in the Strategic report, as the Board considers them to be of strategic importance, as follows:

Section	Progress made
Future business developments	Throughout the Strategic Report (pages 01 to 84)
Risk management	Risk management and principal risks and uncertainties (pages 71 to 81)
Employee engagement	Please see pages 90 to 93
Greenhouse gas emissions	Sustainability Report (pages 61, and 68 to 70)
Stakeholder engagement	Please see pages 44 and 45
Corporate Governance Statement	Corporate Governance Report (pages 89 to 99)

The Group's policies and processes for managing capital, financial risk management objectives, financial instruments and hedging activities, and exposure to credit and liquidity risk, are disclosed in note 27 to the Group financial statements.

Both the Directors' report and the Strategic Report have been drawn up in accordance with English company law. The liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

Financial results and dividends

The audited consolidated Financial Statements set out the results of the Group for the financial year to 31 March 2024 and are shown on pages 148 to 202. The key strategic and performance indicators of the business are set out in the Strategic report on pages 18 and 19.

The Directors recommend a final dividend of 8.25p per share (2022/23: 7.90p) which, together with the interim dividend of 3.75p per share (2022/23: 3.55p), makes a total dividend for the year of 12.00p per ordinary share (2022/23: 11.45p). Subject to approval by Shareholders of the recommended final dividend, the dividend award to Shareholders for 2023/24 will total £11.5m (2022/23: £11.0m). If approved, the Company will pay the final dividend on 2 August 2024 to Shareholders on the register of members at 28 June 2024.

The Board believes that, as an acquisitive growth company, maintaining a progressive dividend policy, with the long-term dividend covered over three times by underlying earnings, is appropriate to enable both

dividend growth and a higher level of investment from internally generated resources.

Directors

Board membership and biographical details of the Directors are on pages 86 and 87 and are incorporated by reference.

Copies of Executive Directors' service contracts are available to Shareholders for inspection at the Company's registered office and at the Annual General Meeting. Details of the Directors' remuneration and service contracts and their interests in the shares of the Company are included in the Directors' Remuneration Report, which is set out on pages 113 to 138.

Powers of the Directors

The Board of Directors is responsible for the management of the business of the Company and may exercise all the powers of the Company, subject to the Company's Articles of Association (the "Articles"), the Companies Act 2006, and any directions given by the Shareholders by special resolution. The Articles may be amended by a special resolution of the Company's Shareholders.

Appointment and replacement of Directors

The Board can appoint a Director but anyone so appointed must be elected by an ordinary resolution at the next general meeting. All Directors offer themselves for re-election at each Annual General Meeting.

Directors' conflicts of interest

The Company has procedures in place for managing conflicts of interest. Should a Director become aware that they, or any of their connected parties, have any interest in an existing or proposed transaction with discoverIE, they should notify the Board in writing or at the next Board meeting. Internal controls are in place to ensure that any related party transactions involving Directors, or their connected parties, are conducted on an arm's length basis. Directors have a continuing duty to update any changes to these conflicts.

Directors' indemnity

The Articles of the Company contain an indemnity in favour of the Directors, which is a qualifying third party indemnity within the meaning of s.234 of the Companies Act 2006. This was in force throughout the year ended 31 March 2024 and at the time of the approval of this Annual Report and Accounts. Directors of subsidiary undertakings are also subject to this qualifying third party indemnity.

In addition, each Director of the Company has entered into a Deed of Indemnity with the Company, which operates only in excess of any right to

indemnity that a Director may enjoy under any such other indemnity or contract of insurance. The Company has also arranged appropriate insurance cover in respect of legal action against its Directors and officers.

Share capital

As at 31 March 2024, the Company's issued share capital consisted of 96,356,109 ordinary shares of 5p each (no shares are held in treasury).

Details of movements in the Company's issued share capital can be found in note 30 to the Group financial statements.

Restrictions on transfer of securities in the Company

There are no restrictions on the transfer of securities in the Company, except that certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws such as the Market Abuse Regulation) and pursuant to the Listing Rules of the Financial Conduct Authority, whereby certain employees of the Company require the approval of the Company to deal in the Company's ordinary shares. The Company is not aware of any agreements between

holders of securities that may result in restrictions on the transfer of securities.

Rights and obligations attaching to shares

Subject to the Articles, the Companies Act 2006 and other Shareholders' rights, shares in the Company may be issued with such rights and restrictions as the Shareholders may by ordinary resolution decide, or, if there is no such resolution, as the Board may decide, provided it does not conflict with any resolution passed by Shareholders.

The rights attached to any class of shares can be amended if approved, either by 75% of Shareholders holding the issued shares in the class by amount, or by special resolution passed at a separate meeting of the holders of the relevant class of shares.

Every member and every duly appointed proxy present at a general meeting or class meeting has, upon a show of hands, one vote and every member present in person or by proxy has, upon a poll, one vote for every share held.

No person holds securities in the Company carrying special rights with regard to control of the Company.

Substantial shareholdings

As at 31 March 2024, the Company had been notified of, or was aware of, the following major shareholdings equal to, or greater than, 3% of the issued share capital of the Company:

Shareholder	Holdings of ordinary shares (5p)	% of issued share capital
abrdn	7,337,498	7.61%
BlackRock, Inc.	6,077,659	6.31%
Kempfen Capital Management NV	6,037,221	6.27%
Impax Asset Management	5,571,239	5.78%
Montanaro Asset Management	3,825,000	3.97%
Charles Stanley	2,921,776	3.03%
Swedbank Robur	2,891,000	3.00%

DIRECTORS' REPORT continued

As at 1 June 2024, the Company had been notified of, or was aware of, the following Shareholders holding 3% or more of the issued share capital of the Company:

Shareholder	Holdings of ordinary shares (5p)	% of issued share capital
Kempen Capital Management NV	6,521,406	6.77%
Impax Asset Management	6,105,455	6.34%
BlackRock, Inc.	6,077,659	6.31%
abrdn	6,062,751	6.29%
Montanaro Asset Management	3,825,000	3.97%
Martin Currie Investment Management	3,500,000	3.63%
Swedbank Robur	3,121,000	3.24%

Authority to purchase own shares

At the Annual General Meeting held on 28 July 2022, Shareholders authorised the Company to purchase in the market up to 10% of its issued share capital (9,545,610 ordinary shares) and, as at 31 March 2024, all of this authority remained in force and unused. This authority is renewable annually, and a special resolution will be proposed at the 2024 Annual General Meeting to renew it. The Directors will only purchase the Company's shares in the market if they believe it is in the best interest of Shareholders generally.

Change of control

Details of the Group's borrowing facilities are provided in the Financial Review section of the Strategic Report on page 38 to 43. These agreements contain a change of control provision, which may result in the facility being withdrawn or amended upon a change of control of the Group. The Group is party to a number of commercial agreements which, in line with industry practice, may be affected by a change of control following a takeover bid. There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment which occurs because of a takeover bid.

Political donations

There were no political donations during the year (FY 2022/23: nil).

Auditor and disclosure of information to auditor

Each of the Directors in office as at the date of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

Following the conclusion of an external audit tender process a resolution to appoint Deloitte LLP as auditors will be proposed at the forthcoming Annual General Meeting. Additional detail is provided on pages 105 and 106 of the Audit & Risk Committee Report.

Annual General Meeting

The Notice of the Annual General Meeting to be held at 11.30am on Friday 26 July 2024 will be sent to Shareholders separately from this report. The venue for the meeting is 2 Chancellor Court, Occam Rd, Guildford, Surrey, GU2 7AH. Details of the arrangements for that meeting will be as set out in the Notice for that meeting.

Going concern

For the reasons explained in the Viability Statement on pages 82 and 83, the Directors continue to adopt the going concern basis in preparing this Annual Report and Accounts.

By order of the Board

Greg Davidson

Group General Counsel & Company Secretary

4 June 2024

2 Chancellor Court
Occam Road
Surrey Research Park
Guildford
Surrey GU2 7AH
Registered number: 02008246

DIRECTORS' REMUNERATION REPORT



This year the Group and its leadership have demonstrated continued progress and I would like to thank all of our staff globally for their contribution to another successful year for the Group.”

Tracey Graham
Chair of the Remuneration Committee

Member

Member since

Tracey Graham (Chair)	2016
Bruce Thompson	2018
Clive Watson	2020
Rosalind Kainyah	2022
Celia Baxter (from 1 June 2023)	2023

The Committee consults with the Group Chief Executive who may attend meetings by invitation of the Committee Chair, although he is not involved in deciding his own remuneration. The Group Company Secretary acts as Secretary to the Committee. The Directors' Remuneration Report has been approved by the Board.

2023/24 key achievements

- Undertook a comprehensive review of the Directors' Remuneration Policy and conducted a Shareholder consultation exercise involving Shareholders representing 70% of the Company's issued share capital
- Received strong Shareholder support for the 2023 Directors' Remuneration Report
- Approved bonus outcomes for 2022/23 performance and the vesting of the 2020 LTIP award
- Setting of appropriate short and long-term incentive measures and targets for Executive Directors and senior management
- Considered wider workforce remuneration and approved the implementation of out-of-cycle cost of living adjustments for areas with high rates of inflation
- Undertook a review of senior executive pay below the Board
- Considered gender pay gap data and initiatives to close the gap
- Reviewed other remuneration-related items within the 2024 UK Corporate Governance Code and the latest views from investors and proxy voting agencies

Areas of focus in 2024/25

- Review the competitiveness and structure of remuneration for Executive Directors and senior management and its alignment with strategy, taking into account pay across the wider workforce
- Set incentive targets for 2025 for the annual bonus and LTIP which, for the second consecutive year, will include an ESG measure aligned to our carbon emission net zero reduction goals
- Determine incentive outcomes for Executive Directors and senior management in respect of 2024
- Keeping abreast of corporate governance and regulatory developments
- Monitoring of performance against all personal objectives for the Executive Directors and Group Management Committee
- Sign off on the 2024 Directors' Remuneration Report and respond to Shareholder feedback at the 2024 AGM, as required

DIRECTORS' REMUNERATION REPORT continued

Annual statement

Information not subject to audit.

Dear Shareholder,

On behalf of the Board, it is my pleasure to present our Directors' Remuneration Report for the year ended 31 March 2024. This report comprises:

- This Annual Statement, which summarises the work of the Remuneration Committee (the "Committee") in FY 2023/24 and remuneration outcomes for the year.
- The new Directors' Remuneration Policy (the "Policy") to be put forward to a binding Shareholder vote at our 2024 Annual General Meeting.
- The Annual Report on Remuneration, which provides (i) details of the remuneration earned by Directors and the link between Company performance and pay in the year ended 31 March 2024 and (ii) how we intend to implement the Policy in FY 2024/25.

Business performance and resulting remuneration outcomes for the year ended 31 March 2024

The Group has delivered another strong performance, with growth in underlying operating profit and margin and underlying EPS. This demonstrates the strength of our model and the continued dedication of our global workforce.

Group sales increased by 1% CER, underlying operating profit increased by 16% to £57.2m, underlying profit before tax increased by 4% to £48.2m, underlying EPS increased by 5% to 36.8p and free cash flow of £37.0m was up 12% on last year, which was itself 51% up on the previous year.

We also made continued progress on our ESG objectives with carbon emissions down 47% against our CY2021 baseline, energy audits now completed at 81% of sites, thereby achieving our 2025 target of auditing 80% of sites ahead of schedule, and a further increase in the share of our workforce covered by an ISO 45001 occupational health and safety system, now at 60%, up from 48% last year and 5% two years ago.

The Group also completed five further high-quality acquisitions, Silvertel in August 2023, 2J Antennas in September

2023, Shape in January 2024, DTI in March 2024 and IKN, also in March 2024. The Group also agreed terms to dispose of its lower margin Santon solar business unit, enabling it to focus on its higher margin industrial business. This shows careful and disciplined management of the Group's portfolio of businesses.

During the year, I was delighted to meet with colleagues at our new purpose-built facility at MTC in Germany, while other Board members met several colleagues at various other sites (see page 91 of the Corporate Governance Report for more details).

This year the Group and its leadership team have demonstrated continued progress and I would like to thank all of our staff globally for their contribution to another successful year for the Group.

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

Annual bonus for FY 2023/24

The annual bonus for both Executive Directors for FY 2023/24 was based on Group operating profit (60%), simplified working capital (24%), strategic objectives (8%) and ESG objectives (8%).

Based on the performance as set out above, actual underlying operating profit of £57.2m was between target and maximum, performance against the Simplified Working Capital measure was below threshold and the strategic and ESG-related objectives were determined to have been substantially met. This results in an overall bonus payout of 63% of maximum for both Executive Directors.

The Remuneration Committee has considered whether any adjustment is required to the formulaic outcomes to reflect the underlying financial and non-financial performance of the business and decided that no such adjustment is appropriate given the overall performance of the business during the year.

In line with the Directors' Remuneration Policy, 20% of the bonus will be deferred in shares. Full details of

the bonus for FY 2023/24 are set out in the Annual Report on Remuneration.

2021 LTIP vesting

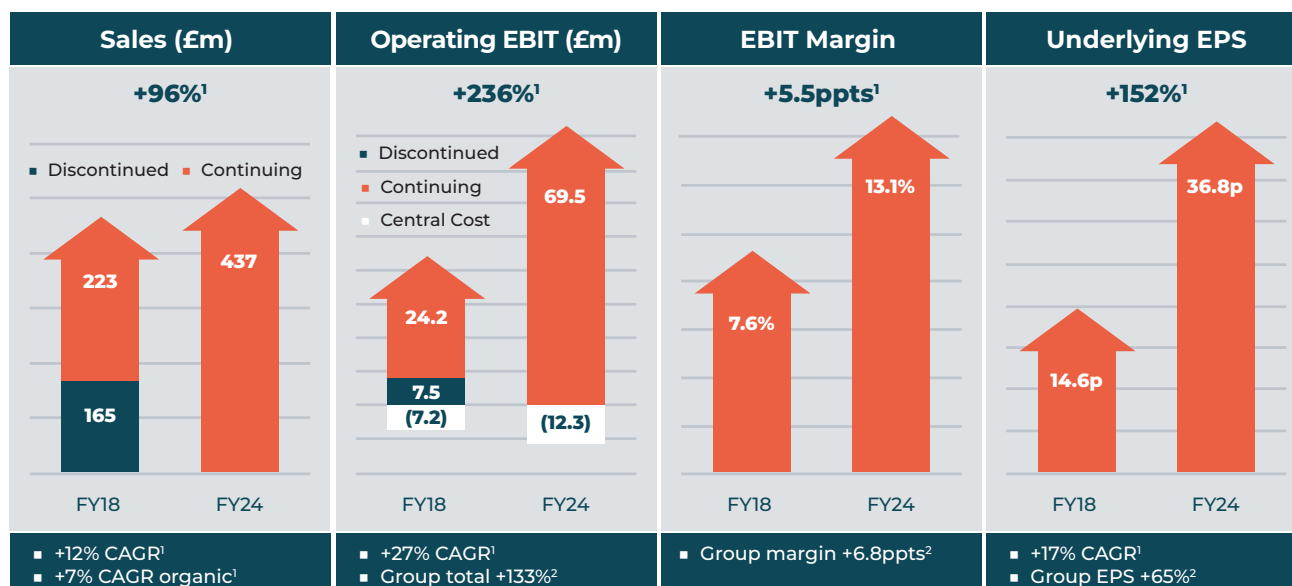
The Group Chief Executive and Group Finance Director received awards under the LTIP on 29 July 2021 that were based on relative TSR and EPS performance criteria, each with an equal weighting.

- Relative TSR – discoverIE delivered a TSR of 8.5% over the three-year period to 31 March 2024, which ranked the Company between median and upper quartile of the TSR peer group, resulting in this part of the award vesting at 70%.
- EPS – EPS grew by 64% over the three-year period, which was in excess of the maximum target of 12% p.a. growth.

This share price and earnings performance has resulted in 85% of these LTIP awards vesting. While the share price at grant was higher than the likely vesting share price, the Committee believes this vesting outcome is warranted given the strong operational and financial performance, including underlying profit increasing by 63% over the three-year period ending 31 March 2024. Furthermore, the Group delivered a TSR of 8.5% which was well ahead of the median (minus 11.5%). No discretion has been applied to adjust the formulaic outcomes. These vested awards will be subject to a two-year holding period.

Review of Executive Directors' Remuneration

During the year, the Committee reviewed Executive Directors' pay arrangements ahead of the expiry of the 2021 Directors' Remuneration Policy. The Committee concluded that the current overriding pay structure remains appropriate. The changes proposed in the new Policy seek to ensure Executive Directors are paid fairly for the roles being undertaken and to take account of good governance and developments in market practice. In November 2023, I wrote to the Shareholders representing 70% of our issued share capital and met with or received feedback from almost all we engaged with (covering 65% of issued share capital). I am very grateful for all comments and suggestions received, which have helped shape our Policy and its implementation in 2024/25.



¹ Continuing operations only. Custom Supply was disposed of in FY22

² Group total as reported at the time, i.e. FY18 figures including Custom Supply. FY18 EBIT of £24.5m, EBIT margin of 6.3% and underlying EPS of 22.3p

Business context and background

Nick Jefferies joined the Group in January 2009 when the Group's market capitalisation was c.£25m and Simon Gibbins was appointed Finance Director the following year. Under their tenure, the Company has transformed from a FTSE Fledgling Index distributor, into a FTSE 250 global electronic engineering group with a market capitalisation of over £700m.

The Group employs c.4,500 people with principal operating units located in Continental Europe, the UK, China, Sri Lanka, India, and North America. In FY2024, 41% of sales were derived internationally from beyond Europe, of which 25% were from the US and 16% from Asia.

The Group's success has been driven by a clear and differentiated compounding growth strategy based on steady organic growth accelerated by carefully selected, value-enhancing acquisitions. Since 2011, the Group has completed 26 acquisitions which have been successfully integrated into the Group and have increased the scale, profitability, margin and potential of the Group, while also increasing its complexity. The Group has a disciplined approach to acquisitions and continues to see significant scope for further expansion with a number of opportunities in development.

Over the same period, the Group has also disposed of four legacy businesses, completing the exit from the distribution sector with the sale of Acal BFi in March 2022.

The Group is committed to reducing the impact of its business operations

on the environment and was an early adopter of carbon reduction initiatives, announcing its first carbon emissions reduction plan in November 2020. Additionally, the Group has focused its selling efforts into markets that are aligned with a sustainable future (aligned to the UN Sustainable Development Goals).

The Group has also strengthened its wider ESG credentials considerably over the last three years, which have been recognised with the award of an ESG "AA" rating by MSCI and being Regional (Europe) Top Rated by Sustainalytics. Within this, the Group has made excellent progress towards its target of reducing its carbon emissions, more recently signing up to the Science Based Targets Initiative (SBTi) with a plan to reduce Scope 1 & 2 emissions to net zero by 2030 and Scope 3 emissions to net zero by 2040. Since 2021, absolute emissions have been reduced by more than 47%.

Nick Jefferies has made the creation of a high performing and diverse leadership team a core priority. Under his tenure, the number of females in leadership roles has increased from zero in 2015, 15% in 2021 to 28% now. Similarly, ethnic diversity has increased, with four (31%) of the 13 members of our Group Management Committee being non-white (up from none in 2021).

Proposed changes to remuneration

1. Base salaries

It is the Committee's view that the Group Chief Executive's and Group Finance Director's base salaries require an adjustment as they have not kept pace with discoverIE's increased size

and complexity or operational, financial and ESG performance.

Given the above and noting that the electronics sector is extremely talent competitive, the Remuneration Committee felt that it is essential that both Executives are paid fairly for their respective roles and that base salaries reflect their outstanding performance, leadership and stature. Maintaining salaries at the current level increases the risk of salary compression at lower levels and this may impact our ability to retain or recruit successfully into our leadership team.

The Committee has to date taken a prudent approach to executive pay increases, taking into account the views of our stakeholders and noting the scrutiny and challenge resulting from above workforce increases to Executive Director remuneration.

Shareholders were consulted on the following proposed changes and we were grateful to the vast majority who were supportive of the increases:

- The Group Chief Executive's base salary is increased by 11.3% from £530,082 to £590,000
- The Group Finance Director's base salary is increased by 13.0% from £346,984 to £392,000

To provide a sense check on salary positioning, the Committee undertook a benchmarking exercise and took comfort that the proposed salary positioning will place the Group Chief Executive and Group Finance Director at around the median of FTSE companies of discoverIE's size, noting that the market study was based on salaries disclosed in early 2023 which

arguably understates the current position, given 2023/24 Executive Director salary inflation across the market of around 4%. Further details can be found on pages 137 to 138.

As we approached the end of FY 2023/24 and budgets were being developed for 2024/25, the Executives requested that any increases to their salaries are not implemented in light of current macroeconomic volatility and current cost pressures. Salary increases continue to be selectively implemented across the rest of the workforce. The Committee commends the Executive Directors for the proposed freeze to their salaries, notwithstanding the very strong support from our Shareholders. The Committee has agreed to not increase salaries at the current time and we will seek to apply the above proposed increases at an appropriate time, either later this year or next.

2. Annual bonus deferral

Upon reviewing bonus deferral, the Committee noted that the method of deferral and proportion deferred are out of line with good and typical practice. Currently, 20% of the net of tax bonus is deferred in shares and these shares become wholly owned by the Executives and therefore are not subject to forfeiture (for example, in bad leaver circumstances).

Under the proposed Policy, the deferred bonus element is granted as a share award (in the form of nil cost options) which vest after three years. The deferred bonus award will be subject to good and bad leaver provisions as well as malus and clawback provisions.

The current Executives have significant shareholdings with the Group Chief Executive and Group Finance Director holding shares with values of over 1,600% and 780% of their respective base salaries. Their shareholding guideline is set at 250% of base salary, which is higher than typical market levels. The Committee recognises that deferring 20% of bonus is lighter than typical practice but also appreciates the significant equity stakes held by the management team. As a result, the new Policy will increase bonus deferral to 33.3% of bonus but only in cases where an Executive's shareholding is below his or her shareholding guideline. For those holding shares at or higher than the shareholding guideline, deferral will continue to be 20% of bonus earned.

3. LTIP grant levels

The current LTIP grant levels for the Group Chief Executive and Group Finance Director are 175% and 160% of salary with a Policy limit of 175% of salary. Reflecting the performance of the business and the executives, along with the business's increased scale and complexity, we are proposing to increase the overall LTIP Policy limit to 200% of base salary to incorporate additional headroom over the life of the Policy. However, LTIP awards will be made at the currently prevailing 175% and 160% of salary levels in 2024/25.

In response to views heard, the Committee will engage with Shareholders in advance of the additional headroom being used and will continue to set challenging performance targets.

Application of policy in 2024

- Base salary: As set out above, at the request of the Executive Directors, the proposed salary increases for the Group Chief Executive and Group Finance Director will not be implemented from 1 April 2024 and will remain unchanged. The Committee will consider the appropriate time to apply the increases. For context, the Group has employees in 20 countries, operating across 25 businesses. Base salary increases across the Group for FY 2024/25 vary according to local conditions, with over 20% in some countries.
- Pension: The pension contribution for Executive Directors is an entitlement of up to 8% of salary, the same as the UK workforce rate.
- Bonus: The bonus opportunity will be 150% of salary for the Group Chief Executive and 125% of salary for the Group Finance Director, in line with policy. In a change from previous years, the simplified working capital measure will be replaced with operating cash flow. Operating cash flow is an important KPI, is arguably more transparent for investors and is more aligned to the organic sales growth objectives in the budget. Therefore, the FY24/25 bonus measures will be underlying operating profit (60%), operating cash flow (24%) and non-financial objectives (16%). The non-financial objectives (16%) element will continue to be split into two equal parts with 8% based on strategic

objectives and the other 8% on ESG-related objectives.

- LTIP: The award to the Group Chief Executive will be 175% of salary and 160% of salary for the Group Finance Director. The LTIP measures will continue to be split between relative TSR (45%), EPS growth (45%) and an ESG target (10%) related to achieving carbon emission reductions in line with our net zero goals. Further details of the approach for 2024/25 and the performance targets can be found in the Annual Report on Remuneration.

The Remuneration Committee will consider the share price at the time of grant when finalising LTIP award levels, expected to be in June 2024. Based on the prevailing share price being around 20% lower than the 2023 grant price and around 14% lower than the average of the last three grants, it is not anticipated that any adjustment to the award level will be made.

There will be three votes at the Annual General Meeting on 26 July 2024 to approve (i) this Directors' Remuneration Report, (ii) the new Directors' Remuneration Policy, and (iii) the Deferred Share Bonus Plan. I would once again like to thank Shareholders for their time and input into the design of our new Policy and the approach to paying executives in FY2025. I hope you find the information in the report clear and are able to support both resolutions. If you have any questions on our Policy or on this Report then please contact me via the Company Secretary.

In October 2024, having served a full nine year term, I will retire from the Board of discoverIE. It has been a privilege to serve, and witness the Group successfully delivering its growth strategy, entering the FTSE 250 and delivering consistent strong Shareholder returns over the period. The Group welcomed Celia Baxter as a Non-Executive Director on 1 June 2023, with Celia joining the Remuneration Committee at the same time. Celia is a highly experienced Remuneration Committee Chair and will succeed me as Chair of the Committee on 1 November 2024. I wish Celia, the Board and all discoverIE colleagues continued success in the future.

Tracey Graham

Chair of the Remuneration Committee

Remuneration at a glance

When determining the Remuneration Policy, the Committee has ensured that the Directors' Remuneration Policy and practices are consistent with the six factors set out in Provision 40 of the 2018 Corporate Governance Code:

Clarity

Our Directors' Remuneration Policy is well understood by our senior executive team and the Company invited its principal Shareholders and Shareholder representative groups to consult on the updated Remuneration Policy and received good feedback. This report sets out the remuneration arrangements for the Executive Directors in a clear and transparent way.

Simplicity

The Committee is mindful of the need to avoid overly complex remuneration structures, which can be misunderstood and deliver unintended outcomes. Therefore, a key objective of the Committee is to ensure that our Directors' Remuneration Policy and practices are straightforward to communicate and operate. The Committee's approach to performance measures has always been that they must be understandable for participants in the schemes in order to ensure they are effective.

Risk

Our Directors' Remuneration Policy has been designed to ensure that inappropriate risk-taking is discouraged, including the use of a blend of financial, non-financial and Shareholder return targets. Shares play a significant role in our incentive arrangements; this includes the deferral under the annual bonus; malus/clawback provisions operate within our incentive plans.

Predictability

Our incentive plans are subject to individual caps, with our share plans also subject to standard dilution limits. The potential value and composition of the Executive Directors' remuneration packages at below threshold, target and maximum scenarios are provided in the relevant policy.

Proportionality

There is a clear link between individual awards, delivery of strategy and our long-term performance. The Committee has discretion to override formulaic results to ensure that they are appropriate and reflective of overall performance.

Alignment to culture

The variable incentive schemes and performance measures are designed to be consistent with the Group's purpose, values and strategy.

Executive Directors

In this section, we show the link between corporate performance for the year under review and the remuneration outcomes for the Executive Directors. The key features of the Executive Directors' remuneration for the year ended 31 March 2023 are also shown.

Corporate performance for the year

REVENUE

£437.0m

UNDERLYING OPERATING PROFIT

£57.2m

UNDERLYING EPS

36.8p

Remuneration outcomes for the Executive Directors for the year ended 31 March 2024

	Nick Jefferies £000	Simon Gibbins £000		
Salary FY 2023/24	530	347		
Bonus (£k and as % of salary)	500	273	94%	79%
Taxable benefits	12	13		
Pension benefits/ allowance	42	28		
Value of LTIP vesting	460	275		
Single figure of total remuneration	1,545	936		

The annual bonus for the year ended 31 March 2024 was based on the achievement against financial and non-financial measures. The bonus outcomes for the year were 94% of salary for the Group Chief Executive and 79% for the Group Finance Director. In accordance with the Remuneration Policy, 20% of the bonus will be deferred in shares.

LTIP awards were granted to both Executive Directors on 29 July 2021. These awards were based on relative TSR and EPS performance, measured for the three-year period ended 31 March 2024. The Company's EPS grew by 64% leading to full vesting of this element and TSR growth of 8.5% led to 70% of this element vesting, resulting in 85% vesting overall. The estimated value of the awards are shown in the above table. Awards are subject to a two-year holding period.

Directors' Remuneration Policy

This part of the Directors' Remuneration Report sets out the Directors' Remuneration Policy which will be subject to Shareholder approval at the Annual General Meeting on 26 July 2024 and it will take formal effect from that date. It has been prepared in accordance with the Companies Act 2006 (the "Act") and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The Policy is expected to remain in place until its normal renewal which will be the 2027 Annual General Meeting at the latest.

The Committee reviewed the Executive Directors' remuneration packages to ensure that they reflect the Company's own particular circumstances and are aligned with the Company's key strategic objectives, as set out in the Strategic Report, and with the long-term interests of its Shareholders.

Key objectives of our reward policy

The Remuneration Committee undertook a comprehensive review of the Executive Directors' remuneration arrangements and engaged with the Company's largest Shareholders on the proposed changes. The Committee has developed a set of principles and aims to ensure that directors' remuneration is:

- Aligned with discoverIE's strategy at this stage of its development and supports the business's medium and long-term plans

- Better aligned with practice internally and externally
- Competitive and fair compared against companies of our size and geographical complexity
- Focused on delivering long-term sustainable returns
- Compliant with Shareholders' latest views on executive pay and the requirements of the UK Corporate Governance Code
- Able to attract and retain high calibre Executive Directors and senior managers in a challenging and competitive business environment
- Simple, delivering an appropriate balance between fixed and variable pay.

When implementing the policy, the Committee:

- Takes account of pay and employment conditions elsewhere in the Group
- Ensures that incentive arrangements encourage responsible behaviour in all aspects of the Company's business, including financial, social, environmental and governance aspects; do not encourage excessive risk-taking; and are compatible with the Company's risk policies and procedures. The Committee has the discretion to take these factors into account when adjudicating bonus and LTIP outcomes
- Enters into open dialogue and consults with key Shareholders, when looking to make material changes to its approach to paying Executive Directors

- Considers market practice in terms of the structure and levels of Executive remuneration.

Changes to the Policy proposed for 2024

The Committee is proposing to make some revisions to the policy, within the current overall framework. The main changes can be summarised as follows:

- Bonus deferral: the proportion of bonus that is deferred in shares has been increased to 33.3% of bonus earned for those Executive Directors that have not achieved their shareholding guideline. For those at or above the shareholding guideline, the proportion of bonus deferred will remain at 20%. In respect of bonus earned from 2024/25 and thereafter, bonuses will be deferred gross of tax under the Deferred Share Bonus Plan.
- The LTIP individual policy limit has been increased to 200% of salary from 175% of salary.
- In the event of cessation of employment, for good leavers, deferred bonus awards will vest on the earlier of their normal vesting dates or the second anniversary of ceasing to be a Director. Similarly, for good leavers, LTIP awards will normally vest on their normal vesting dates with holding periods expiring on the earlier of their normal two-year expiry or the second anniversary of ceasing to be a Director. This aligns with the two-year post-cessation shareholding guideline that continues to apply in the 2024 Policy.

Remuneration Policy table

Element, purpose and link to strategy	Operation	Maximum opportunity	Performance targets
Base salary To recognise knowledge, skills and experience, as well as reflect the scope and size of the role and to attract and retain quality staff.	Salaries are normally reviewed annually with increases typically effective from 1 April. In determining Executive Directors' salaries, the Remuneration Committee takes into account: ■ Each Director's role, competence, experience and performance; ■ Average change in broader workforce pay; and ■ Total organisational salary budgets. Salaries are also benchmarked against companies of a comparable size and complexity and against companies which operate internationally, in similar sectors.	There is no prescribed maximum or maximum increase. However, any percentage increases will ordinarily be in line with those across the wider workforce. Salary increases may be higher in exceptional circumstances, such as the need to retain a critical executive, or an increase in the scope of the executive's role (including promotion to a more senior role) and/or in the size of the Group.	Although there are no formal performance conditions, any increase in base salary is only implemented after careful consideration of individual contribution and performance and having due regard to the factors set out in the "Operation" column of this table.
Benefits To help retain employees and remain competitive in the marketplace.	Directors, along with other senior UK executives, may receive certain benefits such as a car allowance, life assurance and critical illness cover, and family medical insurance. Any reasonable business-related expense (and any tax thereon) can be reimbursed if determined to be a taxable benefit. Executive Directors will be eligible to participate in any all-employee share plan operated by the Company, on the same terms as other eligible employees. For external and internal appointments or relocations, the Company may pay certain relocation and/or incidental expenses and provide tax equalisation, as appropriate.	There is no prescribed maximum as insurance cover can vary based on market rates. The maximum level of participation in all-employee share plans is subject to the limits imposed by the relevant tax authority from time to time.	Not applicable
Pension To facilitate long-term savings provisions.	The Company operates a defined contribution pension scheme. Executive Directors may receive a contribution to the pension scheme or take a cash allowance in lieu of pension contributions.	The maximum contribution rate for current and future Executive Directors will be the workforce contribution rate in the home country which is currently 8% of salary in the UK.	Not applicable

DIRECTORS' REMUNERATION REPORT continued

Element, purpose and link to strategy	Operation	Maximum opportunity	Performance targets
Annual bonus To reward the achievement of annual financial and strategic business targets.	Bonus is based on performance targets determined and reviewed by the Committee and are selected to be relevant for the year in question. Any payment is discretionary and the bonus payable is determined by the Committee after the financial year end, based on performance against these targets. Financial objectives are updated to reflect acquisitions, disposals and currency movements during the year. One third of any bonus earned (from 2025) will be deferred into share awards which vest after three years. For Executive Directors that have met their shareholding guideline, deferral reduces to 20% of any bonus earned. Dividends may accrue on deferred bonus shares. Malus and clawback provisions apply to cash and deferred elements of the bonus. Further details are provided in the notes to the Policy table.	The maximum bonus opportunity is 150% of salary for the Group Chief Executive and 125% of salary for other Executive Directors. Maximum bonus is payable for significant over-achievement of financial and non-financial bonus objectives. Typically, no more than 50% of the maximum bonus opportunity will be payable for achieving target performance.	The Committee sets performance measures and targets that are appropriately stretching each year, taking into account key strategic and financial priorities and ensuring there is an appropriate balance between incentivising Executive Directors to meet targets, while ensuring they do not drive unacceptable levels of risk or inappropriate behaviours. Financial measures may include (but are not limited to) underlying operating profit, working capital and cash flow. Non-financial measures may include strategic measures directly linked to the Company's priorities. A graduated scale of targets is normally set for each measure, with no payout for performance below a threshold level of performance. The Committee has discretion to amend the pay-out should any formulaic outcome not reflect the Committee's assessment of overall business or individual performance.

Element, purpose and link to strategy	Operation	Maximum opportunity	Performance targets
Long Term Incentive Plan To motivate Executives to deliver Shareholder value over the longer term.	Awards of conditional shares or nil-cost options are typically granted annually, which vest after three years dependent on the achievement of performance conditions and continued service. Vested awards are subject to a two-year post-vesting holding period (net of tax, if applicable). Dividend equivalents may be paid in respect of awards to the extent they vest by reference to dividends declared during the award's vesting period and holding period. Malus and clawback provisions apply to vested and unvested LTIP awards. Further details are provided in the notes to the Policy table. Vested share awards are settled through a combination of shares purchased in the market and newly issued shares, as appropriate. The Company monitors the number of shares issued under the schemes and their impact on dilution limits.	The maximum award in respect of any one financial year is an award over shares of market value at grant of 200% of salary (and 175% of salary for FY2024/25). The Committee will engage with Shareholders prior to increasing award levels from FY2024/25 levels. The Committee may increase the grant size of an LTIP award on grant (subject to the maximum award limit) if the award terms include that participants bear the cost of the Company's liability to employer's National Insurance arising on the settlement of their awards. The increased award size ensures that the participants are in a neutral position on an after-tax basis, assuming no change in tax rates. The Company is committed to remaining within The Investment Association's 10% dilution limit.	Performance metrics reflect the Group's strategic goals and milestones. The performance conditions may include, and are not limited to, relative TSR, earnings per share growth, return-based measures, strategic measures and ESG-related objectives. The Committee retains discretion to set alternative weightings or performance measures for awards granted over the life of the policy. Threshold performance will normally result in no more than 25% of the award vesting. The Committee retains discretion to adjust vesting levels taking into account such factors as it considers relevant, including, but not limited to, the overall performance of the Company or the relevant Participant who holds the Award.
Shareholding guidelines To further align the interests of Executives with those of Shareholders.	Executive Directors are expected to accumulate shares to the value of the relevant shareholding requirement. Wholly owned shares or share awards held which are no longer subject to performance conditions count towards the requirement (on a net of tax basis, if applicable). Shares held by a Director's spouse or dependents count towards the guideline. Executive Directors are required to retain at least 50% of their net of tax vested share awards until the in-employment shareholding guideline is met.	The current Executive Directors are required to build up and hold shareholdings to the value of 250% of salary. Any new Executive Directors appointed will be required to build up and hold shareholdings to the value of 200% of salary. Post cessation: Executive Directors are normally required to hold shares at a level equal to the lower of their shareholding at cessation and 200% of salary, for two years post-employment, from share awards granted after 29 July 2021. This excludes any share awards vesting from share plan awards made before this date and excludes shares purchased with own funds.	Not applicable.

DIRECTORS' REMUNERATION REPORT continued

Element, purpose and link to strategy	Operation	Maximum opportunity	Performance targets
Chairman and Non-Executive Director fees Provision of a competitive fee to attract Non-Executives who have a broad range of experience and skills	Fees are normally reviewed annually to ensure that they reflect an individual's time commitment and responsibilities. Annual fees are paid in 12 equal monthly instalments during the year. Fees for the Non-Executive Directors are determined by the Chairman and the Executive Directors. When determining fees, due regard is given to fees paid to Non-Executive Directors in other similarly-sized UK quoted companies, the time commitment and the responsibilities of the roles. Non-Executive Directors cannot participate in any of the Company's share incentive schemes and no Director is involved in any decision regarding their own remuneration. Additional fees, over and above the base fee payable to the Non-Executive Directors, are payable for chairing the Audit and Risk, Remuneration and Sustainability Committees and for acting as Senior Independent Director. Additional fees may be provided for chairing any other major Committee established by the Board or for material additional work undertaken. The Chairman's fee is reviewed annually and is set by the Committee (excluding the Chairman). The fee payable to the Chairman is typically an all-encompassing fee for all duties performed.	There is no limit on the individual fee level.	Not eligible to participate in any performance related elements of remuneration.

Notes to the Remuneration Policy table

Performance conditions and target setting

Each year, the Committee will determine the weightings, measures and targets as well as timing of grants and payments for the annual bonus and LTIP plans within the approved Policy and relevant plan rules (or documents). The Committee considers a number of factors which assist in forming a view. These include, but are not limited to, the strategic priorities for the Company over the short to long term, Shareholder feedback, the risk profile of the business and the macroeconomic climate.

The current Annual Bonus Scheme is measured against a balance of profitability, cash and the delivery of key strategic areas of importance for the business. Other measures may apply in future years depending on the priorities at the start of each year under the three-year Policy period.

The LTIP measures currently used are EPS growth targets, relative TSR and ESG targets. These measures were identified as those most relevant to driving sustainable bottom-line business performance, providing value for Shareholders, and ensuring the Group delivers on its ESG commitments for the benefit of all stakeholders.

Targets are set against the annual and long-term plans, taking into account analysts' forecasts, the Company's strategic plans, prior year performance, estimated vesting levels and the affordability of pay arrangements. Targets are set to provide an appropriate balance of risk and reward to ensure that, while being motivational for participants, maximum payments are only made for exceptional performance.

Malus and clawback

Malus and clawback provisions apply to the cash and deferred elements of the annual bonus and to LTIP awards. The malus and clawback provisions may be enforced in the event of material misstatement, serious misconduct, errors in calculation or calculations based on inaccurate or misleading information or assumptions, corporate failure (entailing the appointment of an administrator or liquidator) and material reputational damage.

Malus or clawback as relevant may be effected in a number of ways including by a reduction in the amount of any future bonus or subsisting award, the vesting of any subsisting award or future share award and/or a requirement to make a cash payment. In respect of bonus or deferred bonus the relevant discovery period expires three years from the payment of the bonus or grant of the deferred award as relevant. In respect of LTIP awards, the relevant discovery period expires on the second anniversary of the vesting of the awards.

Discretions and judgements

The Committee will operate the annual bonus plan and long-term incentive plan according to their respective rules and ancillary documents. Consistent with market practice, the Committee has discretion in a number of respects in relation to the operation of each plan. Discretions include:

- who participates in the plan
- determining the timing of grants of awards and/or payments
- determining the quantum of an award and/or payment
- determining the extent of vesting
- how to deal with a change of control or restructuring of the Group
- whether or not an Executive Director or a senior manager is a good/bad leaver for incentive plan purposes and whether the proportion of awards that vest do so at the time of leaving or at the normal vesting date(s)
- whether and how an award may be adjusted in certain circumstances (e.g., for a rights issue, a corporate restructuring or for special dividends)
- what the weighting, measures and targets should be for the annual bonus plan and LTIP plans from year to year
- the ability within the Policy to vary and/or adjust targets and/or set different measures or weightings for inflight annual bonus and LTIP plans, if events occur that cause it to consider it appropriate to do so, and, in the case of the LTIP, any amended performance conditions are not materially less challenging than the original conditions would

have been but for the events in question

- the ability to use its judgement to make adjustments to published outturns for significant events or changes in the Company's asset base that were not envisaged when the targets were originally set or for changes to accounting standards, to ensure that the performance conditions achieve their original purpose
- reduce or apply other restrictions to an award if, after taking into account all circumstances known to the Committee, it determines that the amount which a participant would otherwise receive pursuant to an incentive award in accordance with its terms would result in the participant receiving an amount which the Committee considers cannot be justified or which the Committee considers to be an unfair or undeserved benefit to the participant
- override formulaic outcomes to the bonus and the LTIP in order to ensure that outcomes reflect true underlying business performance or to reduce awards if the business has suffered an exceptional negative event in order to ensure that outcomes reflect overall corporate performance
- reduce or waive the post-employment shareholding requirement in the event of ill health or death. The post-employment shareholding requirement would normally fall away on a change of control, although the Committee reserves the right to continue its application where there is a merger involving a share-for-share exchange
- amend the Policy with regard to minor or administrative matters where it would be, in the opinion of the Committee, disproportionate to seek or await Shareholder approval

Any discretion exercised by the Committee in the adjustment of performance conditions will be fully explained to Shareholders in the relevant report.

DIRECTORS' REMUNERATION REPORT continued

Legacy arrangements

The proposed and previous directors' remuneration policies give authority to the Company to honour any commitments entered into with current or former directors (that have been disclosed to Shareholders in previous remuneration reports) or internally promoted future directors (in each case, such as the payment of a pension or the unwind of legacy share plans). Details of any payments to former directors will be set out in the relevant remuneration report as they arise.

Recruitment (and appointment) Policy

The remuneration package for a new Executive Director would be set in accordance with the terms of the Company's approved Remuneration Policy in force at the time of appointment. Similar considerations may also apply where a Director is promoted to the Board from within the Group.

Element	Recruitment policy
Base salary	The salary positioning for new Executive Director appointments will take into account a number of factors, including the current pay for other Executive Directors (in situ and departed), market levels of pay, the expertise, skills and experience of the individual, business need, location and his or her current level of pay. Where the Committee has set the salary of a new appointment at a discount to the market level initially until proven, they may receive an uplift or a series of planned increases (above the workforce increase) to bring the salary to the appropriate market position over time.
Benefits	Benefits provision would be in line with the Policy. The Committee may agree that the Company will meet appropriate relocation costs and/or incidental expenses or tax equalisation as appropriate.
Pension	Pension contribution (or a cash allowance in lieu of contribution) provision will be no more than the general workforce contribution rate for that location in place at the time.
Annual bonus	Eligible to take part in the annual bonus, with a maximum bonus opportunity not in excess of the limits set out in the policy. Participation will be on a pro rata basis to reflect the time in the role in the year of appointment. Depending on the timing of the appointment, the Committee may deem it appropriate to set different annual bonus performance conditions for the first performance year of appointment.
Long Term Incentive Plan	An LTIP award may be granted upon appointment but not in excess of the limits set out in the policy. An LTIP award may be made shortly following an appointment (assuming the Company is legally permitted to do so). The Committee may deem it appropriate to set different LTIP performance conditions than apply for other awards made during the year of appointment.
Compensation for forfeited remuneration	The approach in respect of compensation for forfeited remuneration in respect of a previous employer will be considered on a case-by-case basis taking into account all relevant factors, such as performance achieved or likely to be achieved, the proportion of the performance period remaining and the form of the award. The Committee retains the ability to make use of the relevant Listing Rule to facilitate the "buy-out". Any "buy-out" awards would normally take account of the nature, time horizons and performance requirements attached to the awards forfeited. In the case of an internal appointment, any variable pay element awarded in respect of the prior role would be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment.
Chairman and Non-Executive Directors	For the appointment of a new Chairman or Non-Executive Director, the fee arrangement would be set in accordance with the approved Policy.

Service contracts

It is the Company's policy that Executive Directors should have service contracts incorporating a maximum notice period of one year. However, it may be necessary occasionally to offer longer initial notice periods to new Executive Directors.

Non-Executive Directors have letters of appointment for a term of three years, subject to re-appointment by Shareholders at each Annual General Meeting. In line with the UK Corporate Governance Code, they are generally renewed for no more than nine years in aggregate. Non-Executive Directors are not eligible for payment on termination, other than payment to the end of their three-month notice periods (six months for the Chairman).

Name	Role	Date of original appointment	Expiry of current term
Bruce Thompson	Chairman	26 February 2018	25 February 2027
Nick Jefferies	Group Chief Executive	5 January 2009	12 months by either Director or Company
Simon Gibbins	Group Finance Director	10 June 2010	12 months by either Director or Company
Tracey Graham	Non-Executive Director	1 November 2015	31 October 2024
Rosalind Kainyah	Non-Executive Director	1 January 2022	31 December 2024
Clive Watson	Non-Executive Director	2 September 2019	1 September 2025
Celia Baxter	Non-Executive Director	1 June 2023	31 May 2026

Other than their service contracts, no contract of significance, to which any member of the discoverIE Group is a party and in which a Director is or was materially interested, subsisted at the end of, or during, the year.

Policy on payment for loss of office

Under the terms of their service contracts, any termination payments are not predetermined but are determined in accordance with the Director's contractual rights, taking account of the circumstances and the Director's duty to mitigate loss. The Company's objective is to manage its exposure to the risk of a potential termination payment.

The table below sets out key provisions for Executive Directors leaving the Company under their service contracts and the incentive plan rules.

Element	Termination Policy
Fixed pay	On termination, the Company may make a payment in lieu of notice ("PILON") which is equal to the aggregate of the base salary and cash equivalent of other benefits for the unexpired notice period. The Company may pay the PILON either as a lump sum or in equal monthly instalments, from the date on which the employment terminates until the end of the relevant period. If alternative employment is commenced, for each month that instalments of the PILON remain payable, the monthly amount paid may be reduced by the amount received from such alternative employment.
Annual bonus	Upon cessation of employment, there will be no entitlement to bonus for the year of exit and any unvested Deferred Share Bonus Plan ("DSBP") awards shall ordinarily lapse. If identified as a "good leaver"¹ for the purposes of the bonus plan, the bonus payout will be pro-rated for time based on the Committee's reasonable assessment of the achievement of the performance measures in respect of the relevant financial year. The bonus for the year of termination may be paid in cash or a mix of cash and deferred share bonus awards. If identified as a "good leaver"¹ under the DSBP, awards shall vest on the earlier of the normal vesting date and the second anniversary of cessation other than in the case of death where awards vest early.
LTIP	Upon cessation of employment, any unvested LTIP awards shall ordinarily lapse. Any vested awards which remain subject to a holding period will not be subject to forfeiture. If identified as a 'good leaver'¹ under the LTIP, outstanding awards will normally vest on their normal vesting dates (or on such earlier date as the Committee may determine, for example in the case of death), normally with a pro rata reduction for service in the normal vesting period up until the date of leaving and in each case subject to the outcome of the performance conditions (assessed on normal timetable or early as relevant). Holding periods will expire on the earlier of their normal two-year expiry or the second anniversary of ceasing to be a Director.

¹ Good leaver reasons include cessation of employment by reason of ill health, injury, disability, redundancy, retirement with the agreement of the Committee, the participant's office or employment being with a company which ceases to be a Group member or relating to a business which is transferred to a person who is not a Group member, or for any other reason at the Committee's discretion.

DIRECTORS' REMUNERATION REPORT continued

The Committee may also agree to make payments in reimbursement of a reasonable level of outplacement and legal fees and tax thereon in connection with a settlement agreement. The Committee may agree payments it considers reasonable in settlement of legal claims. This may include an entitlement to compensation in respect of leavers' statutory rights under employment protection legislation in the UK or in other jurisdictions.

Change of control or restructuring

On a change of control, all DSBP and LTIP awards will be released, subject to performance requirements and will ordinarily be pro-rated according to completion of the vesting period. In line with market practice and the Plan rules, the final treatment of any awards is subject to the discretion of the Committee.

There are no enhanced bonus provisions on a change of control.

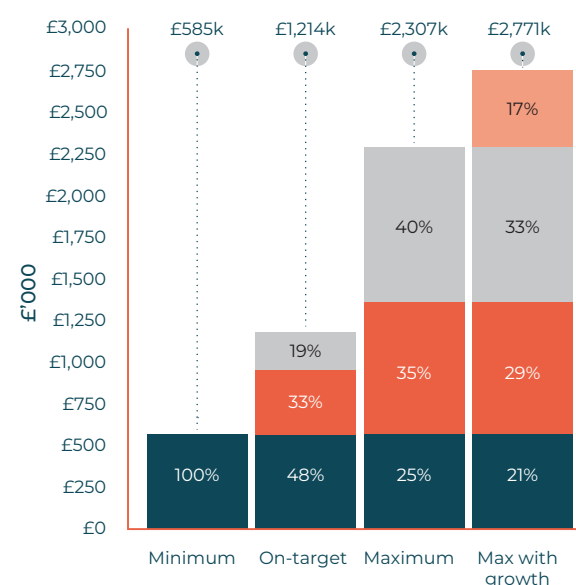
External appointments

The Executive Directors are entitled to accept one appointment outside the Group, provided that the Chairman's permission is obtained in advance of accepting an appointment and specific approval is given by the Board. Neither of the Executive Directors who served during the year held any Non-Executive appointments outside the Group.

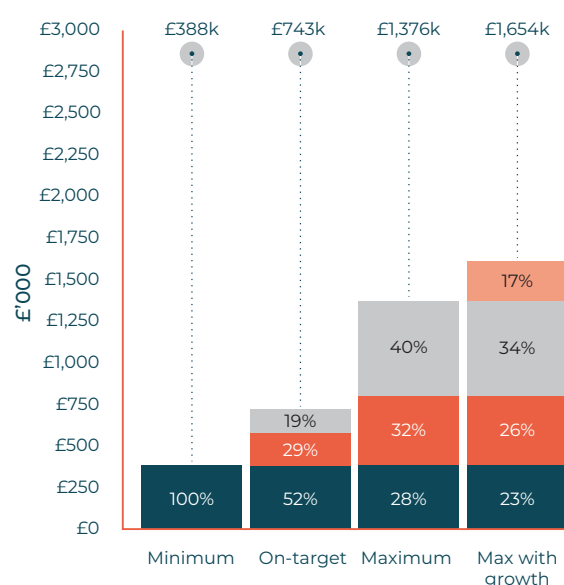
Illustration of the application of the Executive Directors' Remuneration Policy

The bar charts below illustrate some possible outcomes of the application of the Policy to be proposed to Shareholders at the Annual General Meeting on 26 July 2024 for the year ending 31 March 2025.

Group Chief Executive



Group Finance Director



● Fixed ● Annual Bonus ● Long-term incentive ● Share price growth

- 1 Minimum in the bar charts above is fixed remuneration only (i.e., 2025 salary, pension and the value of 2024 benefits as disclosed in the single figure table)
- 2 Target assumes that 25% of the LTIP award vests (based on an award with a face value of 175% and 160% of salary for the Group Chief Executive and Group Finance Director, respectively) and bonuses have been earned at the target levels (75% of salary for the Group Chief Executive and 62.5% of salary for the Group Finance Director)
- 3 Maximum assumes that the LTIP award vests in full (based on an award with a face value of 175% and 160% of salary for the Group Chief Executive and Group Finance Director) and the maximum bonus (150% and 125% of salary for the Group Chief Executive and Group Finance Director) have been earned
- 4 Maximum plus share price growth – this is based on the maximum scenario set out above but with a 50% share price increase applied to the value of LTIP awards

Projected values do not take into account dividend accrual or additional awards granted as a result of any agreement by an Executive Director to incur the Company's liability to employers' National Insurance.

Comparison with remuneration policy for other employees

The main difference in the Remuneration Policy between the Executive Directors and employees in general is the split of fixed and performance related pay, such as bonus and long term incentives. Overall the percentage of performance related pay, in particular longer term incentive pay, is greater for the Executive Directors. This reflects that Executive Directors have more freedom to act and the consequences of their decisions are likely to have a broader and more far reaching time span of effect than those decisions made by employees with more limited responsibility. As a consequence only Executive Directors, and other key senior employees in the Group, participate in the LTIP. Differing bonus arrangements (which are normally discretionary) operate elsewhere in the organisation and depend on the specific role and the country in which the employee operates.

The Company's approach to salary reviews is consistent throughout the Company with consideration given to responsibility, experience, performance, salary levels in comparable organisations and the Company's ability to pay. Employees are entitled to standard benefits according to their country of employment.

Consideration of employment conditions elsewhere in the Group

The Committee is provided annually with information on the salaries and proposed increases for the senior direct reports of the Chief Executive Officer, as well as data on the average salary increases for teams in each region within the Group. In addition, the Committee reviews and agrees all grants of share awards.

The Committee considers the general base salary increase within the geographical regions for the broader employee population when determining the annual salary increases for the Executive Directors and is cognisant of the Group's overall employment arrangements when reviewing and implementing the Executive Directors' Remuneration Policy.

Employee Engagement

As outlined on pages 90 to 93, there are a range of employee engagement initiatives in place across the Group and, as part of this employee engagement, the Company explains how its strategy links to remuneration and provides the opportunity for employees to ask questions and provide feedback on that strategy. The Group also consults on global inflationary pressures and pay rises, and will take local conditions into account, with higher rises being implemented in those countries where staff face the greatest pressure. As noted in the Group's Human Rights Policy (available at www.discoverieplc.com), the Group states that it is committed to paying wages at rates that are meaningfully ahead of local minimum statutory rates.

Consideration of Shareholder views

The Committee receives updates on the views of Shareholders and their representative bodies on best practice either directly or from its independent adviser, and takes these into account when making decisions on executive pay. The Committee seeks the views of key Shareholders on matters of remuneration in which it believes they may be interested. As part of the design of this Directors' Remuneration Policy, the Committee wrote to its largest Shareholders, representing 70% of our issued share capital, and met with or received feedback from almost all we engaged with (covering 65% of issued share capital). The feedback received was very supportive and this comprehensive Shareholder consultation exercise helped shape the Policy that is being put forward for Shareholder support at the Annual General Meeting on 26 July 2024.

DIRECTORS' REMUNERATION REPORT continued

Annual Report on Remuneration

The table below shows the total remuneration earned by Executive Directors for the year ended 31 March 2024 and the prior year.

Single total figure of remuneration for each Executive Director (audited)

		Salary £000	Benefits ¹ £000	Pension £000	Bonus ²	LTIP ³ £000	Total £000	Total Fixed Remuneration	Total Variable Remuneration £000
	FY24	530	12	42	500	460	1,545	585	961
Nick Jefferies	FY23	510	12	68	577	1,079	2,245	589	1,656
	FY24	347	13	28	273	275	936	388	548
Simon Gibbins	FY23	334	12	27	315	531	1,218	373	846

1 Taxable benefits comprise car allowance (£9,000 each) and family medical insurance.

2 For performance in the year under review, a bonus of 94% and 79% of salary was earned by Nick Jefferies and Simon Gibbins, respectively. Further details of performance against the targets can be found on pages 128 to 130. In accordance with the Remuneration Policy, 20% of these bonuses will be deferred in shares. The values in the above table include the cash and deferred elements in line with the reporting requirements. No discretion was applied by the Remuneration Committee.

3 The LTIP award granted to Nick Jefferies and Simon Gibbins on 29 July 2021 will vest on 29 July 2024, with 85% vesting. Further details of performance against the targets can be found on page 131. The original awards comprised 74,482 awards for Nick Jefferies and 44,521 awards for Simon Gibbins. Based on the average three-month share price to 31 March 2024 of £7.27, the estimated total values of the vested awards are £460,264 for Nick Jefferies and £275,119 for Simon Gibbins. As the share price at the date of grant (£9.87) is higher than the three-month average share price to 31 March 2024 (£7.27), none of the FY24 LTIP values in the above table are attributable to share price growth. No discretion was applied by the Remuneration Committee. Vested awards will attract dividend equivalents for the period between the date of grant and the earlier of the end of the two-year holding period or the date of exercise.

The LTIP values for FY23 were estimated last year based on the 3-month average share price to 31 March 2023. The values have been updated to reflect the actual share price on the vesting date (£8.49).

Single total figure of remuneration for Non-Executive Directors (audited)

	Basic fee		Committee Chair fees		SID fee		Total	
	FY24 £	FY23 £	FY24 £	FY23 £	FY24 £	FY23 £	FY24 £	FY23 £
Bruce Thompson ¹	187,200	104,167	–	–	–	5,833	187,200	110,000
Celia Baxter ²	43,750	–	–	–	–	–	43,750	–
Tracey Graham ³	52,500	50,000	10,000	10,000	10,000	4,167	72,500	64,167
Rosalind Kainyah	52,500	50,000	10,000	10,000	–	–	62,500	60,000
Clive Watson	52,500	50,000	10,000	10,000	–	–	62,500	60,000
Malcolm Diamond ⁴	–	104,000	–	–	–	–	–	104,000

1 Appointed Chairman on 1 November 2022.

2 Joined the Board on 1 June 2023.

3 Appointed as Senior Independent Director ("SID") on 1 November 2022.

4 Retired on 1 November 2022.

Incentive outcomes for Executive Directors for the year ended 31 March 2024

Annual bonus in respect of performance for the year (audited)

The maximum bonus opportunity for the year under review was 150% and 125% of salary for the Group Chief Executive and the Group Finance Director, respectively. Annual bonuses for the year under review were based on a sliding scale of operating profit targets (60%), simplified working capital (24%) and the achievement of non-financial objectives (16%).

Based on the performance during the year, profit of £57.2m was between target and maximum and Simplified Working Capital of 24.7% was below threshold. Non-financial objectives were determined to have been substantially met. This performance has resulted in bonuses of 63% of maximum.

Full details, including the targets set and performance against each of the metrics, are provided in the table below:

	Weighting	Threshold ¹	Target (50% payable)	Maximum (100% payable)	Actual	Bonus earned (% of maximum)
Group underlying operating profit (£m)	60%	£46.5m	£53.1m	£59.7m	£57.2m	81%
SWC ²	24%	24.2%	23.0%	21.9%	24.7%	0%
Strategic objectives	8%				see below	90%
ESG objectives	8%				see below	90%
Outcome (% of max)						63%

¹ Threshold payout under the underlying operating profit target is 10% of salary for both Directors and under the Simplified Working Capital measure is nil

² Simplified Working Capital ("SWC") is calculated based on the average of trade payables and receivables and inventories across the financial year, as a percentage of total Group revenue

Each Executive Director was given a number of individual non-financial strategic and ESG objectives, tailored to their role and to business requirements in the year. Nick Jefferies and Simon Gibbins each substantially achieved these objectives.

Nick Jefferies

Objective	Performance	Assessment
General Non-Financial Objectives		
1. Design wins	■ Design wins up 23%	Achieved
2. Acquisitive growth	■ Completed the acquisitions of Silvertel, 2J Antennas, Shape, DTI and IKN. Also sold the Santon solar business unit	Achieved
3. Improve margins	■ Underlying operating margin up 1.7% CER to 13.1% CER alongside 16% growth in operating profit to £57.2m	Achieved
4. Develop international investor base	■ Non-UK investors increased ■ ESG investors increased	Achieved
ESG Objectives		
1. Reduce carbon emissions on an absolute basis towards CY2025 target of 65%	■ CY2023 carbon emissions reduced by 47% in line with CY2025 goal	Achieved
2. Embed new Group Management Committee ("GMC")	■ Achieved and maintained diversity at Senior Management level	Achieved
3. Define and monitor Group wide ESG objectives.	■ Achieved further improvements in ISO 14001 and ISO 45001 coverage	Achieved

DIRECTORS' REMUNERATION REPORT continued

Simon Gibbins

Objective	Performance	Assessment
General Non-Financial Objectives		
1. Equity and debt funding to support acquisition plans	■ Funded five acquisitions in the year	Achieved
2. Opex and capex management	■ Managed successfully throughout the year	Achieved
3. Develop US and European investor base	■ Non-UK investor base increased	Achieved
4. Complete auditor tender process	■ Audit tender process for FY2025 successfully completed (see Audit & Risk Committee Report)	Achieved
5. Embed Group IT function as a support service within a decentralised group	■ New IT function contributing to improvements	Achieved
ESG Objectives		
1. Continue to develop and support ESG initiatives and reporting across the Group	■ ESG initiatives and targets set and monitored as planned	Achieved
2. Further develop Group Risk and Internal Audit function and finalise preparation for UK BEIS reforms	■ Achieved	Achieved
3. Develop ESG investor base	■ ESG investors increased	Achieved
4. Development of internal Finance teams	■ Internal moves completed to support the business	Substantially achieved

The Committee assessed these achievements against the pre-set personal objectives and in the context of overall business performance and decided to award Nick Jefferies and Simon Gibbins a 90% payout for this element of their respective bonuses. This means that, for the year under review, Nick Jefferies earned a bonus of 94% of salary and Simon Gibbins earned a bonus of 79% of salary. In accordance with the Remuneration Policy, 20% of all bonuses are deferred into shares, as follows:

	Bonus outcome (% of maximum)	Bonus opportunity (% of salary)	Bonus outcome	Cash element 80%	Deferred share element 20%
Nick Jefferies	63%	150%	£500,397	£400,318	£100,079
Simon Gibbins	63%	125%	£273,076	£218,461	£54,615

Deferred shares must be held for three years after grant. Other than the malus and clawback terms referred to on page 123, there are no conditions, whether performance or non-performance related, attached to these shares.

2021 LTIP vesting (audited)

LTIP Awards were granted on 29 July 2021 to Nick Jefferies and Simon Gibbins with vesting dependent on relative TSR performance against a comparator group made up of constituents of the FTSE Small Cap Index excluding Investment Trusts (50%) and the growth in underlying EPS over the three-year period ending 31 March 2024 (50%). The specific targets were as follows:

Relative TSR ranking against the FTSE Small Cap excluding Investment Trusts (50% weighting)

Relative TSR ranking against peers	% of award vesting	Actual performance
Upper quartile (or above)	100%	discoverIE's TSR over the period was 8.5%, which was between median and upper quartile, resulting in 70% vesting
Between median and upper quartile	Straight-line vesting between 25% and 100%	
Below median performance	0%	

EPS Performance (50% weighting)

EPS growth from FY21 to FY24	% of award vesting	Actual performance
Equal to or above 12ppts p.a.	100%	64ppts growth over the three-year period, which was higher than the maximum target of 12ppts p.a., resulting in 100% vesting
Between 5ppts p.a. and 12ppts p.a.	Straight-line vesting between 25% and 100%	
Below 5ppts p.a.	0%	

The EPS measure was met in full, leading to vesting of 100% of that element, and the TSR measure vested 70% and, therefore, 85% of the 2021 LTIP award will vest on 29 July 2024. The EPS element was subject to the Committee being satisfied as to the Group's return on capital employed ("ROCE") over the performance period. The Committee has considered ROCE for that period and was satisfied that the EPS element should vest in full. The vested awards are subject to a two-year holding period, during which period dividends will accrue on the vested awards. No dividends accrued between the date of grant and vesting.

Director	Date of grant	Number of awards granted	Vesting outcome	Number of vested awards	Value of vested awards
Nick Jefferies	29 July 2021	74,482	85%	63,310	£460,264
Simon Gibbins	29 July 2021	44,521		37,843	£275,119

The estimated value of the vested awards is based on the three-month average share price to 31 March 2024 (£7.27).

Share awards made during the year (audited)

The following LTIP awards were granted on 14 June 2023:

Director	Face value as % of salary	Face value ¹	Number of shares	Threshold vesting (% of face value)	Maximum vesting (% of face value)	End of performance period
Nick Jefferies	175%	£927,644	100,794	25%	100%	31 March 2026
Simon Gibbins	160%	£555,174	60,323			31 March 2026

¹ The face value of the awards is based on a share price of £9.2034, being the three-day average share price directly prior to the grant of the award.

In addition to the grants set out above, 5,655 awards were granted to Simon Gibbins (with a face value of £52,043, based on a share price of £9.20), in return for him bearing a proportion of the Company's liability to employer's National Insurance arising on exercise. The additional award ensures he is in a neutral position on an after-tax basis, assuming unchanged tax rates. The award was granted on the same date and under the same conditions as those set out in the table above.

DIRECTORS' REMUNERATION REPORT continued

Vesting of these awards is subject to the following performance conditions:

Relative TSR ranking against the FTSE 250 excluding Investment Trusts (45% weighting)

Relative TSR ranking against peers	% of award vesting
Upper quartile (or above)	100%
Between median and upper quartile	Straight-line vesting between 25% and 100%
Below median performance	0%

EPS Growth (45% weighting)

EPS Growth	% of award vesting
Equal to or above 13ppts per annum	100%
Between 5ppts and 13ppts per annum	Straight-line vesting between 25% and 100%
Below 5ppts per annum	0%

Carbon Emission Reduction (10% weighting)

Reduction in carbon emissions between CY2021 and CY2025% of award vesting

Equal to or above 65%	100%
Between 45% and 65%	Straight-line vesting between 25% and 100%
Below 45%	0%

For the TSR and EPS elements, performance is measured over three years from 1 April 2023 to 31 March 2026. For the TSR measure, one-month average prices are used prior to the start and end of the performance period. In the case of the EPS measure, performance is measured based on growth from FY 2022/23 to FY 2025/26. For the carbon emissions element, performance is measured based on the reduction in the Group's carbon emissions between CY2021 and CY2025 measured on an underlying basis (i.e. like-for-like disregarding acquisitions) and on the assumption that the methodology used to calculate CY2025 outcome is no harder than that used to calculate CY2022 carbon emissions.

Vested shares will be subject to an additional two-year holding period.

Deferred bonus share awards were granted on 26 June 2023. As part of the terms of the bonus relating to FY2022/23, 20% of the annual bonus for both Executive Directors was deferred into shares.

Director	Grant date	Face value ¹ (20% of FY22 bonus, net of tax)	Number of shares	Vesting date
Nick Jefferies	26 June 2023	£61,213	7,179	26 June 2026
Simon Gibbins	26 June 2023	£33,385	3,915	26 June 2026

¹ Shares were acquired at a market price of £8.45 per share

Pension arrangements (audited)

The Company does not operate a defined benefit pension scheme for Executive Directors. Pension contributions/cash allowances for the Executive Directors are set out in the single figure table on page 127 of this Report and were based on a contribution rate of 8%, in line with the UK employee pension contribution rate.

Directors' interests under the Long-Term Incentive Plans

Movements in the Executive Directors' holdings of nil-cost options under the LTIPs during the year are shown below. Values are calculated using the closing share price on 28 March 2024 (£7.57). No awards were exercised or lapsed in the year. The performance criteria for the 2023 LTIPs are set out on page 132.

	Number held at 31.03.2024	Movements during the year				Number held at 31.03.23	Vested but not exercised	Share value at 31.03.2024 £	Grant date	When exercisable
		Granted	Vested	Exercised	Lapsed					
Nick Jefferies	242,788(v)	–	–	–	–	242,788	242,788	1,837,905	31/03/2017	Mar 2022 to Mar 2027
	123,998(v)	–	–	–	–	123,998	123,998	938,665	29/03/2018	Mar 2023 to Mar 2028
	166,236(v)	–	–	–	–	166,236	166,236	1,258,407	30/04/2019	Apr 2024 to Apr 2029
	127,039(v) ¹²	–	–	–	–	127,039	127,039	961,685	30/06/2020	Jun 2025 to Jun 2030
	63,310(v) ³⁸	–	63,310	–	11,172	74,482	63,310	479,257	29/07/2021	Jul 2026 to Jul 2031
	131,364(nv)	–	–	–	–	131,364	–	994,425	21/06/2022	Jun 2027 to Mar 2032
	100,794(nv)	100,794	–	–	–	–	–	763,011	14/06/2023	Jun 2028 to Mar 2033
Simon Gibbins	106,900(v)	–	–	–	–	106,900	106,900	809,233	31/03/2017	Mar 2022 to Mar 2027
	63,190(v) ⁴	–	–	–	–	63,190	63,190	478,348	29/03/2018	Mar 2023 to Mar 2028
	92,006(v) ⁵	–	–	–	–	92,006	92,006	696,485	30/04/2019	Apr 2024 to Apr 2029
	62,500(v) ⁶	–	–	–	–	62,500	62,500	473,125	30/06/2020	Jul 2025 to Jul 2030
	37,843(v) ⁷⁸	–	37,843	–	6,678	44,521	37,843	286,472	29/07/2021	Jul 2026 to Jul 2031
	78,619(nv) ⁹	–	–	–	–	78,619	–	595,146	21/06/2022	Jun 2027 to Mar 2032
	60,323(nv) ¹⁰	60,323	–	–	–	–	–	456,645	14/06/2023	Jun 2028 to Mar 2033

(v) = vested; (nv) = non-vested

- The award, in the form of a nil-cost option over 127,039 shares in the Company was made to Nick Jefferies on 30 June 2020. The performance conditions attached to the award resulted in 100% vesting on 3 July 2023.
- An additional award of 13,985 nil-cost options was made on 30 June 2020 such that Nick Jefferies is in a net neutral position after tax, assuming unchanged tax rates, as a result of his agreement to take on a proportion of the Company's liability to employer's National Insurance on the June 2020 award. This is in addition to the 127,039 shares set out above and is subject to the same vesting and exercise conditions.
- An additional award of 12,413 nil-cost options was made on 29 July 2021 such that Nick Jefferies is in a net neutral position after tax, assuming unchanged tax rates, as a result of his agreement to take on a proportion of the Company's liability to employer's National Insurance on the July 2021 award. This is subject to the same vesting and exercise conditions as the main award.
- An additional award of 13,916 nil-cost options was made on 29 March 2018 such that Simon Gibbins is in a net neutral position after tax, assuming unchanged tax rates, as a result of his agreement to take on the Company's liability to employer's National Insurance on the March 2018 award. 75.9% of the 2018 award vested on 29 March 2021; meaning 63,190 options from the "base award" vested and 20,065 options from the "base award" lapsed; and 10,562 options from the NI element vested and 3,353 options from the NI element lapsed.
- An additional award of 15,379 nil-cost options was made on 30 April 2019 such that Simon Gibbins is in a net neutral position after tax, assuming unchanged tax rates, as a result of his agreement to take on the Company's liability to employer's National Insurance on the April 2019 award. This is in addition to the 92,006 shares set out above.
- An additional award of 10,446 nil-cost options was made on 30 June 2020 such that Simon Gibbins is in a net neutral position after tax, assuming unchanged tax rates, as a result of his agreement to take on the Company's liability to employer's National Insurance on the June 2020 award. This will vest in full on 3 July 2023.
- An additional award of 7,441 nil-cost options was made on 29 July 2021 such that Simon Gibbins is in a net neutral position after tax, assuming unchanged tax rates, as a result of his agreement to take on the Company's liability to employer's National Insurance on the July 2021 award. This is subject to the same vesting and exercise conditions.
- The performance conditions attached to the award will result in 85% vesting on 29 July 2024.
- An additional award of 7,370 nil-cost options was made on 21 June 2022 such that Simon Gibbins is in a net neutral position after tax, assuming unchanged tax rates, as a result of his agreement to take on the Company's liability to employer's National Insurance on the June 2022 award. This is subject to the same vesting and exercise conditions.
- An additional award of 5,655 nil-cost options was made on 8 June 2023 such that Simon Gibbins is in a net neutral position after tax, assuming unchanged tax rates, as a result of his agreement to take on the Company's liability to employer's National Insurance on the June 2023 award. This is subject to the same vesting and exercise conditions.

DIRECTORS' REMUNERATION REPORT continued

Directors' share interests (audited)

The interests of the Directors who held office as at 31 March 2024 (including family interests) in ordinary shares (fully paid, 5p) of the Company, were as follows:

Shares held at 31 March 2024						
	Unencumbered shares	Nil cost options vested but not exercised and outside of holding period	Nil cost options vested but subject to additional holding period ³	Nil cost options subject to performance conditions	Unencumbered shares held at 31 March 2023	Value of current shareholding (% of salary)
Nick Jefferies	1,264,370 ¹	533,022	190,349	232,158	1,257,191	1,806%
Simon Gibbins	402,153 ²	262,096	100,343	138,942	398,238	877%
Tracey Graham	10,330	–	–	–	10,330	
Bruce Thompson	49,000	–	–	–	45,000	
Clive Watson	22,900	–	–	–	19,125	
Rosalind Kainyah	656	–	–	–	656	
Celia Baxter	2,791	–	–	–	–	

1 Nick Jefferies holds 1,264,370 shares outright. In line with the Remuneration Policy, 20% of bonuses from FY2019/20 onwards were deferred into shares. The figure of 1,264,370 includes the shares bought with those deferred bonuses.

2 Simon Gibbins holds 402,153 shares outright. In line with the Remuneration Policy, 20% of bonuses from FY2021/22 onwards were deferred into shares. The figure of 402,153 includes the shares bought with those deferred bonuses.

3 Options subject to the additional holding period are not capable of exercise. No further performance conditions apply.

The interests of all Directors at 1 June 2024 are unchanged from those at 31 March 2024. The values of current shareholdings for Nick Jefferies and Simon Gibbins have been valued using the share price as at 28 March 2024 of £7.57 and include all options that have vested but remain unexercised and are based on salaries as at 1 June 2024.

Both of the Executive Directors have met the current shareholding requirements. In accordance with the remuneration policy, Executive Directors are required to build up/maintain a shareholding of at least 250% of salary within seven years.

The figures for shares/ nil cost options subject to performance conditions exclude any additional awards to Executive Directors in respect of employer's National Insurance.

New Executive Directors are required to build up/ maintain a shareholding of at least 200% of salary, including LTIP shares where performance conditions no longer apply.

Dilution

The Company's share schemes are funded through a combination of shares purchased in the market and newly issued shares, as appropriate. The Company monitors the number of shares issued under the schemes and their impact on dilution limits.

As at 31 March 2024, approximately 5.4m shares (5.6% in the last ten years) have been, or may be, issued to settle awards made in the last ten years in connection with all share schemes and executive share schemes, respectively. The Company is committed to remaining within The Investment Association's 10% in 10 years dilution limit.

Payments for loss of office (audited)

There were no payments for loss of office during the year.

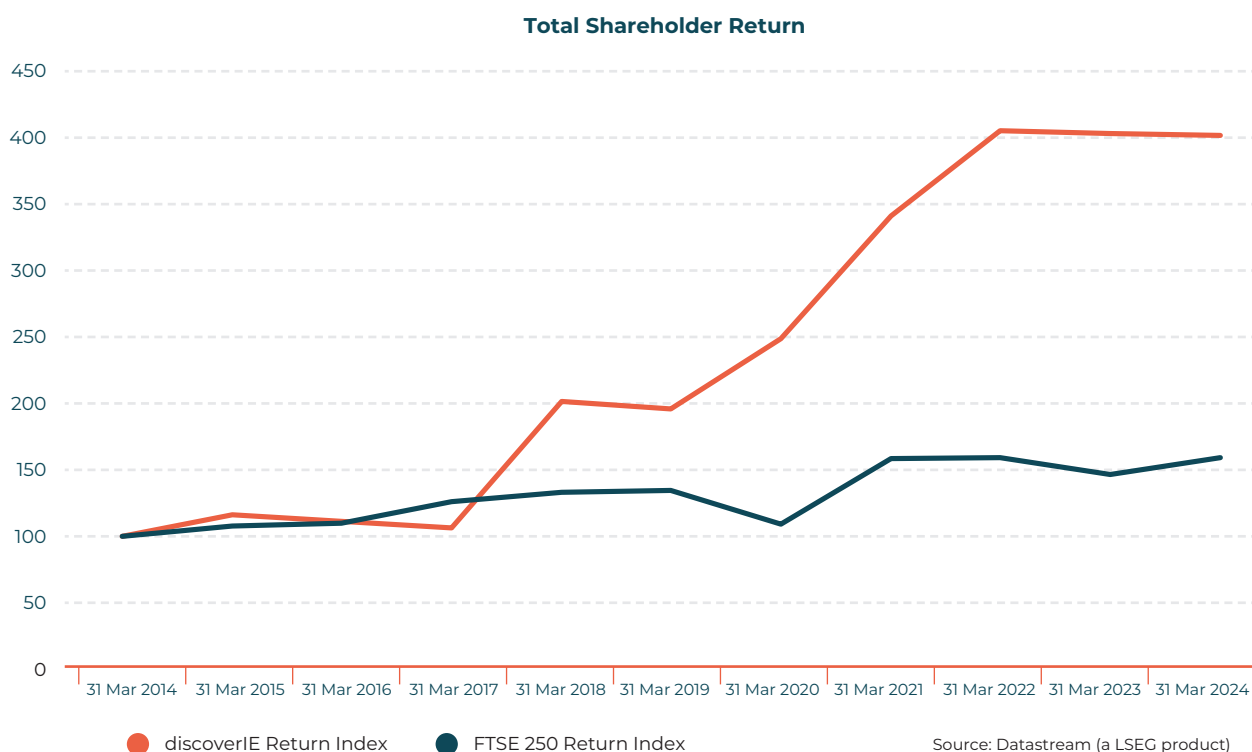
Payments to past Executive Directors (audited)

There were no payments to past Executive Directors during the year.

This represents the end of the audited section of the Report.

Pay for performance

The graph below shows Total Shareholder Return (TSR) in terms of change in value (with dividends deemed to be reinvested gross on the ex-dividend date) of an initial investment of £100 on 31 March 2014 between that date and 31 March 2024 in a holding of the Company's shares, compared with the corresponding TSR in a hypothetical holding of £100 invested in the FTSE 250 Index. The index has been chosen because it is considered to be a reasonable comparator in terms of the Company's size and its share liquidity. The accompanying table details the Group Chief Executive's single figure of remuneration and actual variable pay outcomes over the same period.



Group Chief Executive single figure of total remuneration history

Nick Jefferies was Group Chief Executive throughout the period shown in the table below.

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Single figure of total remuneration (£'000)	1,246	1,321	665	1,803	1,796	2,093	1,717	2,580	2,245 ²	1,545
Salary (£'000)	330	425	429	438	453	467	443	490	510	530
Bonus outcome (% of maximum)	59	60	43.5	63.7	69.2	62.0	60.1	100	76	63
LTIP outcome (% of maximum)	100	100	–	100	100	100	75.9	100	100	85
Turnover (£m)	271	288	338	387.9	438.9	466.4	454.3	379.2	448.9	437.0
Underlying operating profit (£m)	13	16	20	24.5	30.6	37.1	35.2	41.4 ¹	51.8	57.2

¹ Continuing operations

² The LTIP values for FY23 were estimated last year based on the 3-month average share price to 31 March 2023. The values have been updated to reflect the actual share price on the vesting date (£8.49).

DIRECTORS' REMUNERATION REPORT continued

Group Chief Executive remuneration

Annual Percentage Change in Remuneration of Directors and employees

As required by the 2019 regulations, the table below shows a comparison of the annual change of each individual Director's pay to the annual change in average UK employee pay. discoverIE Group plc has no employees itself and therefore the Committee has selected this comparator group on the basis that the Executive Directors are UK-based. Average employee pay is based on a Full Time Equivalent (FTE) calculation.

	% change from 2020 to 2021			% change from 2021 to 2022			% change from 2022 to 2023			% change from 2023 to 2024		
	Salary or fees	Benefits	Bonus	Salary or fees	Benefits	Bonus	Salary or fees	Benefits	Bonus	Salary or fees	Benefits	Bonus
Employees	5%	0%	44%	5%	0%	153%	5%	59%	13%	6%	6%	1%
Executive Directors												
Nick Jefferies	-5%	-3%	-8%	11% ¹	2%	121%	4%	-8%	-21%	4%	-37%	-13%
Simon Gibbins	-5%	-3%	-8%	11% ¹	2%	129%	3%	26%	-23%	4%	4%	-13%
Non-Executive Directors												
Malcolm Diamond	-5%	–	–	11% ¹	–	–	-29% ³	–	–	–	–	–
Tracey Graham	-5%	–	–	11% ¹	–	–	13% ⁴	–	–	13%⁴	–	–
Rosalind Kainyah	n/a ²	–	–	n/a ²	–	–	397% ⁵	–	–	4%	–	–
Bruce Thompson	-5%	–	–	11% ¹	–	–	94% ⁶	–	–	70%⁶	–	–
Clive Watson	-5%	–	–	11% ¹	–	–	6%	–	–	4%	–	–

1 Salaries and fees for the year ended 31 March 2021 were voluntarily reduced by all Directors by 20% for three months in light of the pandemic, as explained in the 2022 Annual Report. Without that reduction, the underlying increase in salary and fees from 2021 to 2022 was 5%

2 Joined the Board in January 2022

3 The reduction in Malcolm Diamond's fee in FY 2022/23 reflects his retirement from the Board on 1 November 2022

4 The increase in Tracey Graham's fees for FY 2022/23 and FY 2023/24 reflect her appointment as Senior Independent Director from 1 November 2022

5 The increase in Rosalind Kainyah's fee in FY 2022/23 reflects her appointment towards the end of FY 2021/22, with FY 2022/23 showing a full year of fees, as well as her appointment as Chair of the Sustainability Committee from 1 April 2022

6 The increase in Bruce Thompson's fees for FY 2022/23 and FY 2023/24 reflect his appointment as Chairman from 1 November 2022.

CEO pay ratio

The table below sets out the pay ratios for the Group Chief Executive in relation to the equivalent pay for the lower quartile, median and upper quartile employees (calculated on a full-time basis). The principal reason for the changes between 2020, 2021 and 2022 are the changes in the overall remuneration of the Group Chief Executive, with a voluntary reduction in salary and bonuses in 2021 during Covid and a full bonus payout in 2022. In 2023, the ratios returned closer to pre-pandemic levels.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2024	Option B	60:1	45:1	26:1
2023	Option B	86:1	69:1	43:1
2022	Option B	117:1	68:1	44:1
2021	Option B	63:1	47:1	25:1
2020	Option B	83:1	57:1	40:1

1 The Company determined the remuneration figures for the employee at each quartile with reference to a date of 31 March 2024

2 The Group used calculation method B as the Gender Pay Gap data is already collated for UK employees and was therefore readily available

3 Following a review, the Committee was satisfied that the three individuals reported on are representative of the lower quartile, median and upper quartile employees. No adjustments or estimates were used.

Set out in the table below is the total pay and benefits as well as the salary component of remuneration for the employees identified as being at the relevant percentiles.

£	25th percentile	Median	75th percentile
Salary	£25,000	£30,000	£50,227
Total pay and benefits	£25,750	£34,400	£59,691

The 2024 median CEO pay ratio of 45:1 is significantly lower than last year (69:1). This reflects the lower variable remuneration earned by the Group Chief Executive this year (see page 127), combined with the higher salary, pay and benefits earned by the wider workforce (£34,400 in FY24, up from £32,311 last year).

Importance of the spend on pay

The table below shows the importance of the spend on pay for all employees across the globe compared with the returns distributed to Shareholders, during the year under review and the prior financial year. The information is based on like-for-like constant currency and includes annualised prior year acquisitions.

£	2024 £m	2023 £m	change %
Remuneration paid to or receivable by all employees	112.1	105.7 ¹	6%
Distributions to Shareholders by way of dividends (net of share issues)	11.2	10.5	7%

¹ Prior year remuneration to all employees restated by £8.8m, to include the correct direct labour costs.

Statement of implementation of the remuneration policy in the financial year ending 31 March 2025

The table below sets out a summary of how the remuneration policy will apply during 2024/25.

Remuneration element	Remuneration for year ending 31 March 2025
Base salary	- Salaries for FY 2024/25 are: £530,082 for the Group Chief Executive (no increase). £346,984 for the Group Finance Director (no increase). As part of the Policy review undertaken by the Committee, it was proposed that increases of 11.3% and 13.0% would be made for the Group Chief Executive and the Group Finance Director respectively¹. As set out in the Annual Statement, while there was support from investors for the increase, at the request of the management team no increases will be made from 1 April 2024. Instead the Committee will consider an appropriate time to implement these increases, either later this year or next. Base salary increases across the Group for FY 2024/25 vary according to local conditions, with up to 20% in some countries.
Pension	- Cash equivalent of 8% of salary (in line with the UK workforce). - Any new or promoted Executive Directors will have a pension contribution of 8% of salary, which is in line with the UK workforce.
Annual bonus	- The maximum bonus opportunity will be 150% of salary for Group Chief Executive and 125% of salary for Group Finance Director. - Target bonus opportunity is 50% of maximum. - Performance metrics are based 60% on operating profit, 24% on operating cashflow, 8% on strategic objectives, and 8% on environmental, social and governance ("ESG") matters. Due to the close link between targets and the long-term strategy, the bonus targets for the year ending 31 March 2025 have not been disclosed in this report due to commercial sensitivity. However, further information on these bonus targets will be disclosed in next year's Annual Report and Accounts. - Mandatory deferral of 20% of any bonus earned into discoverIE shares for a period of three years under the new Deferred Share Bonus Plan.
LTIP	- LTIP awards for FY 2024/25 will be at 175% of salary for the Group Chief Executive and 160% of salary for the Group Finance Director² which is in line with last year and lower than the proposed LTIP policy limit. The Remuneration Committee will consider whether any adjustment to the award level is required as a result of share price movement. - Performance metrics and targets will be based 45% on underlying EPS growth, 45% on Relative TSR and 10% on achievement of carbon emission reductions. - The EPS range will require growth of 5% p.a. for threshold vesting and 12% p.a. growth for full vesting. Vesting of the EPS element shall also be subject to an underpin requiring the Committee to be satisfied with the Group's annual rate of return on capital employed ("ROCE") over the measurement period. - The TSR peer group will be the FTSE 250 (excluding Investment Trusts). Threshold vesting (25%) will apply for median performance and full vesting (100%) will require upper quartile or higher. - The carbon emission reduction target will be based on the reductions in the Group's carbon emissions achieved by CY2026³ against the CY2021 baseline. Threshold vesting (25%) will apply for a reduction of 50% and maximum vesting will apply for a reduction of 70%.
Shareholding guidelines	A shareholding guideline of 250% of salary applies for the Group Chief Executive and Group Finance Director.

DIRECTORS' REMUNERATION REPORT continued

- As set out in the Annual Statement, the Committee undertook a benchmarking exercise as part of the Policy review. The peer group was based on companies of a broadly similar size to discoverIE by market capitalisation, comprising the following companies: AG Barr, AO World, Ascential, Auction Technology Group, Bakkavor, Baltic Classifieds, C&C Group, Centamin, Ceres Power, Chemring, Clarkson, Crest Nicholson, Currys, Diversified Energy, Elementis, Empiric Student Property, FDM Group, Ferrexpo, FirstGroup, Future, Genuit, Great Portland Estates, Helios Towers, Hilton Food, Ibstock, Integrafin, IP Group, JD Wetherspoon, John Wood, Jupiter Fund Management, Just Group, Keller, Marshalls, ME Group, Mobico, Moonpig, Morgan Advanced Materials, Morgan Sindall, Puretech Health, PZ Cussons, Redde Northgate, Senior, Sirius Real Estate, Spirent Communications, STthree, TI Fluid Systems, Tullow Oil, Tyman, WAG Payment Solutions and Workspace Group.
- Additional awards may be granted to the Group Finance Director in return for him bearing some of the Company's liability to Employer's National Insurance arising on the exercise of the grant referred to above. The additional award ensures that he is in a neutral position on an after-tax basis, assuming no change in the tax rate.
- To be measured on an underlying basis and based on the assumption that the methodology used to calculate CY2026 outcome is no harder than that used to calculate CY2022 carbon emissions (including the conversion factors used to convert energy use into tCO₂e figures) and that the availability and pricing of renewable electricity is consistent with CY2022 market conditions.

The fees for the Non-Executive Directors have not changed and are as follows:

As at 1 April 2024	Basic fee (£)	Committee Chair fee (£)	SID fee (£)	Total £
Bruce Thompson	187,200	–	–	187,200
Celia Baxter	52,500	–	–	52,500
Tracey Graham	52,500	10,000	10,000	72,500
Rosalind Kainyah	52,500	10,000	–	62,500
Clive Watson	52,500	10,000	–	62,500

Role of the Remuneration Committee

The Committee is responsible for considering and making recommendations to the Board on the remuneration of the Executive Directors. In doing so, it reports to the Board on how it has discharged its responsibilities and operates within agreed terms of reference, which can be found on the Group's website. The members of the Committee are set out on page 113.

The Committee also considers the recommendations of the Group Chief Executive with regard to senior management who are not Executive Directors, in determining their remuneration packages, including bonuses, incentive payments, share options and other share-based awards. The Group Company Secretary provides administrative support.

Advisers

During the year, the Committee received independent advice on executive remuneration from FIT Remuneration Consultants LLP ("FIT"). FIT was appointed by the Committee following a competitive tender process. FIT is a signatory to the Remuneration Consultants' Code of Conduct. FIT does not provide any services other than advice to the Remuneration Committee and the Committee considers FIT to be independent and objective. The fees paid to FIT for advising the Committee for the financial year ended 31 March 2024 were £55,533, based partly on a fixed fee basis and partly on time spent.

Shareholder voting

As at 1 April 2023	For ¹	Against	Withheld ²
2021 binding vote on the Directors' Remuneration Policy	69,269,506	94.65%	3,914,398
2023 Approval of the Remuneration Report (excl. Policy)	79,145,375	98.53%	1,180,225

¹ Includes votes at the Chairman's discretion.

² A vote "withheld" is not a vote in law, and is not counted in the calculation of the proportion of votes for and against the resolution.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;

- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Corporate Governance report, confirms that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF discoverIE GROUP PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- discoverIE Group plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2024 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated Statement of Financial Position and the Company Statement of Financial Position as at 31 March 2024; the Consolidated Statement of Profit or Loss, the Consolidated Statement of Comprehensive Income, the Consolidated and the Company Statements of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 33, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- We conducted full scope audits at 21 components across the UK, Europe and Rest of the World and specific audit procedures on a further 10 components across the UK, Europe, North America and Asia.
- The components where we conducted audit procedures, together with work performed at the Group level, accounted for approximately 73% of the Group's revenue and 79% of the Group's absolute underlying profit before tax.
- We undertook a full scope audit of the Company's complete financial information for the purposes of the audit of the group financial statements.

Key audit matters

- Carrying value of goodwill (group)
- Accounting for acquisitions (group)
- Carrying value of investments (parent)

Materiality

- Overall group materiality: £2,400,000 (FY23: £2,300,000) based on 5% of the Group's underlying profit before tax from continuing operations (FY23: 5% of the Group's underlying profit before tax from continuing operations).
- Overall company materiality: £3,000,000 (FY23: £3,000,000) based on 1% of total assets.
- Performance materiality: £1,800,000 (FY23: £1,725,000) (group) and £2,250,000 (FY23: £2,250,000) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Accounting for acquisitions is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Carrying value of goodwill (group) Refer to pages 100 to 106 (Audit and Risk Committee Report), note 2 (Material accounting judgements and estimates) and note 18 for the related disclosures on goodwill. The Group recorded £231.7m of goodwill at 31 March 2024 (31 March 2023: £188.1m). The increase in 2024 is primarily due to acquisitions during the financial year. As required by IAS 36, management has performed its annual goodwill impairment assessment on the Group's cash generating units (CGUs). Goodwill is impaired when its carrying amount exceeds its recoverable amount. The recoverable amount of a CGU is determined based on the higher of its value-in-use and fair value less cost to sell. The value-in-use is dependent on estimates of future cash flows of the underlying CGUs which inherently involves significant management estimation and there is a risk that if the CGU does not achieve these cash flow estimates it could give rise to impairment charges. The impairment assessment performed by management contains a number of significant assumptions relating to 5 years sales compound annualised growth (CAGR), pre-tax discount rate and long-term growth rate. These assessments also include the estimated costs associated with the effects of climate change, including the future cost of the Group's commitments to reach net zero by 2030. During the year, the Group agreed to sell certain assets of its Santon solar business unit (the "disposal group") included in one of the Group's CGU (note 12). In accordance with IFRS 5, a plan to dispose of an asset is considered to be an impairment indicator. As a result of this assessment, a £1.7m (£nil in FY23) write-down charge of goodwill was recognised during the year ended 31 March 2024.	We focused our work on the CGUs where the headroom between the value-in-use and the carrying value of the assets was lowest and consequently those CGUs that were most sensitive to changes in key assumptions. We obtained management's value-in-use models and tested the mathematical integrity. We compared the Group's year-end market capitalisation to management's value-in-use estimate for the Group as a whole and to the Group's net assets. We validated the carrying amounts of the relevant assets that are directly and exclusively attributable to the CGU which are subject to impairment testing to the underlying accounting records, making sure that there was appropriate consistency between the assets and liabilities that were included in management's assessment and the related cash flows. We evaluated the determination of the Group's CGUs. We utilised our in-house valuation experts to evaluate the appropriateness of the methodology used in the impairment models, including challenging management's pre-tax discount rates and long term growth rates. We compared the cash flows used in the impairment models to the Board approved budget and we challenged the assumptions underpinning the estimated costs associated with climate change. For all CGUs, we stress tested management's revenue growth, profit margin and head office cost allocation assumptions and we have separately benchmarked implied multiples required to cover the carrying value of relevant assets at each CGU to recent transaction multiples for acquired businesses. We have corroborated the revenue growth rates to third party industry research and challenged management where inconsistencies were noted. We evaluated the historical accuracy of management's budgeting and forecasting and we compared the revenue growth and profit margins to historical actuals and modelled the break-even points to assess whether further testing was required and to assess whether additional disclosures should be provided in the Financial Statements. Based on these procedures, we concluded that there were three CGUs where headroom was lower and where the CGUs were sensitive to reasonably possible changes in key assumptions that could cause material impairment. Further procedures focused on these three CGUs within the Sensing & Connectivity division. For the three CGUs, we performed additional procedures including further testing of the 5 years sales CAGR assumption. We tested management's assumptions to a number of external sources including expected market growth rates, tested the order backlog on a sample basis, reviewed design wins and compared the revenue growth to historical actuals. We also performed independent sensitivity analysis by stress testing the key assumptions which includes revenue growth rate, gross profit margin and discount rate. We assessed the appropriateness of management's decision to provide additional disclosure about sensitivities in note 18 of the Financial Statements in relation to three CGUs within the Sensing & Connectivity division. More broadly, we considered whether the disclosures in note 18 complied with IAS 36. Based on the procedures performed, we noted no material issues arising from our work.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF discoverIE GROUP PLC continued

Key audit matter	How our audit addressed the key audit matter
Accounting for acquisitions (group) Refer to pages 100 to 106 (Audit and Risk Committee Report), note 2 (Material accounting judgements and estimates) and note 11 for the related disclosures on business combinations. During the year, the Group acquired 5 businesses (31 March 2023: 2 businesses) for a total consideration of £87.8m (31 March 2023: £23.8m). Goodwill of £49.3m (31 March 2023: £11.5m) and customer relationships and other intangible assets totalling £32.8m (31 March 2023: £10.4m) were also recorded following the acquisitions. The valuation of the customer relationship assets is complex and requires management estimation as it is dependent on estimates of future cash flows, discount rates and customer attrition rates.	Our focus was on the 3 larger acquisitions namely Silvertel, 2J Antennas and Shape, as they represent more than 87% of the total consideration, goodwill and customer relationships and other intangible assets. We tested acquisition transactions and employed our in-house valuation experts to evaluate the three major acquisitions. This evaluation focused on the appropriateness of the methodology used to value customer relationships, the suitability of the discount rates and attrition rates and the mathematical accuracy of the models used. Alongside the work by our in-house specialists, we challenged the management specifically on the key assumptions relating to the attrition rate, discount rate and future cash flows. We also evaluated the appropriateness of the inputs used to derive attrition rates, reasonableness of future cash flows against historical data and approved acquisition business cases and performed sensitivity analyses on these estimates. We considered the disclosures in note 11 of the Financial Statements and based on the procedures performed, we noted no material issues arising from our work on acquisitions.
Carrying value of investments (parent) Refer to note 2 (Material accounting judgements and estimates) and note 5 of the Company Financial Statements for the related disclosures on the carrying value of investments. The Company holds investments in its subsidiaries of £189.3m (FY23: £187.0m). As required by IAS 36, management has assessed if there is any indication that the investments balance may be impaired at the reporting date. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The assessment of potential impairment indicators involves management judgement. No impairment indicators were identified by management at the reporting date and no material impairment charge has been recorded in 2024.	We evaluated management's assessment of whether any indicators of impairment existed, which included comparing the carrying values of investments in subsidiaries with their net assets at 31 March 2024. For investments where the net assets were lower than the carrying values, we assessed their recoverable value by reference to the value in use of the investments compared to their carrying values at 31 March 2024. Where applicable, we verified that the recoverable values of investments were consistent with the recoverable values of the related CGUs tested for goodwill impairment purposes leveraging the audit work undertaken as part of the Group audit. We performed sensitivity analysis on the key assumptions within the cash flow forecasts. This included sensitising the discount rate applied to the future cash flows, the short and longer term growth rates and operating income forecasts. We considered whether the disclosures in note 5 of the Company Financial Statements complied with relevant accounting requirements. Based on the procedures performed, we noted no material issues arising from our work.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

We conducted full scope audits at 21 components across the UK, Europe and Rest of the World and specific audit procedures on a further 10 components across the UK, Europe, North America and Asia which were selected based on their size or risk characteristics. Of these, we identified 6 material components in the UK, 6 in Europe and 2 in Asia. No components were identified as being financially significant. The remainder of the full scope components and specified procedures components were included in Group audit scope to achieve sufficient coverage and to address specific risk characteristics.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group engagement team, or by component auditors within PwC UK and from other PwC network firms and other firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated Financial Statements as a whole.

The Group consolidation, Financial Statement disclosures and corporate functions were audited by the Group engagement team. This included our work over taxation, goodwill, acquisition accounting and retirement benefit obligations. Taken together, the components and corporate functions where we conducted audit procedures accounted for approximately: 73% (FY23: 81%) of the Group's revenue and 79% (FY23: 87%) of the Group's absolute underlying profit before tax from continuing operations. This provided the evidence we needed for our opinion on the consolidated Financial Statements taken as a whole. This was before considering the contribution to our audit evidence from performing audit work at the Group level, including disaggregated analytical review procedures, which covered certain of the Group's smaller and lower risk components that were not directly included in our Group audit scope.

Our audit of the Company Financial Statements was undertaken in the UK and included substantive procedures over all material balances and transactions by the group team.

The impact of climate risk on our audit

As part of our audit, we enquired of management to understand and evaluate the Group's risk assessment process in relation to climate change including any changes in the assessment compared to the prior year. We reviewed management's paper which sets out their assessment of climate change risk to the Group and the impact on the financial statements. In evaluating the completeness of

the risks identified, we considered any changes in management's paper compared to the prior year assessment which was reviewed by our internal specialists and we challenged management on how they considered the potential financial impacts of the Group's net zero commitment in their assessment. We considered the principal risk relates to the assumptions made in the forecasts prepared by management and used in their assessment of the carrying value of goodwill. In responding to the risks identified, we specifically considered how climate change risk would impact these assumptions including the future costs of the Group's commitment to reach net zero by 2030 and costs of compliance with current legal requirements. We also read the disclosures in relation to climate change made in the TCFD section of the Annual Report to ascertain whether the disclosures are materially consistent with the financial statements and our knowledge from our audit. Our responsibility over other information is further described in the reporting on other information section of this report.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF discoverIE GROUP PLC continued

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – group	Financial statements – company
Overall materiality	£2,400,000 (FY23: £2,300,000).	£3,000,000 (FY23: £3,000,000).
How we determined it	5% of the Group's underlying profit before tax from continuing operations (FY23: 5% of the Group's underlying profit before tax from continuing operations).	1% of total assets.
Rationale for benchmark applied	We believe that underlying profit before tax from continuing operations provides a consistent year-on-year basis for determining materiality and is the most relevant performance measure to the key stakeholders of the Group and is a generally accepted auditing benchmark.	We believe that total assets is the most appropriate measure to assess a holding company, and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £70,000 to £2,160,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (FY23: 75%) of overall materiality, amounting to £1,800,000 (FY23: £1,725,000) for the group financial statements and £2,250,000 (FY23: £2,250,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £120,000 (group audit) (FY23: £110,000) and £150,000 (company audit) (FY23: £150,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Evaluation of management's base case and downside case scenarios, understanding and evaluating the key assumptions;
- Validation that the cash flow forecasts used to support management's impairment, going concern and viability assessments were consistent;
- Assessment of the historical accuracy and reasonableness of management's forecasting;
- Consideration of the Group's available financing and debt maturity profile;
- Testing of the mathematical integrity of management's liquidity headroom, sensitivity and stress testing calculations;
- Undertaking independent sensitivities;

- Assessment of the reasonableness of management's planned or potential mitigating actions; and
- Review of the related disclosures in the Financial Statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Viability Statement and Principal Risks and Uncertainties within the Strategic Report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;

- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group and company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF discoverIE GROUP PLC continued

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company'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 group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to the listing rules and local laws and regulations applicable in the territories that the Group operates in, and we considered the extent to which non-

compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of unusual journals to increase revenue and management bias in determining accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with management, Internal Audit and the Audit and Risk Committee, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of the effectiveness of management's controls designed to prevent and detect irregularities;
- Identification and testing of significant manual journal entries which exhibited higher risk attributes;
- Assessment of matters reported on the Group's whistleblowing helpline and the results of management's investigation of such matters;
- Testing of assumptions and judgements made by management in making significant accounting estimates; and
- Reviewing Financial Statement disclosures and testing the disclosures to supporting evidence.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the members on 13 July 2017 to audit the financial statements for the year ended 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement is 7 years, covering the years ended 31 March 2018 to 31 March 2024.

Other matter

The company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R – 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

Christopher Hibbs
(Senior Statutory Auditor)

for and on behalf of
PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

4 June 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 March 2024

	Notes	2024 £m	2023 £m
Revenue	4	437.0	448.9
Operating costs	7	(405.8)	(414.3)
Operating profit	7	31.2	34.6
Finance income	9	3.9	1.6
Finance costs	9	(12.9)	(7.1)
Profit before tax		22.2	29.1
Tax expense	10	(6.7)	(7.8)
Profit for the year		15.5	21.3
Earnings per share	14		
Basic, profit for the year		16.2p	22.3p
Diluted, profit for the year		15.8p	21.7p

SUPPLEMENTARY STATEMENT OF PROFIT OR LOSS INFORMATION

for the year ended 31 March 2024

Underlying performance measures	Notes	2024 £m	2023 £m
Operating profit	7	31.2	34.6
Add back: Acquisition and disposal expenses	6	9.8	1.4
Amortisation of acquired intangible assets	19	16.2	15.8
Underlying operating profit		57.2	51.8
Profit before tax		22.2	29.1
Add back: Acquisition and disposal expenses	6	9.8	1.4
Amortisation of acquired intangible assets	19	16.2	15.8
Underlying profit before tax		48.2	46.3
Underlying earnings per share	6	36.8p	35.2p

The above consolidated Statement of Profit or Loss should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2024

	Notes	2024 £m	2023 £m
Profit for the year		15.5	21.3
Other comprehensive loss:			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Actuarial loss on defined benefit pension scheme	32	(1.2)	(1.2)
Tax credit relating to defined benefit pension scheme	10	0.3	0.3
		(0.9)	(0.9)
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translation of foreign subsidiaries		(7.7)	0.7
		(7.7)	0.7
Other comprehensive loss for the year, net of tax		(8.6)	(0.2)
Total comprehensive income for the year, net of tax		6.9	21.1

The above consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2024

	Notes	2024 £m	2023 £m
Non-current assets			
Property, plant and equipment	15	20.5	25.2
Intangible assets – goodwill	17	231.7	188.1
Intangible assets – other	19	97.8	83.9
Right of use assets	16	20.6	19.2
Pension asset	32	0.3	2.3
Other receivables	21	0.2	6.0
Deferred tax assets	10	9.9	11.2
		381.0	335.9
Current assets			
Inventories	20	80.1	90.0
Trade and other receivables	21	88.8	74.6
Current tax assets		1.3	1.3
Cash and cash equivalents	22	110.8	83.9
Assets held for sale	12	6.7	–
		287.7	249.8
Total assets		668.7	585.7
Current liabilities			
Trade and other payables	29	(87.5)	(95.2)
Other financial liabilities	23	(78.7)	(39.9)
Lease liabilities	16	(5.7)	(4.0)
Current tax liabilities		(8.3)	(10.4)
Provisions	26	(5.2)	(1.7)
		(185.4)	(151.2)
Non-current liabilities			
Trade and other payables	29	(4.6)	(4.1)
Other financial liabilities	23	(136.1)	(86.7)
Lease liabilities	16	(14.4)	(14.8)
Provisions	26	(3.6)	(4.2)
Deferred tax liabilities	10	(23.0)	(21.1)
		(181.7)	(130.9)
Total liabilities		(367.1)	(282.1)
Net assets		301.6	303.6
Equity			
Share capital	30	4.8	4.8
Share premium		192.0	192.0
Merger reserve		2.9	2.9
Currency translation reserve		(2.1)	5.6
Retained earnings		104.0	98.3
Total equity		301.6	303.6

The above consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

The Financial Statements on pages 148 to 202 were approved by the Board of Directors on 4 June 2024 and signed on its behalf by:

Nick Jefferies

Group Chief Executive

Simon Gibbins

Group Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2024

	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 2022	4.7	192.0	10.5	4.9	78.3	290.4
Profit for the year	–	–	–	–	21.3	21.3
Other comprehensive income/(loss)	–	–	–	0.7	(0.9)	(0.2)
Total comprehensive income	–	–	–	0.7	20.4	21.1
Shares issued (note 30)	0.1	–	–	–	–	0.1
Share-based payments including tax	–	–	–	–	2.5	2.5
Transfer to retained earnings	–	–	(7.6)	–	7.6	–
Dividends (note 13)	–	–	–	–	(10.5)	(10.5)
At 31 March 2023	4.8	192.0	2.9	5.6	98.3	303.6
Profit for the year	–	–	–	–	15.5	15.5
Other comprehensive loss	–	–	–	(7.7)	(0.9)	(8.6)
Total comprehensive (loss)/income	–	–	–	(7.7)	14.6	6.9
Share-based payments including tax	–	–	–	–	2.3	2.3
Dividends (note 13)	–	–	–	–	(11.2)	(11.2)
At 31 March 2024	4.8	192.0	2.9	(2.1)	104.0	301.6

The above consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2024

	Notes	2024 £m	2023 £m
Net cash flow from operating activities	25	41.2	36.3
Investing activities			
Acquisition of businesses, net of cash acquired		(82.8)	(22.8)
Contingent consideration related to business acquisitions		–	(2.3)
Purchase of property, plant and equipment		(4.8)	(5.4)
Purchase of intangible assets – software		(0.1)	(0.2)
Interest received		3.9	1.4
Net cash used in investing activities		(83.8)	(29.3)
Financing activities			
Proceeds from borrowings	24	79.4	61.8
Repayment of borrowings	24	(28.9)	(44.9)
Payment of lease liabilities		(6.1)	(5.2)
Dividends paid	13	(11.2)	(10.5)
Net cash generated from financing activities		33.2	1.2
Net increase in cash and cash equivalents¹		(9.4)	8.2
Net cash and cash equivalents at 1 April		43.4	36.9
Effect of exchange rate fluctuations		(2.5)	(1.7)
Net cash and cash equivalents at 31 March		31.5	43.4
Reconciliation to cash and cash equivalents in the consolidated Statement of Financial Position			
Net cash and cash equivalents shown above		31.5	43.4
Add back: bank overdrafts	23	79.3	40.5
Cash and cash equivalents presented in current assets in the consolidated Statement of Financial Position	22	110.8	83.9

The above consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

¹ Further information on the consolidated Statement of Cash Flows is provided in notes 24 and 25.

NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2024

1. Reporting entity and authorisation of Financial Statements

The consolidated Financial Statements, which comprise the results of discoverIE Group plc ("the Company") and its subsidiaries (collectively referred to as "the Group"), for the year ended 31 March 2024 were authorised for issue by the Board of Directors on 4 June 2024. discoverIE Group plc is a public limited company incorporated and domiciled in England, UK and the registered office is disclosed on page 209. The Company's ordinary shares are traded on the London Stock Exchange.

The material accounting policies adopted by the Group are set out in note 2 and have been applied consistently to all years presented in these consolidated Financial Statements.

2. Accounting policies

Statement of compliance

The Group's consolidated Financial Statements have been prepared and approved by the Directors in accordance with UK-adopted International Accounting Standards (UK-adopted IAS) in conformity with the requirements of the Companies Act 2006 and the disclosure guidance and transparency rules sourcebook of the United Kingdom's Financial Conduct Authority.

The separate Financial Statements of the Company have been prepared and approved by the Directors in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101). On publishing the Company's Financial Statements here together with the Group's Financial Statements, the Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual Statement of Profit or Loss and related notes that form a part of these approved Financial Statements.

The following exemptions from the requirements of the UK-adopted IAS have been applied in the preparation of the Company's Financial Statements, in accordance with FRS 101:

- Cash Flow Statement and respective disclosures and information;
- Disclosures in relation to capital management;
- Disclosures in relation to financial instruments;
- Disclosures in respect of the compensation of key management personnel; and
- Disclosures in respect of transactions between two or more members of the Group.

For the following disclosures, as the Group's consolidated Financial Statements include the equivalent disclosures, the Company has taken the exemptions available under FRS 101:

- IFRS 2 'Share-based payments' in respect of Group equity-settled share-based payments;
- Certain disclosures required by IFRS 13 'Fair Value Measurement'.

Basis of preparation

The Group consolidated Financial Statements and the Company Financial Statements are prepared under the historical cost convention, unless otherwise stated.

The Group and Company Financial Statements are presented in Pounds Sterling and all values are rounded to the nearest hundred thousand except as otherwise indicated.

The Group has engaged in an ongoing review of expected climate change impacts on the business and its assets and liabilities to establish any adjustments required and what reporting is necessary in its consolidated Financial Statements for the year ended 31 March 2024. The ongoing risk assessment is detailed within the climate-related risks and opportunities section on page 76 of the Risk Management section and in the Summary Disclosure Against TCFD Recommendations on pages 65 to 70 in the Strategic Report.

The process has involved a review of all balance sheet line items and future cash flows, to identify if any of these items is expected to be materially impacted in a negative or positive way by weather, legislative, societal or revenue/cost changes.

The conclusion of the review was that, whilst there will undoubtedly be impacts on the Group, the highly disaggregated nature of the operations of the Group and the target markets the Group operates in, significantly reduces the risk profile of the Group to impacts from weather-related changes. The changes necessary to achieve the Group's net zero by 2030 commitment is not expected to have a materially adverse impact on the cash flows of the Group and indeed, warmer climates may present enhanced opportunities in our target markets as disclosed on pages 24 to 29 of this report. Societal and legislative impacts are not considered to have a material impact on any one segment such that we need to break out reporting in a different way to previous years. Judgements are not considered to be significant, although clearly understanding of climate change is developing with time. The area with the most judgement is goodwill impairment testing and a description is given in note 18 of the incremental processes undertaken to assess the climate change impact on the valuations. Management review has concluded that there is no material impact and that no further disclosure is required.

NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2024

2. Accounting policies continued

Going concern

In line with IAS 1 “Presentation of Financial Statements” and revised guidance on “risk management, internal control and related financial and business reporting”, management has taken into account all available information about the future for a period of at least, but not limited to, 12 months from the date of approval of the Financial Statements when assessing the Group’s and Company’s ability to continue as a going concern.

The Group’s business activities, together with factors which may adversely impact its future development, performance and position, are set out in the Strategic Report on pages 1 to 85. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review section of the Strategic Report on pages 38 to 43.

The Group’s forecasts and projections, taking account of the sensitivity analysis of changes in trading performance, show that the Group is well placed to operate within its current debt facilities of £240m committed up to the end of August 2027.

The Viability Base Case, as stated on pages 82 to 83 has been subjected to sensitivity analysis involving flexing a number of the underlying key assumptions, both individually and in conjunction. The sensitivities take into account the principal risks and uncertainties set out on pages 75 to 81, notably instability in the economic environment, underperformance of acquired businesses, climate-related risks, loss of key customers and suppliers, major business disruption, liquidity restriction, debt covenants and adverse foreign currency movements.

The most severe but plausible downside scenario assumes a worsening of the economic environment caused by a number of factors including geo-political events and significant reduction in consumer demand due to continuing inflationary pressures and elevated interest rates. This downside scenario results in a significant decline in second half sales of FY 2024/25, negative sales growth in FY 2025/26 and modest growth thereon in FY 2026/27. Additionally, operating margin was reduced, working capital materially increased, significant one-off expenditures included (such as product liability, major customer insolvency or litigation, climate change, cyber-security incident), interest rates increased, and the Group effective tax rate increased.

After factoring in all of the significant additional downsides, there remains good headroom both in terms of liquidity and banking covenants. This is supported by the fact that the Group sells a wide portfolio of different products across a diverse set of industries and geographies, has low customer/supplier concentration, has a global supply chain network, diverse manufacturing capacity, and has well-established relationships with its customers. These factors are considered important in mitigating many of the risks that could affect the long-term viability of the Group. As a consequence, the Directors believe that the Group is well placed to manage its principal risks and uncertainties as disclosed on pages 75 to 81 of the Strategic Report.

Reverse stress testing has also been applied to the most plausible downside scenario to determine the level of downside that would be required before the Group would breach its existing financial covenants or current liquidity headroom during the assessment period. The reverse stress test was conducted on the basis that certain mitigating actions would be undertaken to reduce overheads and capital expenditure during the period as sales declined and, on that basis, a fall in underlying operating margin to below 6% in FY 2024/25 would be required before such a breach occurred. The Board considers the possibility of such a scenario to be remote and further mitigation, such as hiring freezes, pay and bonus reductions, headcount reductions, reduction in planned capital expenditure, suspension of dividend payments and equity raise, would be available if future trading conditions indicated that such an outcome were possible.

The Company acts as a holding company for investments in the subsidiaries and does not engage in any trading activities directly and thus is dependent on the trading activities of its subsidiaries. The Company holds sufficient net current assets as at 31 March 2024 to continue as a going concern.

The Directors are confident that the Company and the Group have sufficient resources to continue in operational existence for at least 12 months from the date of approval of the Financial Statements. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

Basis of consolidation

The Group’s consolidated Financial Statements consolidate the results of discoverIE Group plc and entities controlled by the Company (its subsidiaries).

The consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries for the year ended 31 March 2024. Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its control over it. In assessing control, the Group takes into account: (i) the power over the investee (i.e. existing rights that give it the current ability to direct its relevant activities); (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect its returns.

2. Accounting policies continued

The Group reassesses whether or not it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control and ceases when the Group loses control of the subsidiary. Assets, liabilities, profits and losses of a subsidiary acquired or disposed of during the year are included in the consolidated Financial Statements from the date control commences until the date control ceases.

When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and relevant conditions at the acquisition date.

Any contingent consideration payable to the vendor is measured and recognised at fair value through profit and loss ("FVTPL") at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, are recognised in accordance with IFRS 9 "Financial Instruments: Classification and measurement" either in the consolidated Statement of Profit or Loss or in the consolidated Statement of Comprehensive Income.

Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest over the net identifiable amounts of the fair value of assets acquired and the liabilities assumed in exchange for the business combination. Assets acquired and liabilities assumed in transactions separate to the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements, are accounted for separately from the business combination in accordance with their nature and applicable standard. Identifiable intangible assets, meeting either the contractual-legal or separability criterion are recognised separately from goodwill. Contingent liabilities representing a present obligation are recognised if the acquisition-date fair value can be measured reliably.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGUs") that are expected to benefit from the business combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and shall not be larger than a reportable operating segment.

Where goodwill forms part of a CGU, and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Non-current assets held for sale

An asset or liability is classified as held for sale if it is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and that it is highly probable the asset will be sold within one year from the date of classification. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the consolidated Statement of Financial Position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the consolidated Statement of Financial Position. Additional disclosures are provided in note 12.

Investments (Company only)

Investments in subsidiary and associate undertakings are stated initially at cost, being the fair value of the consideration given and including directly attributable transaction costs. The carrying values are reviewed for impairment if events or changes in circumstances indicate the carrying values may not be recoverable.

NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2024

2. Accounting policies continued

Intangible assets – other

Other intangible assets that are separately acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Other intangible assets acquired through a business combination are recognised at fair value at the date of acquisition less accumulated amortisation and impairment losses from the date of acquisition. Amortisation is charged to the Statement of Profit or Loss within operating costs on a straight-line basis over the useful economic lives of the intangible assets. The estimated useful economic lives are as follows:

(a) Software (implementation costs of IT systems) 3 to 10 years

(b) Acquired intangible assets:

- Customer relationships 5 to 12 years
- Patents Patent term

(c) Intangible assets – research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Group's development activities is capitalised only if all of the following conditions are met: (a) an asset is created that can be identified; (b) it is probable that the asset created will generate future economic benefits; and (c) the development cost of the asset can be measured reliably. Internally generated intangible assets are amortised on a straight-line basis over their useful lives between five and ten years and charged to the Statement of Profit or Loss.

The Group only capitalises costs relating to the configuration and customisation of Software-as-a-service arrangements ("SaaS") as intangible assets where control of the asset exists. Costs that are paid to SaaS suppliers in advance of the service provided are recognised in prepayments and amortised over the service period.

All other development expenditure is written off in the accounting period in which it is incurred.

Property, plant and equipment

Items of owned property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost consists of all those elements which are directly attributable to bringing the asset into working condition for its intended use. Where there has been an indication of impairment in value such that the recoverable amount of an asset falls below its net book value, provision is made for such impairment. Wherever possible, individual assets are tested for impairment. However, impairment can often be tested only for groups of assets because the cash flows upon which the calculation is based do not arise from the use of a single asset. In these cases, impairment is measured for the smallest group of assets (the cash generating unit) that produces a largely independent income stream.

The cost of property, plant and equipment is charged to the Statement of Profit or Loss on a straight-line basis over the assets' estimated useful economic lives, taking into account their estimated residual value. The principal annual rates of depreciation are:

Land and buildings	Freehold property	2% to 4% per annum
	Leasehold buildings	Shorter of lease term and useful life
	Land	Not depreciated
Leasehold improvements		10% to 20% per annum or over the life of the lease if shorter
Plant and equipment		5% to 33% per annum

Impairment of non-financial assets

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Profit or Loss.

The recoverable amount of assets is the greater of their net selling price and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

When estimating the future cash flows for the value-in-use calculation, the Group includes projections of cash outflows including central costs that are necessarily incurred to generate the cash inflows and that can be directly attributed or allocated on a reasonable and consistent basis to each CGU.

2. Accounting policies continued

Impairment losses recognised in respect of CGUs are allocated first against the carrying value of any goodwill allocated to that unit, and then against the carrying values of other assets in the unit, on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

Financial instruments

Financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Unconditional receivables and payables are recognised as assets or liabilities when the Group becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash. However, recognition of financial assets to be acquired and financial liabilities to be incurred as a result of a firm commitment to purchase or sell goods or services, such as trade receivables and trade payables, is usually delayed until at least one of the parties has performed under the agreement and the ordered goods or services have been shipped, delivered or rendered.

A forward contract that is within the scope of IFRS 9, such as a forward foreign exchange contract, is recognised as an asset or a liability on the commitment date at which point the fair value of the right and obligation are usually equal and the net fair value of the forward contract on initial recognition is zero. If the net fair value of the right and obligation is not zero, the contract is recognised as an asset or liability.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial asset are transferred, or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in the Statement of Profit or Loss.

Offsetting financial instruments

Financial assets and liabilities are only offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and the liability simultaneously.

Allowance for expected credit losses

The Group measures loss allowances for financial assets, including trade receivables, at an amount equal to lifetime expected credit losses ("ECL"). This requires consideration of both historical and forward-looking information when considering potential impairment of trade receivables. A provision matrix is used to calculate the expected credit loss, which is based upon historical observed default rates adjusted for forward-looking information to create an adjusted default rate, which is applied to the outstanding invoices at the balance sheet date.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Credit-impaired financial assets

At each reporting date the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred, such as a significant change in the credit risk profile of a customer, a debt has become significantly overdue or a contract default.

Write-off of financial assets

The gross carrying amount of a financial asset is written down to its recoverable amount when the Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational activities. It principally employs forward foreign exchange contracts to hedge the risks associated with foreign currency fluctuations relating to certain firm commitments and highly probable forecast transactions. The fair value of derivative foreign exchange instruments is determined on initial recognition at forward market exchange rates at inception of the contract and subsequently remeasured based on forward market exchange rates at the balance sheet date.

NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2024

2. Accounting policies continued

Inventories

Inventories comprise finished goods, goods held for resale, raw materials and work in progress and are stated at the lower of cost and net realisable value after making allowance for any obsolete or slow-moving items. Cost comprises direct materials, inward carriage and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash balances and short-term deposits with an original maturity of three months or less. Bank overdrafts represent short-term borrowings repayable on demand and are shown within other financial liabilities in the Statement of Financial Position.

The cash balances are separately presented gross in the consolidated Statement of Financial Position, rather than netted off against overdraft held either by the same entity, or other Group entities, with the same bank, despite the existence of a legal right of set off.

Borrowings

Borrowings are recognised initially at fair value less directly attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Profit or Loss over the period of the borrowings on an effective interest basis.

Provisions

A provision is recognised in the Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect is material, provisions are discounted to present value. The unwinding of the discount is recognised as a finance cost.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been publicly announced. Future operating costs are not provided for.

The Group also recognises provisions for dilapidation, warranty, retirement indemnity and severance.

Leasing

The Group assesses at contract inception whether a contract is, or contains, a lease, that is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Separating components of a contract

Contracts usually combine different kinds of obligation of the supplier, which may be formed by lease components or lease and non-lease components, such as maintenance or services. The Group identifies the lease and non-lease components and accounts for those separately, applying the relevant standard to each one. Consideration is allocated to each lease component on the basis of the relative standalone price of the lease component and the aggregate standalone price of the non-lease component.

Lease term

The Group considers the lease term as the non-cancellable period of the lease plus periods covered by an option to extend or an option to terminate if the lessee is reasonably certain to exercise the extension option or not exercise the termination option.

i) Right of use assets

The Group recognises right of use assets at the commencement date of the lease. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, any lease payments made at or before the commencement date, provision for decommissioning the asset at the end of the contract, less any lease incentives received.

Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees, when applicable.

The lease payments also include, when applicable, the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

2. Accounting policies continued

Variable lease payments that do not depend on an index or a rate are usually recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is a combination of country-specific government bond yields, used as a proxy for a risk-free rate, calculated over various periods linked to existing lease terms. This rate is adjusted for borrowing costs and risks specific to each entity of the Group.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, such as a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Any adjustment of the lease liability is reflected as an adjustment to the right of use asset. If the carrying amount of the right of use asset has already been reduced to zero, the remaining remeasurement is recognised in the Statement of Profit or Loss.

The Group has adopted the practical expedient under IFRS 16 not to recognise right of use assets and lease liabilities for short-term leases, with a lease term of 12 months or less, and leases in which the underlying asset is of low value. Lease payments relating to these leases are expensed to the Statement of Profit or Loss on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, in accordance with the effective interest rate method.

Pensions

Payments to defined contribution pension schemes are charged as an expense as they fall due.

In respect of defined benefit pension schemes, the position recognised in the consolidated Statement of Financial Position represents the present value of the defined benefit obligation, reduced by the fair value of the scheme assets.

Obligations to provide future benefits to employees earned through prior service are estimated and discounted to present value. Plan assets are measured at fair value. The cost of providing benefits under the defined benefit plans is determined by actuarial valuation, using the projected unit credit method.

Any pension asset surplus would be fully recoverable by the Group in line with the rules of the scheme. Therefore, the IAS 19 surplus is recognised in full under current accounting standards.

Actuarial remeasurement of the net defined benefit asset or liability comprises (a) actuarial gains and losses, (b) the return on plan assets in excess of the amount included in net interest on the net defined benefit asset or liability, and (c) any change in the effect of the asset ceiling (where applicable), excluding any amount included in net interest on the net defined benefit asset or liability; and is recognised immediately in the Statement of Financial Position with a corresponding entry in retained earnings through Other Comprehensive Income in the period in which it occurs. Remeasurement gains or losses are not reclassified to profit or loss in subsequent periods.

Share-based payments

Certain employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as a consideration for equity instruments (equity-settled transactions). The Group operates a "Long Term Incentive Plan – LTIP" and an "Approved and unapproved executive share option scheme – CSOP".

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date the grant is made, calculated using an option pricing model, and is recognised as an expense over the three-year vesting period, which ends on the date on which the relevant employees become fully entitled to the award. In valuing equity-settled transactions, no account is taken of non-market vesting conditions.

For the LTIP, at each reporting date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and hence the number of equity instruments that will ultimately vest, also taking into consideration the impact of forfeitures and cancellations during the year. The movement in cumulative expense since the previous reporting date is recognised in the Statement of Profit or Loss, with a corresponding entry in equity.

The CSOP awards are subject only to continuing service of the employee. At each reporting date, the cumulative expense, calculated on a straight-line basis over the three-year vesting period, and taking into consideration forfeitures and cancellations during the year, is recognised in the Statement of Profit or Loss, with a corresponding entry in equity.

The issuance by the Company to its subsidiaries employees of a grant of options over the Company's shares represents additional capital contributions by the Company in its subsidiaries. The additional capital contribution is based on the fair value of the grant issued, allocated over the underlying grant's vesting period.

NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2024

2. Accounting policies continued

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the reporting date.

Income tax is charged or credited directly to equity or Other Comprehensive Income if it relates to items that are credited or charged to equity or Other Comprehensive Income respectively. Otherwise, income tax is recognised in the Statement of Profit or Loss.

Pillar Two legislation was substantively enacted in the UK on 20 June 2023 based on model rules published by the Organisation for Economic Co-operation and Development (the "Pillar Two legislation"). The legislation is effective for the financial year beginning 1 April 2024 for the Group. The Group has performed an assessment of its potential exposure to income taxes arising under Pillar Two legislation and the Group's annual revenue does not meet the legislation's threshold of €750m. In addition, the tax rates in the jurisdictions in which the Group operates are above 15%. Therefore no specific disclosures have been included as a result of the amendment to IAS 12 relating to the Pillar Two rules referred to in note 3.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date and gains or losses on translation are included in the Statement of Profit or Loss.

The Group recognises currency gains and losses arising from the retranslation of the opening net assets of foreign operations as a movement on reserves, net of tax. The differences that arise from translating the results of overseas businesses at average rates of exchange, and their assets and liabilities at closing rates, are dealt with in a separate currency translation reserve. All other currency gains and losses are dealt with in the consolidated Statement of Profit or Loss.

Revenue recognition

The Group realises revenue from its principal activities through the sale of highly differentiated electronic products in four target markets: renewable energy, transportation, medical and industrial & connectivity.

Revenue is recognised in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding value added tax and other sales related taxes. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or service promised in the contract. If a standalone selling price is not observable, the Group estimates it.

The transaction price may include a discount or a variable amount of consideration that relates entirely or to a part of the contract. The Group will review the requirements and specify when the variable amount should be allocated to one or more, but not all, performance obligations in the contract.

Control of a good or service is obtained when the customer has the ability to direct the use of and obtain substantially all the benefits from the good or service. The Group recognises revenue from product sales at a point in time on shipment, on delivery or when goods are accepted by the customer, depending on the Incoterm used for the sale transaction.

Product support and maintenance services are recognised over the period of the service delivery as the customer receives the benefit of the service over time; progress is measured by reference to service periods.

2. Accounting policies continued

When another party is involved in providing goods or services to the customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (principal) or to arrange for those goods or services to be provided by the other party (agent) and recognises revenue accordingly.

Contract balances

Receivables

Receivables are billed under the terms of the contract for delivered goods and services that are not conditional on anything other than the passage of time. They are recognised initially at the amount of consideration that is unconditional and are subsequently measured at amortised cost using the effective interest method, less loss allowance. These assets are classified as trade receivables.

Contract liabilities

Contract liabilities represent the Group's unsatisfied obligation(s) for the transfer of goods or services to the customer for which consideration has been received from the customer; and/or advance payments received from a customer in consideration of future performance obligations.

Segment reporting

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.

Dividends paid

Dividends are recognised when they meet the criteria for recognition as a liability. In relation to final dividends, this is when the dividend is approved by the Shareholders in the general meeting, and in relation to interim dividends, when paid.

Dividend income

Dividend income is recognised in the Statement of Profit or Loss on the date the Group's right to receive payment is established.

Material accounting judgements and estimates

The preparation of Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other applicable factors, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates and any revisions to estimates are recognised prospectively.

Information about judgements, assumptions and estimation uncertainties as at 31 March 2024 that could result in a material adjustment to the carrying amount of assets and liabilities in the next financial year is addressed regarding:

- **Impairment of non-financial assets (Group and Company):** Goodwill is tested annually for impairment, in accordance with IAS 36. The Group is required to ensure that its assets are not impaired and are carried at no more than their recoverable amount, measured based on their fair value less cost to sell or value-in-use. Assets which do not generate independent cash flows are required to be grouped together into CGUs and tested for impairment. In determining the recoverable amount of an asset or CGU, estimates and assumptions must be made in determining the value of those future cash flows. For a CGU this includes assessment of future revenue, operating profit, discount rates and long-term growth rates. Central costs that are necessarily incurred to generate the cash inflows and that can be directly attributed or allocated on a reasonable and consistent basis to each CGU are included in the value-in-use calculation. Uncertainty inherent in making judgements and estimates means that there is a risk that the estimated recoverable amount could result in a material adjustment in future accounting periods. Note 18 provides more details.
- **Measurement of defined benefit asset/obligation (Group only):** The present value of the defined benefit asset/obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net expense and balance sheet position include discount rates, inflation and mortality rates. Any changes in these assumptions will impact the carrying amount of defined benefit asset/obligation. The actuarial assumptions used in determining the carrying amount at 31 March 2024 are set out in note 32.
- **Fair value of assets acquired in a business combination (Group only):** Estimates are made in the assessment of fair value of the consideration and net assets acquired, including the identification and valuation of intangible assets and their useful lives. Estimates used include customer attrition rates, discount rate and trading forecast. Note 11 provides details of business combinations.
- **Value of investments (Company only):** Investments in subsidiaries are reviewed annually for impairment when indicators for impairment are identified. Determining whether the Company's investments in subsidiaries have been impaired requires estimations of the investments' values-in-use or consideration of the net asset value of the entity. The value-in-use calculations require the Directors to estimate the future cash flows expected to arise from the investments, using estimates such as for future revenue, operating profit, discount rates and long-term growth rates to calculate present values.

NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2024

2. Accounting policies continued

- **Cash offsetting (Group and Company):** Judgements are made when assessing the intention to net settle outstanding overdraft positions at the balance sheet date in order to meet the disclosure requirements for presenting cash balances net of overdrafts in the consolidated and Company Statement of Financial Position. For the year ended 31 March 2024, the offsetting criteria for balances within the Group's cash pooling arrangements have not been met, therefore, balances have not been offset.
- **Classification of assets as held for sale (Group):** Judgements are made when assessing if the carrying amount of certain assets will be recovered principally through the sale rather than through continuing use, as well as if they are available for immediate sale in its present condition and the sale is highly probable. These assets are presented as assets held for sale in the consolidated Statement of Financial Position. For the year ended 31 March 2024, the Group has £6.7m of assets related to the disposal of the Santon solar business unit, classified as held for sale. Note 12 provides details.

3. New accounting standards and financial reporting requirements

New standards applied

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 April 2023:

- IAS 12 Taxation: International Tax Reform – Pillar Two Model Rules – Amendment
- IAS 12 Taxation: relating to Deferred tax related to assets and liabilities arising from a single transaction – Amendment
- IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies – Amendment
- IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates – Amendment; and
- IFRS 17 Insurance Contracts.

These and other amendments, changes and improvements to IFRS issued by the International Accounting Standard Board ("IASB") have had no material impact on the Group and Company's current financial results or financial position.

New standards not yet applied

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 March 2024 reporting period 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. Revenue

Group revenue is analysed below:

	2024 £m	2023 £m
Sale of goods	431.4	442.4
Rendering of services	5.6	6.5
Total revenue	437.0	448.9

5. Operating segment information

The Reportable Operating Segments of the Group include two distinct divisions, Magnetics & Controls ("M&C") and Sensing & Connectivity ("S&C"). 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 operating profit or loss earned by each segment. Unallocated costs relate to central head office administration costs that are not directly attributable to the Operating Segments.

Segment revenue and results

	Magnetics & Controls £m	Sensing & Connectivity £m	Unallocated Costs £m	Total £m
2024				
Revenue	265.1	171.9	–	437.0
Result				
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

5. Operating segment information continued

	Magnetics & Controls £m	Sensing & Connectivity £m	Unallocated Costs £m	Total £m
2023				
Revenue	280.8	168.1	–	448.9
Result				
Underlying operating profit/(loss)	38.4	25.6	(12.2)	51.8
Acquisition and disposal expenses	–	(1.8)	0.4	(1.4)
Amortisation of acquired intangible assets	(6.3)	(9.5)	–	(15.8)
Operating profit/(loss)	32.1	14.3	(11.8)	34.6

Segment assets and liabilities

For the purposes of monitoring segment performance and allocating resources between segments, 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, tax assets and liabilities, cash, borrowings and overdrafts, central assets (Head Office assets) and central liabilities (Head Office liabilities), as shown below:

	Magnetics & Controls £m	Sensing & Connectivity £m	Unallocated £m	Total £m
2024				
Assets and liabilities				
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

	Magnetics & Controls £m	Sensing & Connectivity £m	Unallocated £m	Total £m
2023				
Assets and liabilities				
Segment assets (excluding goodwill and other intangible assets)	128.5	76.8		205.3
Goodwill and other intangible assets	120.7	151.3		272.0
	249.2	228.1		477.3
Central assets			9.7	9.7
Cash and cash equivalents			83.9	83.9
Pension asset			2.3	2.3
Current and deferred tax assets			12.5	12.5
Total assets	249.2	228.1	108.4	585.7
Segment liabilities	(70.5)	(42.9)		(113.4)
Central liabilities			(10.6)	(10.6)
Other financial liabilities			(126.6)	(126.6)
Current and deferred tax liabilities			(31.5)	(31.5)
Total liabilities	(70.5)	(42.9)	(168.7)	(282.1)
Net assets/(liabilities)	178.7	185.2	(60.3)	303.6

NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2024

5. Operating segment information continued

Other segment information

	Depreciation and amortisation ¹		Additions to non-current assets ²	
	2024 £m	2023 £m	2024 £m	2023 £m
Magnetics & Controls	12.8	12.9	42.2	5.9
Sensing & Connectivity	14.7	13.7	54.0	25.4
Central	0.3	0.3	0.1	0.3
	27.8	26.9	96.3	31.6

¹ Includes depreciation and amortisation of right of use assets, property, plant and equipment and intangibles.

² Magnetics & Controls additions to non-current assets comprised intangible assets £15.8m (2023: £nil), goodwill £20.0m (2023: £nil), right of use assets £3.2m (2023: 1.8m) and tangible assets £3.2 (2023: £4.1m). Sensing & Connectivity additions to non-current assets comprised intangible assets £17.1m (2023: £10.5m), goodwill £29.3m (2023: £11.5m), right of use assets £5.3m (2023: £1.2m) and tangible assets £2.3m (2023: £2.2m). Central additions to non-current assets comprised right of use assets £0.1m (2023: £0.2m) and tangible assets £nil (2023: £0.1m).

Geographical information

The Group's revenue from external customers based on customer locations and information about its segment assets (excluding pension asset) by geographical location are detailed below:

	Revenue from external customers		Non-current assets	
	2024 £m	2023 £m	2024 £m	2023 £m
UK	52.5	49.6	140.1	77.0
Europe	206.1	221.1	115.9	157.5
North America, Asia and Rest of world	178.4	178.2	124.7	99.1
	437.0	448.9	380.7	333.6

In the year ended 31 March 2024, the Group had no customer that represented 10% or more of total Group revenue (2023: no customer).

6. Underlying performance measures

These 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 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 expenses incurred in relation to the disposal of the Santon solar business unit.

6. Underlying performance measures continued

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.

Underlying operating margin

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

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 of the acquisition and disposal related costs (namely amortisation of acquired intangible assets and acquisition and disposal expenses) and other tax charges and credits relating to acquisitions and disposals.

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

Underlying profit after tax

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

Underlying earnings per share

"Underlying earnings per share" is calculated as underlying profit before tax reduced by the underlying effective tax charge, 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, provision and tax balances.

Organic and CER revenue growth

"CER revenue growth" is defined as growth rates at constant exchange rates, excluding the impact of nil margin, one-off increase in semiconductor pass-through costs.

"Organic revenue growth" is defined as CER revenue growth adjusted for the effect of acquisitions/disposals in the last 12 months.

Gearing ratio

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

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

NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2024

6. Underlying performance measures continued

Underlying operating profit / Underlying EBITDA

Underlying operating profit and EBITDA are calculated as follows:

		2024 £m	2023 £m
Operating profit		31.2	34.6
Add back	Acquisition and disposal expenses (a)	9.8	1.4
	Amortisation of acquired intangibles (b)	16.2	15.8
Underlying operating profit		57.2	51.8
Add back	Depreciation and amortisation	12.5	11.7
	Share-based payment and IAS 19 pension cost	3.4	2.9
Underlying EBITDA		73.1	66.4

- a. Acquisition expenses comprise £3.1m of transaction costs in relation to the acquisition of Silvertel, 2J, Shape, DTI, IKN and ongoing transactions, and £0.8m charge relating to the movement in fair value of contingent consideration and assets acquired on past acquisitions. Disposal expenses comprise £5.9m of costs in relation to the disposal of the Santon solar business unit.

During the prior year, acquisition and disposal expenses of £1.4m comprised £1.8m of transaction costs in relation to the acquisition of CDT, Magnasphere and ongoing transactions, £1.5m charge relating to the movement in fair value of contingent consideration and assets acquired on past acquisitions, offset by £0.4m credit relating to disposal costs in connection with the Acal BFi disposal in 2022, and £1.5m in relation to insurance receipts relating to a previous year acquisition of CPI.

- b. Amortisation charge for intangible assets recognised on acquisition is £16.2m being the amortisation of acquired customer relationships and patents. The equivalent charge last year was £15.8m. The increase relates to the seven acquisitions during the last two years offset by lower amortisation on fully written down acquired intangible assets on past acquisitions.

Underlying profit before tax

Underlying profit before tax is calculated as follows:

		2024 £m	2023 £m
Profit before tax		22.2	29.1
Add back	Acquisition and disposal expenses	9.8	1.4
	Amortisation of acquired intangible assets	16.2	15.8
Underlying profit before tax		48.2	46.3

Underlying effective tax rate

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

		2024 £m	2023 £m
Underlying profit before tax		48.2	46.3
Total tax charge		6.7	7.8
Add back tax effect of amortisation of acquired intangible assets and acquisition and disposal expenses and other tax charges and credits relating to acquisitions and disposals		5.3	3.9
Underlying tax charge		12.0	11.7
Underlying effective tax rate		24.9%	25.3%

Underlying profit after tax / Underlying earnings per share

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

		2024 £m	2023 £m
Profit for the year		15.5	21.3
Add back	Acquisition and disposal expenses	9.8	1.4
	Amortisation of acquired intangible assets	16.2	15.8
Tax charge relating to the above adjustments		(5.3)	(3.9)
Underlying profit after tax		36.2	34.6

6. Underlying performance measures continued

	2024 Number	2023 Number
Weighted average number of shares for basic earnings per share	95,835,775	95,426,255
Effect of dilution – share options	2,450,593	2,917,061
Adjusted weighted average number of shares for diluted earnings per share	98,286,368	98,343,316
Underlying earnings per share	36.8p	35.2p

Underlying operating cash flow / Free cash flow

	2024 £m	2023 £m
Underlying EBITDA	73.1	66.4
Lease payments	(6.8)	(5.8)
EBITDA (incl. lease payments)	66.3	60.6
Changes in working capital	(2.2)	(6.4)
Capital expenditure	(4.9)	(5.6)
Underlying operating cash flow	59.2	48.6
Net interest paid	(7.7)	(5.0)
Tax payments	(12.5)	(9.0)
Legacy pension scheme funding	(2.0)	(1.6)
Free cash flow	37.0	33.0

ROCE / ROTCE

ROCE and ROTCE are calculated as follows:

	2024 £m	2023 £m
Net assets	301.6	303.6
Less: Deferred consideration in relation to disposed businesses	(6.3)	(6.0)
Net debt	104.0	42.7
IAS 19 pension asset	(0.3)	(2.3)
Assets held for sale	(6.7)	–
Adjusted net assets	392.3	338.0
Less: Goodwill	(231.7)	(188.1)
Acquired intangible assets	(96.2)	(82.7)
Deferred tax assets and liabilities	13.1	9.9
Current tax assets and liabilities	7.0	9.1
Lease liabilities	20.1	18.8
Provisions	8.8	5.9
Tangible Capital	113.4	110.9
Underlying operating profit	57.2	51.8
Add: Annualisation of acquired businesses	4.2	1.8
Annualised operating profit	61.4	53.6
ROCE	15.7%	15.9%
ROTCE	54.1%	48.3%

NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2024

6. Underlying performance measures continued

Organic and CER revenue growth

Organic and CER revenue growth are calculated as follows:

	2024 £m	2023 £m
Revenue	437.0	448.9
FX translation impact	–	(12.7)
One-off increase in semiconductor pass-through cost	–	(5.0)
Underlying (CER) revenue	437.0	431.2
Acquisitions and disposals	(32.6)	(23.1)
Organic revenue	404.4	408.1

Organic growth for the Group compared with last year is calculated at constant exchange rates (“CER”) and is shown excluding the first 12 months of acquisitions post completion (CDT in June 2022, Magnasphere in January 2023, Silvertel in August 2023, 2J in September 2023, Shape in January 2024, DTI in March 2024 and IKN in March 2024) and the results of the Santon solar business unit.

Gearing ratio

Gearing ratio is calculated as follows:

	2024 £m	2023 £m
Net debt	104.0	42.7
Underlying EBITDA	73.1	66.4
Lease payments	(6.8)	(5.8)
Annualisation of acquired businesses	4.2	2.0
Adjusted EBITDA	70.5	62.6
Gearing ratio	1.5	0.7

7. Operating profit

	2024 £m	2023 £m
Revenue	437.0	448.9
Direct materials/direct labour	(255.0)	(274.9)
Other cost of goods sold	(5.0)	(4.8)
Selling and distribution costs	(41.0)	(45.4)
Administrative expenses	(104.8)	(89.2)
Operating profit	31.2	34.6

Operating costs are as follows:

	2024 £m	Restated ¹ 2023 £m
Employee costs (note 8)	114.7	107.9
Depreciation of property, plant and equipment (note 15)	4.7	4.6
Depreciation of right of use assets (note 16)	6.6	5.8
Amortisation of other intangible assets (note 19)	16.5	16.5
Costs related to disposal group (note 6)	5.9	–
Expected credit losses (note 21)	0.4	0.6
Net foreign exchange differences	0.8	0.3
Inventories:		
Cost of inventories	218.6	238.7
Write-down of inventories to net realisable value	0.4	1.5
Other expenses	37.2	38.4
Operating costs	405.8	414.3

¹ Prior year employee costs have been restated by £8.8m, from £99.1m to £107.9m, to include the correct direct labour costs.

7. Operating profit continued

	2024 £m	2023 £m
Operating costs	405.8	414.3
Less Acquisition and disposal expenses	(9.8)	(1.4)
Amortisation of acquired intangibles	(16.2)	(15.8)
Underlying operating costs	379.8	397.1

8. Employee costs and Directors' emoluments

	2024 £m	Restated ² 2023 £m
Wages and salaries	97.2	90.9
Social security costs	11.2	10.8
Other pension costs	3.7	4.0
Share-based payments (note 31)	2.6	2.2
	114.7	107.9

² Prior year wages and salaries have been restated by £8.8m, from £82.1m to £90.9m, to include the correct direct labour costs.

The average monthly number of employees (including Executive Directors) during the year was as follows:

	2024 Number	2023 Number
Sales and marketing	349	277
Manufacturing and services	3,630	4,075
Administration	462	511
	4,441	4,863

At 31 March 2024 the Group had 4,543 employees (2023: 4,697).

	2024 £	2023 £
Directors' emoluments		
Aggregate emoluments in respect of qualifying services	1,675,544	1,760,013
Aggregate employer contribution to a defined contribution pension scheme and pay in lieu of pension for two directors	70,164	94,225
	1,745,708	1,854,238
Highest paid Director		
Emoluments in respect of qualifying services	1,042,670	1,099,011
Pension contributions to the defined contribution scheme and pay in lieu of pension	42,406	67,534
	1,085,076	1,166,545

Aggregate emoluments for the Non-Executive Directors were £428,450 (2023: £398,167). Further details of all Directors' emoluments are provided in the Remuneration Report on pages 113 to 138.

9. Finance income/(costs)

	2024 £m	2023 £m
Interest receivable and similar income	3.9	1.6
Finance income	3.9	1.6
Finance costs on bank loans and overdrafts	(11.6)	(5.9)
Finance costs on lease liabilities	(0.7)	(0.6)
Amortisation of borrowing costs	(0.6)	(0.6)
Finance costs	(12.9)	(7.1)

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for the year ended 31 March 2024

10. Tax expense

The major components of the corporation tax expense are summarised below:

	2024 £m	2023 £m
Current taxation:		
UK corporation tax	–	0.4
UK adjustments in respect of prior years	(0.3)	0.2
	(0.3)	0.6
Overseas tax	10.8	11.9
Overseas adjustments in respect of prior years	(1.3)	0.1
	9.5	12.0
Total current taxation expense	9.2	12.6
Deferred taxation		
Origination and reversal of temporary differences within the UK	(0.8)	(1.3)
Origination and reversal of temporary differences overseas	(1.9)	(1.8)
Adjustment in respect of prior years	0.3	(1.2)
Increased recognition of historic losses	(0.1)	(0.3)
Impact of tax rate changes	–	(0.2)
Total deferred taxation credit	(2.5)	(4.8)
Tax expense reported in the consolidated Statement of Profit or Loss	6.7	7.8

	2024 £m	2023 £m
Tax recognised in other comprehensive expense		
Decrease in deferred tax liability on pension	0.3	0.1
Current tax credited in respect of defined benefit pension scheme	–	0.2
Tax reported in other comprehensive expense	0.3	0.3

	2024 £m	2023 £m
Tax recognised in equity		
(Decrease)/Increase in deferred tax asset on share-based payments	(0.3)	0.4
Tax reported in equity	(0.3)	0.4

The effective rate of taxation for the year is higher (2023: higher) than the standard rate of taxation in the UK of 25% (2023: 19%). A reconciliation of the tax expense applicable to the profit before tax, at the statutory tax rate, to the actual tax expense at the Group's effective tax rate for the years ended 31 March 2024 and 31 March 2023 respectively is presented below:

	2024 £m	2023 £m
Profit before tax	22.2	29.1
Profit before taxation multiplied by standard rate of corporation tax in the UK of 25% (2023: 19%)	5.6	5.5
<i>Effect of:</i>		
Differences in overseas tax rates	0.3	1.8
Tax losses not recognised	0.5	0.6
Non-deductible expenses	1.7	1.3
Increased recognition of historic losses	(0.1)	(0.3)
Impact of tax rate changes on deferred tax	–	(0.2)
Adjustments to deferred taxation expense in respect of prior years	0.3	(1.2)
Adjustments to current taxation expense in respect of prior years	(1.6)	0.3
Total tax reported in the consolidated Statement of Profit or Loss	6.7	7.8

10. Tax expense continued

Deferred tax

	2024 £m	2023 £m
<i>Deferred tax liabilities</i>		
Accelerated capital allowances	(0.5)	(0.5)
Intangibles	(20.2)	(18.3)
Pensions	(0.1)	(0.6)
Other temporary differences	(2.2)	(1.7)
Gross deferred tax liabilities	(23.0)	(21.1)
<i>Deferred tax assets</i>		
Decelerated capital allowances	–	0.1
Pensions	0.5	0.5
Tax losses	1.8	3.2
Share-based payment plans	4.2	4.4
Other temporary differences	3.4	3.0
Gross deferred tax assets	9.9	11.2

£5.1m of deferred tax assets (2023: £3.6m) and £4.8m of deferred tax liabilities (2023: £4.4m) are expected to be recovered or settled no more than 12 months after the reporting period. £4.8m of deferred tax assets (2023: £7.6m) and £18.2m of deferred tax liabilities (2023: £16.7m) are expected to be recovered or settled more than 12 months after the reporting period.

Movements in deferred tax

	Accelerated capital allowances £m	Intangibles £m	Pensions £m	Tax losses £m	Share- based payments £m	Other temporary differences £m	Total £m
At 1 April 2022	(0.8)	(18.3)	(0.2)	3.4	3.8	0.2	(11.9)
(Charged)/credited							
- to profit and loss	0.5	3.2	–	(0.2)	0.2	1.1	4.8
- to other comprehensive income	–	–	0.1	–	–	–	0.1
- directly to equity	–	–	–	–	0.4	–	0.4
Transfers	(0.1)	–	–	–	–	0.1	–
Exchange differences on translation of foreign subsidiaries	–	(0.5)	–	–	–	(0.1)	(0.6)
Acquisition-related movements	–	(2.7)	–	–	–	–	(2.7)
At 31 March 2023	(0.4)	(18.3)	(0.1)	3.2	4.4	1.3	(9.9)
(Charged)/credited							
- to profit and loss	(0.1)	3.8	0.2	(1.4)	0.1	(0.1)	2.5
- to other comprehensive income	–	–	0.3	–	–	–	0.3
- directly to equity	–	–	–	–	(0.3)	–	(0.3)
Transfers	–	–	–	–	–	–	–
Exchange differences on translation of foreign subsidiaries	–	0.3	–	–	–	–	0.3
Acquisition-related movements	–	(6.0)	–	–	–	–	(6.0)
At 31 March 2024	(0.5)	(20.2)	0.4	1.8	4.2	1.2	(13.1)

At 31 March 2024, £1.4m (2023: £2.8m) of the deferred tax asset in respect of tax losses relates to tax jurisdictions in which tax losses were incurred in the current or preceding period. The recognition of the deferred tax asset is supported by forecasts of sufficient future taxable profits in the relevant jurisdictions.

At 31 March 2024, the Group had not recognised any deferred tax asset in respect of tax losses of approximately £26.1m (2023: £24.2m). Deferred tax assets are not recognised where there is insufficient evidence that losses will be utilised.

NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2024

10. Tax expense continued

At 31 March 2024, a £1.3m deferred tax liability (2023: £1.0m) has been recognised for withholding taxes payable on the remittance of certain of the Group's overseas subsidiaries' unremitted earnings. The aggregate amount of unremitted earnings on which deferred tax has not been recognised is £19.9m (2023: £23.7m). No deferred tax has been recognised on this amount as the Group is able to control the timing of these distributions and is not expecting to distribute these profits in the foreseeable future.

An increase in the UK corporation tax rate to 25% had been substantively enacted at 31 March 2022, with effect from 1 April 2023. A rate of 25% has been applied in the measurement of the Group's UK-based deferred tax assets and liabilities at 31 March 2024.

11. Business combinations

Acquisitions in the year ended 31 March 2024

Acquisition of Silvertel

On 30 August 2023, the Group completed the acquisition of Silver Telecom Limited ("Silvertel"), a company incorporated in the United Kingdom by acquiring 100% of the shares of its parent company SLV Holdings Limited. Silvertel is a designer and manufacturer of differentiated, high-performance Power-over-Ethernet ("PoE") modules and complementary products for global industrial electronic connectivity markets.

Silvertel was acquired for an initial cash consideration of £23.0m before expenses, funded from the Group's existing debt facilities. In addition, contingent payments of up to £23.0m will be payable subject to Silvertel's EBIT performance over the next four years. This includes up to £4.0m payable subject to continuous employment during the performance period.

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

	Provisional fair value recognised at acquisition £m
Intangible assets – other (incl. customer relationships)	9.3
Property, plant and equipment	0.1
Right of use assets	0.2
Inventories	2.6
Trade and other receivables	1.4
Net cash	1.6
Trade and other payables	(0.9)
Current tax liabilities	(0.4)
Deferred tax liabilities	(2.4)
Lease liabilities	(0.2)
Total identifiable net assets	11.3
Provisional goodwill arising on acquisition	14.5
Total investment	25.8
<i>Discharged by</i>	
Initial cash consideration	23.0
Contingent consideration	2.8
	25.8

Net cash outflows in respect of the acquisition comprise:

	Total £m
Cash consideration	23.0
Transaction costs (included in operating cash flows) ¹	0.6
Net cash acquired	(1.6)
	22.0

¹ Acquisition costs of £0.6m were expensed as incurred in the period ended 31 March 2024. These were included within operating costs.

11. Business combinations continued

Included in cash flow from investing activities is the cash consideration of £23.0m and the pre-acquisition tax settled of £0.3m, offset by the net cash acquired of £1.6m.

From the date of acquisition to 31 March 2024, Silvertel contributed £3.5m to revenue and a loss of £0.9m to profit after tax of the Group. If the business combination had taken place at the beginning of the year, the consolidated revenue for the Group would have been £440.0m and the consolidated profit after tax for the Group would have been £15.5m.

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 £14.5m 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.

Acquisition of 2J Antennas

On 12 September 2023, the Group completed the acquisition of 2J Antennas Group ("2J"), by acquiring 100% equity and voting rights of 2J Antennas, s.r.o. (Slovakia), 2J Antennas UK Limited and 2J Antennas USA Corp.

2J is a leading designer and manufacturer of high-performance antennas for industrial electronic connectivity applications. 2J was acquired for an initial cash consideration of £44.9m (€52.4m), before expenses, funded from the Group's existing debt facilities.

The provisional fair value of the identifiable assets and liabilities of 2J at the date of acquisition was:

	Provisional fair value recognised at acquisition £m
Intangible assets – other (incl. customer relationships)	16.2
Property, plant and equipment	0.5
Right of use assets	0.2
Inventories	2.8
Trade and other receivables	1.9
Cash and cash equivalents	1.3
Overdraft	(0.4)
Trade and other payables	(1.1)
Current tax	(1.6)
Deferred tax liabilities	(3.4)
Lease liabilities	(0.2)
Total identifiable net assets	16.2
Provisional goodwill arising on acquisition	28.7
Total investment	44.9

Discharged by

Cash	44.9
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Net cash outflows in respect of the acquisition comprise:

	Total £m
Cash consideration	44.9
Transaction costs (included in operating cash flows) ¹	1.0
Net cash acquired	(0.9)
	45.0

¹ Acquisition costs of £1.0m were expensed as incurred in the period ended 31 March 2024. These were included within operating costs.

Included in cash flow from investing activities is the cash consideration of £44.9m and settlement of pre-acquisition tax liabilities of £0.1m, offset by the net cash acquired of £0.9m.

From the date of acquisition to 31 March 2024, 2J contributed £7.5m to revenue and loss of £1.0m to profit after tax of the Group. If the business combination had taken place at the beginning of the year, the consolidated revenue for the Group would have been £442.2m and the consolidated profit after tax for the Group would have been £15.1m.

NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2024

11. Business combinations continued

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 £28.7m 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.

Other acquisitions

Shape

On 24 January 2024, the Group completed the acquisition of Shape LLC ("Shape"), a company incorporated in the US, by acquiring 100% of the membership interests of Shape LLC.

Shape is a US-based designer and manufacturer of specialty transformer equipment. Shape was acquired for an initial cash consideration of £7.9m (\$10.0m), before expenses, funded from the Group's existing debt facilities.

DTI

On 6 March 2024, the Group completed the acquisition of Diamond Technologies, Inc. ("DTI"), a company incorporated in the US, by acquiring 100% of DTI shares.

DTI specialises in customised data collection products geared primarily to original equipment manufacturers ("OEM"), including OEM focused embedded barcode, RFID, vision and embedded gateway and controller solutions. DTI was acquired for an initial cash consideration of £6.6m (\$8.4m), before expenses, funded from the Group's existing debt facilities. In addition, a contingent payment of up to £3.2m will be payable subject to DTI's financial performance over the next three years, subject to the seller's continuous employment during the performance period.

IKN

On 16 March 2024, the Group completed the acquisition of IKN AS ("IKN"), a company incorporated in Norway, by acquiring 100% of IKN AS shares.

IKN specialises in products and services for data centres, networking and cabling systems. IKN was acquired for an initial cash consideration of £2.5m (NOK 33.6m), before expenses, funded from the Group's existing debt facilities. In addition, a contingent payment of up to £0.3m (NOK 3.4m) will be payable subject to IKN's revenue performance over the period ending 31 December 2024 and subject to IKN achieving certain integration targets.

The combined provisional fair value of the identifiable assets and liabilities of the three acquisitions above, at the date of acquisition was:

	Provisional fair value recognised at acquisition £m
Intangible assets – other (incl. customer relationships)	7.3
Property, plant and equipment	0.1
Right of use assets	1.1
Inventories	2.8
Trade and other receivables	2.4
Net cash	0.8
Trade and other payables	(2.1)
Current tax liabilities	(0.1)
Deferred tax liabilities	(0.2)
Lease liabilities	(1.1)
Total identifiable net assets	11.0
Provisional goodwill arising on acquisition	6.1
Total investment	17.1
<i>Discharged by</i>	
Initial cash consideration	17.0
Contingent consideration	0.1
	17.1

11. Business combinations continued

Net cash outflows in respect of the acquisition comprise:

	Total £m
Cash consideration	17.0
Transaction related bonuses	0.8
Transaction costs (included in operating cash flows) ¹	0.9
Net cash acquired	(0.8)
	17.9

¹ Acquisition costs of £0.9m were expensed as incurred in the period ended 31 March 2024. These were included within operating costs.

Included in cash flow from investing activities is the cash consideration of £17.0m and the transaction bonus of £0.8m, offset by the net cash acquired of £0.8m.

From the date of acquisition to 31 March 2024, IKN, DTI and Shape contributed £2.1m to revenue and profit of £0.1m to profit after tax of the Group. If the business combination had taken place at the beginning of the year, the consolidated revenue for the Group would have been £453.2m and the consolidated profit after tax for the Group would have been £15.8m.

The goodwill is attributable to the workforce and the high profitability of the acquired businesses. It will not be deductible for tax purposes. Included in the £6.1m 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.

Acquisitions in the year ended 31 March 2023

There have been no changes to the provisional fair values of the assets and liabilities acquired in the prior year.

Acquisition of CDT

On 30 June 2022, the Group completed the acquisition of CDT 123 Limited and CustomDesignTechnologies Ltd ("CDT") via the purchase of 100% of the share capital and voting equity interests of CDT 123 Limited which is a company incorporated in the United Kingdom. CDT was acquired for an initial cash consideration of £5m, before expenses, funded from the Group's existing debt facilities.

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

	Fair value recognised at acquisition £m
Intangible assets – other (customer relationships)	2.0
Right of use assets	0.2
Inventories	0.9
Trade and other receivables	0.3
Net cash	0.3
Trade and other payables	(0.3)
Current tax liabilities	(0.3)
Deferred tax liabilities	(0.5)
Lease liabilities	(0.2)
Total identifiable net assets	2.4
Provisional goodwill arising on acquisition	2.6
Total investment	5.0
<i>Discharged by</i>	
Cash	5.0
	5.0

NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2024

11. Business combinations continued

Net cash outflows in respect of the acquisition comprise:

	Total £m
Cash consideration	5.0
Transaction costs (included in operating cash flows) ¹	0.2
Net cash acquired	(0.3)
	4.9

¹ Acquisition costs of £0.2m were expensed as incurred in the period ended 31 March 2023. These were included within operating costs.

Included in cash flow from investing activities is the cash consideration of £5.0m and the net cash acquired of £0.3m.

From the date of acquisition to 31 March 2023, CDT contributed £2.0m to revenue and loss of £0.1m to profit after tax of the Group. If the business combination had taken place at the beginning of the year, the consolidated revenue for the Group would have been £449.8m and the consolidated profit after tax for the Group would have been £21.5m.

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 £2.6m of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree, due to their nature. These include the value of expected benefits that are not easily quantifiable. All the acquired receivables are expected to be collected.

Acquisition of Magnasphere

On 18th January 2023, the Group completed the acquisition of Magnasphere Corporation ("Magnasphere"), a company based in the US. The acquisition was structured as a "Reverse Triangular Merger", whereby a newly incorporated subsidiary of discoverIE US Holdings Inc was merged into Magnasphere. The net result was the same as if discoverIE had simply acquired 100% of the shares of Magnasphere.

Magnasphere is a US-based designer and manufacturer of high-performance magnetic sensors and switches for industrial electronic markets including access control, data centres and specialist vehicles.

Magnasphere was acquired for a cash consideration of £18.8m (\$22.9m) and funded from the Group's existing debt facilities.

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

	Fair value recognised at acquisition £m
Property, plant and equipment	0.3
Intangible assets – other (customer relationships)	8.2
Intangible assets – other (patents)	0.2
Right of use assets	0.3
Inventories	1.7
Trade and other receivables	1.3
Net cash	2.6
Trade and other payables	(2.3)
Current tax liabilities	(0.1)
Deferred tax liabilities	(2.0)
Lease liabilities	(0.3)
Total identifiable net assets	9.9
Provisional goodwill arising on acquisition	8.9
Total investment	18.8
Discharged by	
Cash	18.8
	18.8

11. Business combinations continued

Net cash outflows in respect of the acquisition comprise:

	Total £m
Fair value of cash consideration	18.8
Transaction-related payment to seller	1.7
Transaction costs (included in operating cash flows) ¹	0.7
Net cash acquired	(2.6)
	18.6

¹ Acquisition costs of £0.7m were expensed as incurred in the year ended 31 March 2023. These were included within operating costs.

Included in cash flow from investing activities is the cash consideration of £18.8m, a £1.7m transaction-related payment to the seller and the net cash acquired of £2.6m.

From the date of acquisition to 31 March 2023, Magnasphere contributed £1.1m to revenue and loss of £0.2m to profit after tax of the Group. If the business combination had taken place at the beginning of the year, the consolidated revenue for the Group would have been £454.5m and the consolidated profit after tax for the Group would have been £21.5m.

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 £8.9m of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree, due to their nature. These include the value of expected benefits that are not easily quantifiable. All the acquired receivables are expected to be collected.

12. 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 up to £3.4m 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. In conjunction with this disposal, the Group also intends to sell its manufacturing facility in the Netherlands with the retained business moving to a smaller facility. The disposals of both the solar business unit and the manufacturing facility are expected to complete in the financial year ending 31 March 2025 and expected to generate net cash inflow of c.£7m after costs. 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 year ended 31 March 2024.

The disposal group is not considered to be a major line of operation and does not represent one of the Group's cash generating units. Accordingly its results are not presented as a discontinued operation for the years ended 31 March 2024 and 31 March 2023.

In accordance with IFRS 5, a plan to dispose of an asset is considered to be an impairment indicator. Therefore, the assets of the disposal group and the manufacturing facility have been tested for impairment and measured at the lower of their carrying amount and fair value less cost to sell at the time of the reclassification. This has resulted in the recognition of a write-down of £2.7m relating to the goodwill and other intangible assets of the disposal group during the year ended 31 March 2024. There was no impact on the carrying value of the manufacturing facility. This is a level 2 measurement as per the fair value hierarchy as set out in note 28.

The assets included as held for sale and that are presented within total assets of the Sensing & Connectivity segment (note 5), are the following:

	2024 £m
Disposal group held for sale	
Non-current assets	
Property, plant and equipment	2.1
Intangible assets – other	0.2
Current assets	
Inventory	1.9
	4.2
Non-current assets	
Property, plant and equipment	2.5
Total assets classified as held for sale	6.7

NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2024

13. Dividends

	2024 £m	2023 £m
Dividends recognised in equity as distributions to equity holders in the year:		
Equity dividends on ordinary shares:		
Final dividend for the year ended 31 March 2023 of 7.90p (2022: 7.45p)	7.6	7.1
Interim dividend for the year ended 31 March 2024 of 3.75p (2023: 3.55p)	3.6	3.4
Total amounts recognised as equity distributions during the year	11.2	10.5

	2024 £m	2023 £m
Proposed for approval at AGM:		
Equity dividends on ordinary shares:		
Final dividend for the year ended 31 March 2024 of 8.25p (2023: 7.90p)	7.9	7.6
Summary		
Dividends per share declared in respect of the year	12.00p	11.45p
Dividends per share paid in the year	11.65p	11.00p
Dividends paid in the year	£11.2m	£10.5m

14. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is the basic earnings per share after allowing for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the year.

The following reflects the income and share data used in the basic and diluted earnings per share calculations.

	2024 £m	2023 £m
Profit after tax for the year	15.5	21.3

	2024 Number	2023 Number
Weighted average number of shares for basic earnings per share	95,835,775	95,426,255
Effect of dilution – share options	2,450,593	2,917,061
Adjusted weighted average number of shares for diluted earnings per share	98,286,368	98,343,316
Basic earnings per share	16.2p	22.3p
Diluted earnings per share	15.8p	21.7p

At the year-end, there were 2,713,941 ordinary share options in issue that could potentially dilute underlying earnings per share in the future, of which 2,450,593 are currently dilutive (2023: 3,025,959 in issue and 2,917,061 dilutive).

15. Property, plant and equipment

	Land and buildings £m	Leasehold improvements £m	Plant and equipment £m	Total £m
Cost				
At 1 April 2022	8.8	3.9	37.0	49.7
Additions	0.2	0.2	5.0	5.4
Disposals	–	–	(0.2)	(0.2)
Business acquired (note 11)	–	–	0.3	0.3
Exchange adjustments	0.4	–	1.0	1.4
At 31 March 2023	9.4	4.1	43.1	56.6
Additions	0.9	0.3	3.6	4.8
Disposals	–	–	(1.2)	(1.2)
Business acquired (note 11)	–	–	0.7	0.7
Assets held for sale (note 12)	(2.5)	–	(2.1)	(4.6)
Exchange adjustments	(2.3)	1.3	(0.1)	(1.1)
At 31 March 2024	5.5	5.7	44.0	55.2
Accumulated depreciation				
At 1 April 2022	2.6	1.4	22.2	26.2
Charge for the year	0.3	0.5	3.8	4.6
Disposals	–	–	(0.2)	(0.2)
Exchange adjustments	0.2	–	0.6	0.8
At 31 March 2023	3.1	1.9	26.4	31.4
Charge for the year	0.3	0.5	3.9	4.7
Disposals	–	–	(1.0)	(1.0)
Exchange adjustments	(2.2)	1.1	0.7	(0.4)
At 31 March 2024	1.2	3.5	30.0	34.7
Net book value at 31 March 2024	4.3	2.2	14.0	20.5
Net book value at 31 March 2023	6.3	2.2	16.7	25.2

Land and buildings includes land with a cost of £0.8m (2023: £0.4m) that is not subject to depreciation.

At 31 March 2024 the Group had contractual capital expenditure commitments for plant and equipment and leasehold improvements of £0.2m (2023: £nil) for which no provision has been made.

NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2024

16. Leases

16.1 Leasing arrangements

The Group leases manufacturing and warehousing facilities, offices and various items of plant, machinery, equipment and vehicles.

Manufacturing and warehouse facilities generally have lease terms between three and ten years. Lease contracts generally include extension and termination options.

16.2 Carrying value of right of use assets

Set out below are the carrying amounts of right of use assets recognised and movements during the year:

	Land and buildings £m	Plant and machinery £m	Total £m
At 1 April 2022	19.8	2.1	21.9
Exchange adjustments	(0.2)	0.1	(0.1)
Additions/modifications	1.8	1.0	2.8
Depreciation charge	(4.7)	(1.1)	(5.8)
Terminations	(0.1)	–	(0.1)
Business acquired (note 11)	0.5	–	0.5
At 31 March 2023	17.1	2.1	19.2
Exchange adjustments	(0.5)	0.1	(0.4)
Additions/modifications	5.9	1.2	7.1
Depreciation charge	(5.4)	(1.2)	(6.6)
Terminations	(0.2)	–	(0.2)
Business acquired (note 11)	1.3	0.2	1.5
At 31 March 2024	18.2	2.4	20.6

16.3 Carrying value of lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Total £m
At 1 April 2022	(21.1)
Additions/modifications	(2.4)
Interest for the year	(0.6)
Lease payments	5.8
Business acquired (note 11)	(0.5)
At 31 March 2023	(18.8)
Exchange adjustments	0.5
Additions/modifications	(6.6)
Interest for the year	(0.7)
Lease payments	6.8
Terminations	0.2
Business acquired (note 11)	(1.5)
At 31 March 2024	(20.1)

	2024 £m	2023 £m
Current liabilities	5.7	4.0
Non-current liabilities	14.4	14.8
	20.1	18.8

Payment of lease liabilities is shown under Financing Activities in the consolidated Statement of Cash Flows.

16. Leases continued

16.4 Amounts recognised in the consolidated Statement of Profit or Loss

	2024 £m	2023 £m
Depreciation of right of use assets	6.6	5.8
Interest expense (included in finance costs)	0.7	0.6
	7.3	6.4

During the year ended 31 March 2024, a total of £0.2m was recognised in the consolidated Statement of Profit or Loss relating to payments under short-term and low-value leases (2023: £0.2m)

16.5 Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. Extension and termination options with a high probability of being exercised are included in the measurement of the lease liability and right of use asset.

There are no lease contracts in place as at 31 March 2024 which include variable lease payments (2023: none).

17. Intangible assets – goodwill

Cost	£m
At 1 April 2022	175.7
Business acquired (note 11)	11.5
Exchange adjustments	0.9
At 31 March 2023	188.1
Business acquired (note 11)	49.3
Exchange adjustments	(4.0)
At 31 March 2024	233.4
Impairment	£m
At 31 March 2023	–
Impairment charge ¹	(1.7)
At 31 March 2024	(1.7)
Net book value at 31 March 2024	231.7
Net book value at 31 March 2023	188.1

¹ Write-down of intangible assets related to the disposal group (note 12).

18. Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to cash-generating units ("CGUs") and tested annually for impairment. Newly acquired entities might be a single CGU until such time as they can be integrated.

The Group's operations are organised into two distinct divisions, Magnetics & Controls ("M&C") and Sensing & Connectivity ("S&C"). Within each division are aggregated business units which generate largely independent cash inflows and are considered to be individual CGUs from an impairment testing perspective.

The carrying value of goodwill is analysed as follows:

	2024 £m	2023 £m
Magnetics & Controls	106.4	89.0
Sensing & Connectivity	125.3	99.1
	231.7	188.1

The movement in goodwill compared to prior year relates mainly to the movement in foreign exchange rates and to Silvertel, 2J, Shape, DTI and IKN which were acquired in the year (note 11).

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for the year ended 31 March 2024

18. Impairment testing of goodwill continued

The significant amounts of goodwill are analysed below:

	2024 £m	2023 £m
Noratel	30.3	31.6
Beacon	40.3	41.2
Sens-Tech	27.4	27.4
2J ¹	28.7	–

The Group defines significant as 10% of the total carrying value of goodwill.

¹ The goodwill for 2J as at 31 March 2024 represented 12% of the total carrying value of the Group goodwill. Given the acquisition completed during the financial year ended 31 March 2024, management considers that the carrying value of this CGU materially approximates to the fair value of the consideration paid on acquisition.

The recoverable amount of each CGU is based on value-in-use calculations. The key assumptions used in these calculations relate to future revenue (Compound Annual Growth Rate – “CAGR”), discount rates and long-term growth rates. Cash flow forecasts for the five-year period from the reporting date are based on the FY 2024/25 Board approved budget and management projections thereon, which are based on historical experience and market outlook.

Cash flow projections included in the impairment review models include management's view of the impact of climate change, including costs related to the effects of climate change, as well as the future costs of the Group's commitment to achieve net zero carbon emissions by 2030. The potential increased costs, less any benefits that may occur, to meet these commitments are not expected to be material and have therefore resulted in no impairments during the year ended 31 March 2024.

A long-term growth rate (“LTGR”) beyond the five-year period of 2% has been applied consistently across all CGUs (2023: 2%) and is based on the average long-term inflation targets.

Discount rates reflect the current market assessment of the risks specific to each CGU. The discount rate was estimated based on the average percentage weighted average cost of capital for the industry and then further adjusted for country-specific risk.

The table below discloses the discount rates and growth rates for each significant CGU:

	Pre-tax discount rate		5-year sales CAGR	
	2024 %	2023 %	2024 %	2023 %
Noratel	14.5	17.3	4.5	6.0
Beacon	12.8	13.3	5.0	13.6
Sens-Tech	13.3	13.3	4.4	13.0

The double-digit sales CAGR for Beacon and Sens-Tech in the prior year related mainly to the recovery from supply chain disruptions.

Sensitivity to changes in assumptions

The Group's forecast is based on a range of assumptions to determine the value of expected future cash flows. Deviations against those plans and assumptions in terms of revenue and margin projections, operating and capital costs and successful achievement of strategic objectives are all inherently uncertain. Headroom in the impairment test for each CGU has been tested for sensitivity to reasonably possible adverse changes in forecast cash flows, discount rates and long-term growth rates. Overall, adequate headroom is available against material impairment risk.

Management has identified three CGUs within the Sensing & Connectivity division, which represent 5%, 3% and 2% of the total carrying amount of goodwill in the Group as at 31 March 2024, where changes in the value-in-use assumptions may lead to the recoverable amount of the CGU to be less than its carrying value. The assumptions made in estimating the value of the future cash flow for these CGUs are pre-tax discount rates of 12.5%, 12.0% and 12.3% respectively, 5-year Sales CAGR of 8.9%, 6.6% and 8.7% respectively and an LTGR of 2% for all three CGUs. The headroom for these CGUs are £2.8m, £2.6m and £2.9m at the date of the assessment.

18. Impairment testing of goodwill continued

The assumptions that would result in the recoverable amount equalling the carrying amount are 5-year sales CAGR of 8.0% (a reduction of 0.9 percentage points), long-term growth rate of 1.5% (a reduction of 0.5 percentage points), and a pre-tax discount rate of 12.7% (an increase of 0.2 percentage points) for the CGU representing 5% of the total carrying value of the Group goodwill, 5-year sales CAGR of 5.0% (a reduction of 1.6 percentage points), long-term growth rate of 1.5% (a reduction of 0.5 percentage points), and a pre-tax discount rate of 12.5% (an increase of 0.5 percentage points) for the CGU representing 3% of the total carrying value of the Group goodwill, and 5-year sales CAGR of 7.8% (a reduction of 0.9 percentage points), long-term growth rate of 1.5% (a reduction of 0.5 percentage points), and a pre-tax discount rate of 12.7% (an increase of 0.4 percentage points) for the CGU representing 2% of the total carrying value of the Group goodwill.

A reduction in LTGR of 0.5% reduces the headroom in the three CGUs by £0.9m, £0.7m and £0.5m respectively and an increase of one percentage point in the pre-tax discount rate reduces the headroom in the three CGUs by £1.7m, £1.3m and £1.0m respectively. A reduction in the 5-year sales CAGR of 2 percentage points reduces the headroom in the three CGUs by £2.5m, £1.7m and £2.9m respectively.

None of the changes to individual assumptions above would lead to the carrying amount of the three CGUs exceeding their recoverable amount.

For all other CGUs it can be demonstrated that, under reasonable downside sensitivity, there remains sufficient headroom in the recoverable amount of the CGU goodwill balances.

19. Intangible assets – other

	Acquired intangibles			Total £m
	Software & development £m	Customer relationships £m	Patents & brands £m	
Cost				
At 1 April 2022	5.2	132.4	5.5	143.1
Business acquired (note 11)	–	10.2	0.2	10.4
Additions	0.2	–	–	0.2
Disposals	(0.7)	–	–	(0.7)
Exchange adjustment	–	1.5	–	1.5
At 31 March 2023	4.7	144.1	5.7	154.5
Business acquired (note 11)	0.6	32.2	–	32.8
Additions	0.1	–	–	0.1
Disposals	(0.3)	–	–	(0.3)
Assets held for sale (note 12)	–	–	(0.3)	(0.3)
Exchange adjustment	–	(3.2)	0.6	(2.6)
At 31 March 2024	5.1	173.1	6.0	184.2
Accumulated amortisation				
At 1 April 2022	3.1	49.8	2.6	55.5
Charge for the year	0.7	15.3	0.5	16.5
Disposals	(0.1)	–	–	(0.1)
Exchange adjustment	(0.2)	(1.1)	–	(1.3)
At 31 March 2023	3.5	64.0	3.1	70.6
Charge for the year	0.3	15.8	0.4	16.5
Impairment charge ¹	–	0.3	0.7	1.0
Disposals	(0.3)	–	–	(0.3)
Exchange adjustment	–	(2.0)	0.6	(1.4)
At 31 March 2024	3.5	78.1	4.8	86.4
Net book value at 31 March 2024	1.6	95.0	1.2	97.8
Net book value at 31 March 2023	1.2	80.1	2.6	83.9

¹ Write-down of goodwill related to the disposal group (note 12).

NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2024

20. Inventories

	2024 £m	2023 £m
Finished goods and goods for resale	27.9	37.9
Raw materials and work in progress	52.2	52.1
Total inventories	80.1	90.0

At 31 March 2024, the provision for realisable value against total inventories was £8.5m (2023: £8.0m).

21. Trade and other receivables

Current	2024 £m	2023 £m
Trade receivables	69.3	62.4
Other receivables	15.7	9.4
Prepayments	3.8	2.8
	88.8	74.6

Trade receivables are non-interest bearing; are generally on 30 to 60 days' terms and are shown net of expected credit losses.

Current year other receivables includes £6.1m related to the current portion of the deferred consideration receivable for the disposal of the Acal BFi business.

All of the Group's trade and other receivables are regularly reviewed for indicators of impairment. The credit risk exposure inherent in the Group's trade receivables is measured and recognised as an impairment provision on initial recognition, based on the expected credit loss method, as required by IFRS 9. Specific provision for impairment may also be required where a specific increase in credit risk is identified, or a credit event has occurred. Provisions for general credit risk exposure is measured with reference to the age of a receivable as debts which are overdue present a specific impairment risk indicator regarding recoverability.

In total, the Group has recognised impairment provisions of £2.3m (2023: £2.2m), against trade receivables. This includes a total of £1.2m (2023: £1.1m) of specific provisions for impairment due to increased default risk and unresolved disputes, as well as provision for expected credit losses of £1.1m (2023: £1.1m). Across the Group, general expected credit loss risk has been assessed to be low due to the size, nature and diversification of customers across the divisions. The increase during the year is mainly attributable to macro-economic factors such as increase in interest rates, which are incorporated in the assessment of the Group's expected credit losses performed annually.

The movements in the impairment provisions for trade receivables during the year were as follows:

	2024 £m	2023 £m
At 1 April	2.2	1.6
Charge for the year	0.4	0.6
Exchange adjustments	(0.3)	–
At 31 March	2.3	2.2

Details of the net trade receivables ageing are set out below:

	Total £m	Not yet due £m	Overdue				
			<30 days £m	30–60 days £m	60–90 days £m	90–120 days £m	>120 days £m
2024	69.3	58.6	8.5	1.4	0.6	0.2	–
2023	62.4	51.9	8.6	0.9	0.5	0.5	–

Non-Current

	2024 £m	2023 £m
Other receivables	0.2	6.0

The other receivables amount of £0.2m (2023: £6.0m) relates to deferred consideration receivable in relation to the disposal of Vertec Scientific SA Proprietary Limited. Prior year included a deferred consideration receivable for the disposal of the Acal BFi business, which is now presented under current other receivables.

22. Cash and cash equivalents

	2024 £m	2023 £m
Cash at bank and in hand	110.8	83.9

The cash balances are separately presented gross in the consolidated Statement of Financial Position, rather than netted off against overdraft held either by the same entity, or other Group entities, with the same bank, despite the existence of a legal right of set off. The net cash position as at 31 March 2024 is £31.5m (2023: £43.4m). Refer to note 24.

Cash at bank earns interest at floating rates, based on daily bank deposit rates. The Group only deposits cash surpluses with major banks of high credit standing (£89.8m with financial institutions with credit rating of AA- (2023: £60.0m), £12.1m with financial institutions with credit rating of A+ (2023: £11.8m), £nil with financial institutions with credit rating BBB- (2023: £0.2m), and the remaining balance of £8.9m with various financial institutions with credit rating of A- or higher (2023: £11.9m) in line with its treasury policy. The fair value of cash and cash equivalents is £110.8m (2023: £83.9m).

23. Other financial liabilities

	Effective interest rate %	Maturity	Current		Non-current	
			2024 £m	2023 £m	2024 £m	2023 £m
Bank overdrafts	Variable	On demand	79.3	40.5	–	–
Unsecured bank loans	Variable		–	–	0.1	–
Revolving Credit Facility ("RCF")	Variable		–	–	137.4	88.1
Capitalised debt costs			(0.6)	(0.6)	(1.4)	(1.4)
Total other financial liabilities			78.7	39.9	136.1	86.7
Lease liabilities			5.7	4.0	14.4	14.8
Trade and other payables (note 29)			73.8	78.8	4.6	4.1
Total			158.2	122.7	155.1	105.6

Interest on overdrafts is based on floating rates linked to SONIA, SOFR and EURIBOR.

Included in unsecured bank loans is a Euro-denominated loan of £0.1m (2023: £nil).

At 31 March 2024, the RCF drawdowns of £137.4m (2023: £88.1m) were denominated in Sterling, US Dollar and Euro which bear interest based on SONIA, SOFR and EURIBOR, plus a facility margin.

Trade and other payables above include only contractual obligations.

The maturity of the gross contractual financial liabilities is as follows:

	Within 1 year £m	2–5 years £m	>5 years £m	Total £m
At 31 March 2024				
Fixed and floating rate	78.7	136.1	–	214.8
Lease liabilities	6.4	12.2	4.1	22.7
Trade and other payables	73.8	4.6	–	78.4
	158.9	152.9	4.1	315.9
At 31 March 2023				
Fixed and floating rate	39.9	86.7	–	126.6
Lease liabilities	6.0	11.7	5.1	22.8
Trade and other payables	78.8	4.1	–	82.9
	124.7	102.5	5.1	232.3

NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2024

23. Other financial liabilities continued

The carrying amount of the Group's other financial liabilities excluding lease liabilities is denominated in the following currencies:

	2024 £m	2023 £m
Sterling	86.0	55.8
Euro	93.3	55.9
US Dollar	82.4	67.9
Other currencies	31.5	29.9
	293.2	209.5

24. Movements in cash and net debt

	1 April 2023 £m	Cash flow £m	Non-cash changes £m	31 March 2024 £m
Year to 31 March 2024				
Cash and cash equivalents	83.9	29.2	(2.3)	110.8
Bank overdrafts	(40.5)	(38.6)	(0.2)	(79.3)
Net cash	43.4	(9.4)	(2.5)	31.5
Bank loans over one year	(88.1)	(51.1)	1.7	(137.5)
Capitalised debt costs	2.0	0.6	(0.6)	2.0
Total loan capital	(86.1)	(50.5)	1.1	(135.5)
Net debt	(42.7)	(59.9)	(1.4)	(104.0)
Lease liability	(18.8)	6.8	(8.1)	(20.1)
Net debt (incl. lease liability)	(61.5)	(53.1)	(9.5)	(124.1)

Bank loans over one year above include £137.4m (2023: £88.1m) drawn down against the Group's revolving credit facility.

Bank overdrafts reflect the aggregated gross overdrawn balances of Group companies (even if those companies have other positive cash balances). The overdrafts and cash and cash equivalents are held with the Group's relationship banks with a legal right to offset.

	1 April 2022 £m	Cash flow £m	Non-cash changes £m	31 March 2023 £m
Year to 31 March 2023				
Cash and cash equivalents	108.8	(23.4)	(1.5)	83.9
Bank overdrafts	(71.9)	31.6	(0.2)	(40.5)
Net cash	36.9	8.2	(1.7)	43.4
Bank loans over one year	(67.8)	(18.6)	(1.7)	(88.1)
Capitalised debt costs	0.7	1.7	(0.4)	2.0
Total loan capital	(67.1)	(16.9)	(2.1)	(86.1)
Net debt	(30.2)	(8.7)	(3.8)	(42.7)
Lease liability	(21.1)	5.8	(3.5)	(18.8)
Net debt (incl. lease liability)	(51.3)	(2.9)	(7.3)	(61.5)

25. Reconciliation of cash flows from operating activities

	2024 £m	2023 £m
Profit for the year	15.5	21.3
Tax expense	6.7	7.8
Net finance costs	9.0	5.5
Depreciation of property, plant and equipment	4.7	4.6
Depreciation of right of use assets	6.6	5.8
Amortisation of intangible assets – other	16.5	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	0.2	–
Loss on disposal of intangible assets	–	0.6
Change in provisions	2.6	(0.2)
Pension scheme funding	(2.0)	(1.6)
IAS 19 pension charge	0.8	0.7
Contingent consideration related to business acquisitions	–	(4.0)
Business disposal costs	–	(1.2)
Associated taxes on LTIPs	(0.3)	(0.6)
Impact of equity-settled share-based payment expense and associated taxes	2.6	2.2
Operating cash flows before changes in working capital	65.6	57.4
Decrease/(Increase) in inventories	14.5	(8.6)
(Increase)/Decrease in trade and other receivables	(3.0)	5.0
Decrease in trade and other payables	(11.1)	(1.7)
Decrease/(Increase) in working capital	0.4	(5.3)
Cash generated from operations	66.0	52.1
Interest paid	(11.6)	(6.2)
Interest paid on lease liabilities	(0.7)	(0.6)
Income taxes paid	(12.5)	(9.0)
Net cash flow from operating activities	41.2	36.3

26. Provisions

	Retirement and severance indemnity £m	Dilapidation £m	Other £m	Total £m
At 1 April 2022	2.3	2.1	1.5	5.9
Arising during the year	–	0.4	0.4	0.8
Arising from business combinations	–	0.2	–	0.2
Utilised	(0.3)	–	(0.2)	(0.5)
Released	(0.1)	–	(0.4)	(0.5)
Exchange difference	0.1	–	(0.1)	–
At 31 March 2023	2.0	2.7	1.2	5.9
Arising during the year	0.4	0.5	2.5	3.4
Arising from business combinations	0.1	0.1	0.1	0.3
Utilised	(0.1)	–	(0.3)	(0.4)
Released	–	–	(0.1)	(0.1)
Exchange difference	(0.3)	–	–	(0.3)
At 31 March 2024	2.1	3.3	3.4	8.8

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for the year ended 31 March 2024

26. Provisions continued

Analysis of total provisions:	2024 £m	2023 £m
Current	5.2	1.7
Non-Current	3.6	4.2
	8.8	5.9

The retirement indemnity provision of £2.0m (2023: £1.9m), relates to retirement and leaving indemnity schemes in Sri Lanka £0.9m (2023: £0.9m), India £0.6m (2023: £0.8m), France £0.2m (2023: £0.1m), Netherlands £nil (2023: £0.1m), Germany £0.1m (2023: £nil), Denmark £0.1m (2023: £nil) and Slovakia £0.1m (2023: £nil). The schemes are unfunded. The service cost, representing deferred salaries accruing to employees, is included as an operating expense and determined by reference to local laws and actuarial assumptions where applicable.

The key actuarial assumptions used in relation to valuation of the Sri Lankan scheme comprise of mortality rates, staff turnover (16% up to age of 54 and zero thereafter) (2023: 17% up to the age of 54 and zero thereafter), retirement age (60 years) (2023: 60 years), discount rate (12% p.a.) (2023: 17% p.a.) and salary increases (10% p.a.) (2023: 16% p.a.).

The severance provision of £0.1m (2023: £0.1m) relates to severance costs payable to employees.

The dilapidation provision of £3.3m (2023: £2.7m) relates to exit costs to be incurred at the end of leasehold contracts for properties within the Group.

Other provisions relates primarily to warranty provisions £0.4m (2023: £0.7m), restructuring provisions of £1.9m relating mainly to the Santon solar business unit disposal (2023: £0.1m) and other provisions of £1.1m (2023: £0.4m). The provisions greater than one year are expected to be utilised within one to three years.

27. Financial risk controls

Management of financial risk

The main financial risks faced by the Group are credit risk, liquidity risk and market risk, which include interest rate risk and currency risk. The Board regularly reviews these risks and has approved written policies covering the use of financial instruments to manage these risks.

The Group Finance Director retains the overall responsibility and management of financial risk for the Group. Most of the Group's financing and interest rate and foreign currency risk management is carried out centrally at Group head office. The Board approves policies and procedures setting out permissible funding and hedging instruments, exposure limits and a system of authorities for the approval of transactions.

Management of interest rate risk

The Group has exposure to interest rate risk arising principally from changes in Euro, Sterling and US Dollar interest rates. The Group does not have any hedges in place at the year-end against exposure to interest rate risk.

A 1% decrease in interest rates on the Group's debt position during the year ended 31 March 2024, would have increased the Group's profit before tax by approximately £1.3m (2023: £0.7m).

Management of foreign exchange risk

The Group's Shareholders' equity, earnings and cash flows are exposed to foreign exchange risks, due to the mismatch between the currencies in which it purchases inventory and the final currency of sale to its customers.

It is Group policy to hedge identified significant foreign exchange exposure on its committed operating cash flows. This is carried out centrally based on forecast orders and sales.

27. Financial risk controls continued

The US Dollar and Euro represent the main foreign exchange translational exposures for the Group. The following table demonstrates the sensitivity of the Group's profit before tax to a 10% strengthening in Sterling against US Dollar and Euro.

Profit before tax – gain/(loss)	2024 £m	2023 £m
10% strengthening in Sterling against Euro	(0.5)	(0.7)
10% strengthening in Sterling against US Dollar	(1.1)	(0.5)

Management of credit risk

Credit risk exists in relation to customers, banks and insurers. Exposure to credit risk is mitigated by maintaining credit control procedures across a wide customer base.

The Group is exposed to credit risk that is primarily attributable to its trade and other receivables. This is minimised by dealing with recognised creditworthy third parties who have been through a credit verification process. The maximum exposure to credit risk is limited to the carrying value of trade and other receivables.

As well as credit risk exposures inherent within the Group's outstanding receivables, the Group is exposed to counterparty credit risk arising from the placing of deposits and entering into derivative financial instrument contracts with banks and financial institutions. The Group manages exposure to this credit risk by entering into financial instrument contracts only with highly credit-rated authorised counterparties which are reviewed and approved annually by the Board.

Counterparties' positions are monitored on a regular basis to ensure that they are within the approved limits and that there are no significant concentrations of credit risks. The Group's largest customer is approximately 7% (2023: 5%) of Group sales.

Management of liquidity risk

The Group manages its exposure to liquidity risk and maximises its flexibility in meeting changing business needs through the cash generation of its operations, combined with bank borrowings and access to long-term debt. In its funding strategy, the Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of overdrafts, bank loans and facilities.

At 31 March 2024, the Group had net cash of £31.5m (2023: £43.4m). The Group had total working capital facilities available of £246.8m (2023: £246.3m) with a number of major UK and overseas banks, of which £240m (2023: £240m) were committed facilities. The Group had drawn £137.4m against total facilities at 31 March 2024 (2023: £88.1m). In addition, the Group has an £80m accordion facility that it can use to extend the total facility up to £320m. The syndicated facility is available both for acquisitions and for working capital purposes. The facilities are subject to certain financial covenants, which had significant headroom at 31 March 2024.

Management of capital

The Group's objective when managing capital is to safeguard its ability to continue as a going concern and to maintain robust capital ratios to support the development of the business with a view to providing strong returns to Shareholders. In order to maintain or adjust the capital structure, the Group increases bank borrowings, issues new shares or changes the amount of dividends paid to Shareholders. In respect of this objective, the Group has a target gearing range of between 1.5 and 2.0 times. Gearing at 31 March 2024 was at the bottom of the range at 1.5 times (2023: 0.7).

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 23, cash and cash equivalents in note 22 and equity attributable to Shareholders.

NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2024

28. Financial assets and liabilities

Fair values

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.

Derivative financial instruments are represented by 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. The fair value of derivative foreign exchange instruments is determined on initial recognition at forward market exchange rates at inception of the contract and subsequently remeasured based on forward market exchange rates at the balance sheet date. As at 31 March 2024, the fair value of derivatives was £nil (2023: £0.1m). Prior year position is included within other receivables in note 21.

The carrying values of the Group's trade and other receivables, trade and other payables and assets held for sale are disclosed in notes 21, 29 and 12. The carrying value of these items approximates book value due to the short maturity of these instruments.

The carrying values of the Group's other financial assets and financial liabilities are set out below by category. Carrying values for all financial assets and liabilities are equivalent to fair values.

	Carrying amount 2024 £m	Fair value 2024 £m	Carrying amount 2023 £m	Fair value 2023 £m
Financial assets				
Cash at bank and in hand	110.8	110.8	83.9	83.9
Financial assets at amortised cost				
Deferred consideration	6.3	6.3	6.0	6.0
Financial liabilities at amortised cost				
Bank overdrafts and short-term borrowings	(79.3)	(79.3)	(40.5)	(40.5)
Non-current interest-bearing loans and borrowings:				
Fixed and floating rate borrowings	(135.5)	(135.5)	(86.1)	(86.1)
Lease liabilities	(20.1)	(20.1)	(18.8)	(18.8)
Financial liabilities at fair value through profit and loss ("FVTPL")				
Contingent consideration	(6.7)	(6.7)	(4.1)	(4.1)

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 recognised in the 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 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 FX contracts outstanding with banks at the year-end 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 liability either directly or indirectly.

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 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.

28. Financial assets and liabilities continued

Contingent consideration is 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.

Reconciliation of Level 3 fair value for contingent consideration payable on acquisitions:

	2024 £m	2023 £m
At 1 April	4.1	8.8
Contingent consideration arising from current year acquisitions payable in future years	3.0	–
Contingent consideration paid in the current year relating to previous years' acquisitions	–	(6.3)
Costs charged to the consolidated Statement of Profit or Loss:		
Subsequent adjustments on acquisitions	(0.3)	1.3
Exchange difference	(0.1)	0.3
At 31 March	6.7	4.1

Subsequent adjustments on acquisitions of £0.3m credit (2023: £1.3m debit) and exchange differences of £0.1m credit (2023: £0.3m debit) are included within operating costs.

Contingent consideration is sensitive to forecast operating profits of the relevant acquired businesses. At 31 March 2024, the estimated fair value of contingent consideration payable on acquisitions would increase/(decrease) by £2.4m (2023: £1.0m) if projected forecast profits were higher/lower by c.20%.

29. Trade and other payables

Current

	2024 £m	2023 £m
Trade payables	44.7	51.6
Other payables	27.9	26.1
Accrued expenses and contract liabilities	14.9	17.5
	87.5	95.2

Trade payables are non-interest bearing and are settled in accordance with credit terms. Other payables and accrued expenses are non-interest bearing and are settled throughout the year. Included in current year other payables is contingent consideration of £2.2m relating to acquisitions in the current and prior years (2023: £nil), employee-related payable of £14.7m (£11.5m), VAT payable of £4.0m (2023: £3.6m), a total of £3.6m of customers deposits (2023: £5.7m) and £3.4 other payables (2023: £5.3m).

Contract liabilities relate to contracts with customers, recognised and measured in accordance with the requirements of IFRS 15, and relate to either advance payments received for goods to be delivered in the future or amounts invoiced in respect of performance obligations which are not yet satisfied in full and due to be satisfied within a period of 12 months from the reporting date.

Contract liabilities as at 31 March 2024 amounted to £1.2m (2023: £1.1m). Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period amounted to £1.0m (2023: £1.0m).

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 £2.0m (2023: £2.3m) subject to such an arrangement.

Non-Current

	2024 £m	2023 £m
Other payables	4.6	4.1

Included in non-current trade and other payables is £4.5m contingent consideration relating to acquisitions in the current and prior years (2023: £4.1m).

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for the year ended 31 March 2024

30. Share capital

Allotted, called up and fully paid	2024 Number	2024 £m	2023 Number	2023 £m
Ordinary shares of 5p each	96,356,109	4.8	96,356,109	4.8

During the year to 31 March 2024, no shares were issued to the Group's Employee Benefit Trust (2023: 900,000). At 31 March 2024 the Trust held 414,600 shares (2023: 690,092). During the year to 31 March 2024, employees exercised 275,492 share options under the terms of the various share option schemes (2023: 378,333).

31. Share-based payment plans

The Group operates various share-based payment plans. The various schemes are explained below and have been separated into two separate disclosures. The charge to the consolidated Statement of Profit or Loss in respect of each of these schemes is:

	2024 £m	2023 £m
a) discoverIE Group plc long-term incentive plan ("the LTIP")	2.6	2.2
b) Approved and unapproved executive share option schemes	–	–
	2.6	2.2

a) The LTIP

Since 2008, the Group has operated the LTIP as a replacement for the approved and unapproved executive share option scheme detailed below. The LTIP involves a conditional award of shares on a grant of a nil-cost option. The award of shares to Executive Directors and senior management is recommended by the Remuneration Committee on the basis of such factors as their contribution to the Group's success. The LTIPs are equity-settled and there are no cash-settled alternatives. The vesting of an award is dependent on the individual's continued employment for a three-year period from the date of grant and the satisfaction by the Company of certain performance conditions. The exercise of the awards is also subject to a two-year holding period from the date of vesting.

For awards made in the year ended 31 March 2024, the performance conditions are as follows:

- 45% of the award is based on the Company's comparative total shareholder return ("TSR") against a comparator group made up of the constituents of the FTSE250 Index;
- 45% of the award is based on the Company's absolute earnings per share ("EPS") performance;
- 10% of the award is subject to the Company's ESG performance ("ESG"), based on the Company's reduction in carbon emissions;
- For certain operational management, 25% of the award is based on the Company's absolute earnings per share ("EPS") performance and 75% of the award is based on local earnings targets.

Awards are valued using the Monte Carlo model and Black-Scholes model. No non-market performance conditions were included in the fair value calculations. The fair value per award granted and the assumptions used in the calculation are as follows:

Awards granted in the year ended 31 March 2024:

Grant date	14 June 2023 TSR	14 June 2023 EPS	14 June 2023 ESG	14 June 2023 EPS/Local
Share price at grant date	£9.38	£9.38	£9.38	£9.38
Exercise price	nil	nil	nil	nil
Number of employees	15	15	15	22
Shares under option	184,082	184,082	40,907	82,637
Vesting period (years)	3	3	3	3
Expected volatility	40.83%	40.83%	40.83%	40.83%
Option life (years)	10	10	10	10
Expected life (years)	5	5	5	5
Risk-free rate of return	4.72%	4.72%	4.72%	4.72%
Expected dividend yield	nil	nil	nil	nil
Fair value	£6.49	£8.90	£8.90	£8.91

31. Share-based payment plans continued

Awards granted in the year ended 31 March 2023:

Grant date	21 June 2022 TSR	21 June 2022 EPS	21 June 2022 EPS/Local
Share price at grant date	£6.50	£6.50	£6.50
Exercise price	nil	nil	nil
Number of employees	14	14	19
Shares under option	245,981	245,981	105,716
Vesting period (years)	3	3	3
Expected volatility	41.5%	41.5%	41.5%
Option life (years)	10	10	10
Expected life (years)	5	5	5
Risk-free rate of return	2.5%	2.5%	2.5%
Expected dividend yield	1.7%	1.7%	1.7%
Fair value	£3.25	£5.71	£5.71

The expected volatility is based on historical volatility over the period of time commensurate with the expected term immediately prior to the date of grant. The expected life is the average expected period to exercise. The risk-free rate of return used in the valuation is the rate of interest obtainable from government securities over a period commensurate with the expected term of the equity incentive.

The total charge for the year relating to the LTIP schemes was £2.6m (2023: £2.2m).

Outstanding LTIP

A summary of the awards that have been granted under the LTIP and remain outstanding is given below:

At 31 March 2024

Outstanding at 1 April 2023	Granted during the year	Forfeited during the year	Exercised during the year	Outstanding at 31 March 2024	Exercise dates
5,500	–	–	–	5,500	2022–2026
629,140	–	–	(176,150)	452,990	2023–2027
390,924	–	(3,834)	(74,582)	312,508	2023–2028
620,943	–	(6,412)	–	614,531	2024–2029
547,867	–	(41,539)	–	506,328	2025–2030
371,739	–	(12,814)	–	358,925	2026–2031
592,086	–	(18,071)	–	574,015	2027–2032
–	491,708	(3,208)	–	488,500	2028–2033
3,158,199	491,708	(85,878)	(250,732)	3,313,297	

At 31 March 2023

Outstanding at 1 April 2022	Granted during the year	Forfeited during the year	Exercised during the year	Outstanding at 31 March 2023	Exercise dates
74,067	–	–	(68,567)	5,500	2022–2026
733,347	–	–	(104,207)	629,140	2023–2027
465,795	–	–	(74,871)	390,924	2023–2028
704,630	–	–	(83,687)	620,943	2024–2029
585,286	–	(1,360)	(36,059)	547,867	2025–2030
373,670	–	(1,931)	–	371,739	2026–2031
–	597,678	(5,592)	–	592,086	2027–2032
2,936,795	597,678	(8,883)	(367,391)	3,158,199	

The weighted average remaining contractual life for the share options outstanding at 31 March 2024 is 6.2 years (2023: 6.5 years) and the weighted average share price for the exercises during the year ended 31 March 2024 was £8.07 (2023: £7.89).

The range of exercise prices for options outstanding at the end of the year was £nil (2023: £nil).

NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2024

31. Share-based payment plans continued

b) Approved and unapproved executive share option schemes

The Group operates an approved and an unapproved executive share option scheme, the rules of which are similar in all material respects. The grant of options to Executive Directors and senior management is recommended by the Remuneration Committee on the basis of their contribution to the Group's success. The options vest after three years.

The exercise price of the options is equal to the closing mid-market price of the shares on the trading day prior to the date of the grant. Exercise of all options is subject to continued employment. The life of each option granted is ten years. There are no cash settlement alternatives.

Options are valued using the Black-Scholes model. No non-market performance conditions were included in the fair value calculations.

The fair value per option granted during the year and the assumptions used in the calculation are as follows:

Grant date	14 June 2023	21 June 2022
Share price at grant date	£9.38	£6.5
Exercise price	£9.18	£6.87
Number of employees	10	7
Shares under option	19,011	15,179
Vesting period (years)	3	3
Expected volatility	37.51%	40.8%
Option life (years)	10	10
Expected life (years)	6.5	6.5
Risk-free rate of return	4.72%	2.5%
Expected dividends expressed as a dividend yield	1.22%	1.7%
Fair value	£3.82	£2.31

The expected volatility is based on historical volatility over the period of time commensurate with the expected term immediately prior to the date of grant. The expected life is the average expected period to exercise. The risk-free rate of return used in the valuation is the rate of interest obtainable from government securities over a period commensurate with the expected term of the equity incentive.

The total charge for the year relating to the approved and unapproved share option schemes was £39k (2023: £21k).

Outstanding share options

A summary of the options over ordinary shares that have been granted under various Group share option schemes and remain outstanding is given below:

At 31 March 2024

Outstanding at 1 April 2023	Granted during the year	Forfeited during the year	Exercised during the year	Outstanding at 31 March 2024	Exercise price (pence)	Exercise dates
1,691	–	–	(1,691)	–	219.50	2020–2027
9,580	–	–	(9,580)	–	402.00	2021–2028
10,693	–	–	(4,549)	6,144	421.17	2022–2029
11,374	–	–	–	11,374	603.60	2023–2030
11,731	–	–	–	11,731	803.00	2024–2031
15,179	–	(1,324)	–	13,855	686.80	2025–2032
–	19,011	(1,129)	–	17,882	918.00	2026–2033
60,248	19,011	(2,453)	(15,820)	60,986		

31. Share-based payment plans continued

At 31 March 2023

Outstanding at 1 April 2022	Granted during the year	Forfeited during the year	Exercised during the year	Outstanding at 31 March 2023	Exercise price (pence)	Exercise dates
1,691	–	–	–	1,691	219.50	2020–2027
9,580	–	–	–	9,580	402.00	2021–2028
12,673	–	–	(1,980)	10,693	421.17	2022–2029
12,731	–	–	(1,357)	11,374	603.60	2023–2030
11,731	–	–	–	11,731	803.00	2024–2031
–	15,179	–	–	15,179	686.80	2025–2032
48,406	15,179	–	(3,337)	60,248		

Changes in share options

A reconciliation of option movements over the year to 31 March 2024 is shown below:

	2024		2023	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 April	60,248	£5.88	48,406	£5.51
Granted	19,011	£9.18	15,179	£6.87
Exercised	(15,820)	£3.88	(3,337)	£4.95
Forfeited	(2,453)	£7.93	–	–
Outstanding at 31 March	60,986	£7.35	60,248	£5.88
Exercisable at 31 March	17,518	£5.40	21,964	£3.97

The weighted average remaining contractual life for the share options outstanding at 31 March 2024 is 7.7 years (2023: 7.3 years).

The range of exercise prices for options outstanding at the end of the year was £4.21 to £9.18 (2023: £2.20 to £8.03).

32. Pension

Defined contribution schemes

The Group makes payments to various defined contribution pension schemes, the assets of which are held in separately administered funds. In the United Kingdom, the relevant scheme is the discoverIE Group plc Employee Pension Scheme ("the discoverIE scheme"). Contributions by both employees and Group companies are held in externally invested trustee-administered funds.

The Group contributes a specified percentage of earnings for members of the discoverIE scheme, and thereafter has no further obligations in relation to the discoverIE scheme. At 31 March 2024, 94 employees were active members of the discoverIE scheme (2023: 91). The total cost charged to the consolidated Statement of Profit or Loss in relation to the UK-based discoverIE scheme was £459,000 (2023: £595,000). Employer contributions in respect of other UK-based schemes and overseas pension schemes were £650,000 (2023: £730,000) and £2,812,000 (2023: £2,587,000) respectively. Total contributions payable in the next financial year are expected to be at rates broadly similar to those in FY 2023/24 but based on actual salary levels in FY 2024/25.

Defined benefit schemes

The acquisition of the Sedgemoor Group in June 1999 brought with it certain defined benefit pension schemes, together "the Sedgemoor Scheme". The Sedgemoor Scheme is funded by the Group, provides retirement benefits based on final pensionable salary and 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 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 and are set based upon funding valuations carried out every three years.

NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS continued

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32. Pension continued

Based upon the results of the triennial funding valuation at 31 March 2021, the Sedgemoor Scheme's Trustees agreed with Sedgemoor Limited on behalf of the participating employers to continue the same rate of participating employer's contributions under the deficit recovery plan agreed at the previous valuation at 31 March 2018. This required contributions of £1.9m over the year to 31 March 2022, with future contributions of £1.9m p.a. increasing by 3% each April payable over the period to 30 April 2024. After the valuation, in December 2022, it was agreed with the Trustees that, with effect from January 2023, these contributions could be paid into an escrow account to the benefit of the Trustees unless and until such time as pension benefits are fully secured with an insurer and the scheme wound up. For the year ended 31 March 2024, a total of £2.0m (2023: £0.2m) was paid into the escrow account and is reported under trade and other receivables.

The estimated amount of total employer contributions expected to be paid to the Sedgemoor Scheme during FY 2024/25 is £nil (FY 2023/24 actual: £nil). £0.8m is expected to be paid into the escrow account in FY 2024/25.

There is a risk that adverse experience could lead to a requirement for Sedgemoor Limited to make additional contributions to recover any deficit that arises.

The main actuarial assumptions used are set out as follows:

	2024	2023
Rate of increase of pensions in payment	2.5%	2.5%
Discount rate	4.8%	4.8%
Inflation assumption – RPI	3.4%	3.5%
Inflation assumption – CPI*	2.3%	2.4%

*3.3% from 2030

The discount rate is based on the yields on AA grade Sterling corporate bonds at the reporting date.

Pensioner mortality assumptions are based on 110% of the "S3NA" table, projected from 2013 and with long-term improvement rates in line with CMI 2021 core projections based on each member's actual date of birth with a long-term annual rate of improvement of 1.25% p.a., allowing for a 10% weighting of 2022 mortality data reflecting the best estimate impact on long-term mortality trends brought about by the Covid-19 pandemic.

The weighted average duration of the defined benefit obligation at 31 March 2024 was 10 years (2023: 10 years).

The Directors consider that, were a pension asset to be realised in respect of this scheme after all member benefits have been paid and after the scheme is wound up, this would be fully recoverable by the Group in line with the rules of the scheme. Therefore, the IAS 19 surplus is recognised in full under current accounting standards.

The investment strategy is set by the Trustees of the Sedgemoor Scheme in consultation with the Company. The current strategy is to invest in liability-driven investments, corporate bonds, asset-backed securities and liquidity funds. As part of this strategy, the Trustees hedge the Scheme against future changes in gilt market-implied interest rate and inflation expectations relative to a prudent valuation of the liabilities based on the yield on gilts (as such, the Scheme over-hedges these risks relative to the IAS 19 liability value).

As the Sedgemoor Scheme mostly invests in pooled funds, the fair value of assets reflects the fund managers' valuation rather than quoted prices in active markets, however, the fund values are all based on the prices of the underlying investments within each fund. Remeasurements are recognised immediately through other comprehensive income.

The charges recognised in the consolidated Statement of Profit or Loss in respect of defined benefit schemes are as follows:

	2024 £m	2023 £m
Pension charge (recognised in operating costs)	0.9	0.7

Past service cost

The charges recognised in the consolidated Statement of Comprehensive Income are as follows:

	2024 £m	2023 £m
Remeasurement (losses)/gains:		
Return on plan assets (excluding amounts included in net interest expense)	(1.4)	(7.9)
Actuarial changes arising from changes in actuarial assumptions	0.2	6.7
Actuarial loss recorded in the consolidated Statement of Comprehensive Income	(1.2)	(1.2)

There was no additional actuarial loss relating to the unfunded retirement and leaving indemnity schemes (note 26) recorded in the consolidated Statement of Comprehensive Income.

32. Pension continued

The fair value of assets and expected rates of return used to determine the amounts recognised in the consolidated Statement of Financial Position are as follows:

	2024 £m	2023 £m
Bonds	6.9	8.4
Cash	5.9	1.2
Liability-driven investments	6.3	7.8
Infrastructure	–	4.7
Asset-backed security	9.0	8.8
Fair value of scheme assets	28.1	30.9
Present value of funded defined benefit obligations	(27.8)	(28.6)
Asset recognised in the consolidated Statement of Financial Position	0.3	2.3

Over the year to 31 March 2024, the surplus reduced from £2.3m to £0.3m. The movement related to pension administration costs of £0.8m (2023: £0.6m) and actuarial losses of £1.2m (2023: £1.2m) recognised in the consolidated Statement of Comprehensive Income.

Changes in the present value of the defined benefit obligation are as follows:

	2024 £m	2023 £m
Opening defined benefit obligations	28.6	36.3
Net interest cost	1.3	1.0
Actuarial losses/(gains) due to:		
Experience on benefit obligation	0.1	0.4
Changes in financial assumptions	(0.1)	(7.1)
Changes in demographic assumptions	(0.2)	–
Benefits paid	(1.9)	(2.0)
Closing defined benefit obligations	27.8	28.6

Changes in the fair value of the scheme assets are as follows:

	2024 £m	2023 £m
Opening fair value of scheme assets	30.9	39.0
Interest on scheme assets	1.4	1.0
Actual return on plan assets less interest on plan assets	(1.4)	(7.9)
Pension administration costs	(0.9)	(0.7)
Contributions	–	1.5
Benefits paid	(1.9)	(2.0)
Closing fair value of scheme assets	28.1	30.9

Sensitivities

The sensitivity of the 2024 pension liabilities to changes in assumptions are as follows:

Assumption	Change in assumption	Increase in scheme deficit £m
Discount rate	Decrease by 0.5%	1.4
Inflation	Increase by 0.5%	0.5
Life expectancy	Increase by 1 year	1.5

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33. Auditors' remuneration

During the year the Group paid fees for the following services from auditors:

	2024 £m	2023 £m
Auditors' remuneration:		
Audit of the Group Financial Statements (including the Company)	0.9	0.7
Audit of local subsidiary Financial Statements	1.0	0.9
Audit fees	1.9	1.6

The fee for non-audit services was £123k (2023: £119k), of which £112k (2023: £110k) relates to interim review and £11k (2023: £9k) relates to reporting required by regulators in overseas countries.

34. Related party disclosures

As at 31 March 2024 the Group's subsidiaries are set out below. Unless otherwise stated, the Group holds (directly or indirectly) 100% of the total voting rights of all subsidiaries.

Except where noted, all material subsidiaries have a 31 March year-end and the shares carry the same voting rights as their effective interest.

UK-registered subsidiaries exempt from audit that qualify to take the statutory audit exemption as set out within section 479A of the Companies Act 2006 for the year ended 31 March 2024 are listed below. discoverIE Group plc will guarantee the debts and liabilities of those companies at the balance sheet date in accordance with section 479C of the Companies Act 2006.

Audit exempt entities within section 479A of Companies Act 2006

Name	Company Number
CDT 123 Limited	09637514
Contour Holdings Limited	06846542
Cursor Controls Holdings Limited	09472278
CustomDesignTechnologies Ltd	02081576
discoverIE Electronics Limited	06556285
discoverIE Nordic Holdings Limited	09056483
Heason Technology Limited	06322037
Herga Technology Limited	00533707
Santon Switchgear Limited	03207845
SLV Holdings Limited	09943868
Variohm Holdings Limited	05783452
Xi-Tech Limited	07068708

The country of incorporation and registration for the entities above is England and the registered address is 2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH.

34. Related party disclosures continued

Name and nature of business	Registered address	Country of incorporation and registration
Management Services - Head Office		
discoverIE Management Services Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
Operating Companies		
2J Antennas s.r.o	Štefánikova 61, 085 01 Bardejov	Slovakia
2J Antennas UK Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
2J Antennas USA Corporation	2020 W Guadalupe Rd, Suite 8, Gilbert Arizona, 852	USA
Antenova Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
Calculagraph Company (trading as Control Products Inc)	280 Ridgedale Avenue, East Hanover, New Jersey 07936	USA
Coil-Mag LLC (trading as IMAG Electronics)	160 South Illinois Street, Hobart, Indiana, 46342-4512	USA
Coil-Tran de Mexico, S.A. DE C. V. ²	Calle Matamoros 124, Colonia Centro, Municipio Agualeguas, Mexico Nuevo Leon, Mexico, CP 65800	
Coil-Tran LLC (trading as Hobart Electronics and Noratel US)	160 South Illinois Street, Hobart, Indiana, 46342-4512	USA
Contour Electronics Asia Limited	Room 601, 6/F Shing Yip Industrial Building, 19-21 Shing Yip Street, Kwun Teng, Kowloon	Hong Kong
Contour Electronics Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
Cursor Controls Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
CustomDesignTechnologies Ltd	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
Danselbud Noratel Transformator sp. z o.o.	ul. Szczecinska 1K, Dobra Szczecinska PL-72-003	Poland
Diamond Technologies Inc.	43 Broad Street Unit C103, Hudson, MA 01749	USA
EMC Innovation Limited ¹	Woolim Lions Valley C-409, 283 Bupyeong-daero, Bupyeong-gu, Cheongcheon-Dong, Incheon	South Korea
Flux A/S	Industrivangen 5, 4550 Asnaes	Denmark
Flux International Limited	41/27, 23 Village No. 6, Phuncharoen Lane, Bangna-Trad K.M. 16.5 Road, Bang Chalong Sub-district, Bang Phli District, Samut Prakan Province, 10540	Thailand
Foshan Noratel Electric Co Limited ¹	NO 22-2 Xingye Road, Zone C Shishan Science & Technology Industrial Park, Nanhai District, Foshan City, Guangdong Province 528225	China
Foss Fiberoptisk Systemsalg AS	Dansrudveien 45, N-3036 Drammen	Norway
Foss Fibre Optics s.r.o	Odborarska 52, 831 02 Bratislava	Slovakia
Hectronic AB	P.O. Box 3002, 750 03 Uppsala	Sweden
Herga Technology Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
IKN AS	Økernveien 121, 0579 Oslo	Norway
Limator GmbH	Dieselstraße 22, 73660 Urbach	Germany
Limator Hungaria Kft	Pécs, Makay István út 13/b, 7634	Hungary
Limator Solutions GmbH	Dieselstraße 22, 73660 Urbach	Germany
Logic PD, Inc. (trading as Beacon Embedded Works)	6201 Bury Drive, Eden Prairie, MN 55346	USA
Magnasphere Corporation	850 New Burton Road, Suite 201, Dover, DE 19904	USA
MTC Micro Tech Components GmbH	Hausener Straße 9, 89407 Dillingen a.d., Donau	Germany

NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2024

34. Related party disclosures continued

Name and nature of business	Registered address	Country of incorporation and registration
Myrra Deutschland GmbH	Lebacher Straße 4, 66113 Saarbrücken	Germany
Myrra Hong Kong Limited	42/F Central Plaza, 18 Harbour Road, Wanchai	Hong Kong
Myrra Power sp. z o.o.	Ul Warszawska 1, 05-310 Kaluszyn	Poland
Myrra SAS	2 Boulevard de La Haye, 77600 Bussy-Saint-Georges	France
Noratel AS	Elektroveien 7, 3300 Hokksund	Norway
Noratel Canada Inc	267 Matheson Boulevard East, Unit 2, Mississauga, ON L4Z 1X8	Canada
Noratel Denmark A/S	Naverland 15, 2600 Glostrup, Copenhagen	Denmark
Noratel Finland OY	Kiertokatu 5, PB 11, 24280 Salo, Helsinki	Finland
Noratel Germany AG	Elsenthal 53, DE-94481 Grafenau, Bremen	Germany
Noratel India Power Components Pvt Limited	Nila Technopark, Trivandrum, Kerala, 695581	India
Noratel International (Private) Limited	P.O Box 15, Phase II, KEPZ, Katunayake	Sri Lanka
Noratel Power Engineering LLC	3780 Kilroy Airport Way, Suite 200, Long Beach, CA 90822	USA
Noratel Sp. z o.o.	ul. Szczecinska 1K, Dobra Szczecinska, PL-72-003	Poland
Noratel Sweden AB	Lars Lindahlsväg 2, Box 108, Laxå 69522	Sweden
Noratel UK Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
NSI bvba	Haakstraat 1A, 3740 Bilzen	Belgium
Phoenix America LLC	850 New Burton Road, Suite 201, Dover, DE 19904	USA
Santon Circuit Breaker Services B.V.	Hekendorpstraat 69, 3079 DX Rotterdam	Netherlands
Santon GmbH	Oberstrasse 1, Altes Rathaus Hinsbeck, Postfach 5217, 41334 Nettetal	Germany
Santon Group B.V.	Hekendorpstraat 69, 3079 DX Rotterdam	Netherlands
Santon Hekendorpstraat B.V.	Hekendorpstraat 69, 3079 DX Rotterdam	Netherlands
Santon Holland B.V.	Hekendorpstraat 69, 3079 DX Rotterdam	Netherlands
Santon International B.V.	Hekendorpstraat 69, 3079 DX Rotterdam	Netherlands
Santon Switchgear Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
Sens-Tech Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
Shape LLC	850 New Burton Road, Suite 201, Dover, DE 19904	USA
Silver Telecom Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
Stortech Electronics Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
Variohm-Eurosensor Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
Vertec Scientific Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
Zhongshan Myrra Electronic Co Limited ¹	39-2 Industrial Road, Xiaolan Industrial Park, Xiaolan Town, 528400, Zhongshan, Guangdong Province	China
Holding Companies		
Aramys SAS	2 Boulevard de La Haye, 77600 Bussy-Saint-Georges	France
CDT 123 Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
Contour Holdings Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
Cursor Controls Holdings Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England

34. Related party disclosures continued

Name and nature of business	Registered address	Country of incorporation and registration
discoverIE Electronics Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
discoverIE Europe Holding BV	Hekendorpstraat 69, 3079 DX Rotterdam	Netherlands
discoverIE France Holdings SAS	2 Boulevard de la Haye, Parc Gustave Eiffel, 77600 Bussy-Saint-Georges	France
discoverIE Holdings Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
discoverIE Nordic Holdings Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
discoverIE US Holdings Inc.	850 New Burton Road, Suite 201, Dover, DE 19904	USA
EWAC Holding B.V.	Hekendorpstraat 69, 3079 DX Rotterdam	Netherlands
Sedgemoor Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
SLV Holdings Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
Trafo Holding AS	Elektroveien 7, Hokksund, 3300	Norway
Variohm Holdings Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
Xi-Tech Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
Dormant Companies		
Acal BFi Iberia SL	Doctor Fleming, 3 - 9" derecha, 28036 - Madrid	Spain
Acal Electronics Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
ACTECH Holdings Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
Advanced Crystal Technology Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
Amega Electronics Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
Amega Group Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
Bosunmark Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
Gothic Crellon Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
Heason Technology Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
Radiatron Components Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
Radiatron Holdings Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
Sedgemoor Group Pension Trustees Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
Sedgemoor Group Supplementary Pension Trustees Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
Sedgemoor Holdings Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England
Townsend-Coates Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford, Surrey, GU2 7AH	England

¹ Zhongshan Myrra Electronic Co Limited, EMC Innovation Limited and Foshan Noratel Electric Co Limited have 31 December year-ends

² 15% of Coil-Tran de Mexico SA de CV is owned by local management

NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS continued

for the year ended 31 March 2024

34. Related party disclosures continued

Related parties

Remuneration of key management personnel

The Group considers key management personnel as defined in IAS 24 'Related Party Disclosures' to be the members of the Group Management Committee as set out on page 97. Remuneration is set out below in aggregate. The charge for share-based payments of £2.3m (2023: £1.8m) relates to the Group's LTIP as detailed in note 31.

	2024 £m	2023 £m
Short-term employee benefits	4.7	5.0
Pension benefits	0.2	0.2
Share-based payments	2.3	1.8
	7.2	7.0

Terms and conditions of transactions with related parties

All transactions with related parties were on an arm's length basis. Outstanding balances at year-end are unsecured and settlement occurs in cash.

Transactions with other related parties

There were no transactions with Directors (other than the payment of salaries and fees and the provision of employee benefits as outlined in the Remuneration Report) during the year.

35. Exchange rates

The profit and loss accounts of overseas subsidiaries are translated into Sterling at average rates of exchange for the year and consolidated Statements of Financial Position are translated at year-end rates. The main currencies are the US Dollar, the Euro and the Norwegian Krone. Details of the exchange rates used are as follows:

	Year to 31 March 2024		Year to 31 March 2023	
	Closing rate	Average rate	Closing Rate	Average rate
US Dollar	1.2643	1.2566	1.2369	1.2058
Euro	1.1695	1.1585	1.1374	1.1576
Norwegian Krone	13.6814	13.3524	12.9595	11.9778

36. Events after the reporting date

There were no matters arising, between the balance sheet date and the date on which these Financial Statements were approved by the Board of Directors, requiring adjustment in accordance with IAS 10 "Events after the Reporting Period". The following important non-adjusting events should be noted:

Dividends

A final dividend of 8.25p per share (2023: 7.90p), amounting to a dividend of £7.9m (2023: £7.6m) and bringing the total dividend for the year to 12.0p (2023: 11.45p), was declared by the Board on 4 June 2024. The Group Financial Statements do not reflect this dividend.

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 March 2024

	Notes	2024 £m	2023 £m
Non-current assets			
Investments	5	189.3	187.0
		189.3	187.0
Current assets			
Debtors	6	95.3	106.9
Cash at bank and in hand		33.1	18.2
		128.4	125.1
Total assets		317.7	312.1
Current liabilities			
Creditors: amounts falling due within one year	7	(31.2)	(37.8)
		(31.2)	(37.8)
Non-current liabilities			
Other financial liabilities	8	–	(3.6)
		–	(3.6)
Total liabilities		(31.2)	(41.4)
Net assets		286.5	270.7
Capital and reserves			
Called up share capital	9	4.8	4.8
Share premium account		192.0	192.0
Merger reserve		2.9	2.9
Profit and loss account		86.8	71.0
Total Shareholders' funds		286.5	270.7

The profit of the Company for the financial year ended 31 March 2024 was £24.4m (2023: £12.7m).

These Financial Statements on pages 203 to 206 were approved by the Board of Directors on 4 June 2024 and signed on its behalf by:

Nick Jefferies
Group Chief Executive

Simon Gibbins
Group Finance Director

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2024

	Share capital £m	Share premium £m	Merger reserve £m	Profit and loss account £m	Total £m
At 1 April 2022	4.7	192.0	10.5	59.0	266.2
Profit for the year	–	–	–	12.7	12.7
Share-based payments	–	–	–	2.2	2.2
Shares issued	0.1	–	–	–	0.1
Transfer to profit and loss account	–	–	(7.6)	7.6	–
Dividends	–	–	–	(10.5)	(10.5)
At 31 March 2023	4.8	192.0	2.9	71.0	270.7
Profit for the year	–	–	–	24.4	24.4
Share-based payments	–	–	–	2.6	2.6
Dividends	–	–	–	(11.2)	(11.2)
At 31 March 2024	4.8	192.0	2.9	86.8	286.5

At 31 March 2024, an amount of £63.2m (2023: £50.0m) out of the total £86.8m (2023: £71.0m) in the profit and loss account is available for distribution, subject to filing these Financial Statements with Companies House. When making a distribution to Shareholders, the Directors determine profits available for distribution by reference to guidance on realised and distributable profits under the Companies Act 2006 issued by the Institute of Chartered Accountants in England and Wales and the Institute of Chartered Accountants of Scotland in April 2017. The profits of the Company have been received in the form of dividends from subsidiary companies which have been paid to the Company in cash. The availability of distributable reserves in the Company is dependent on dividends received from subsidiary companies meeting the definition of qualifying consideration within the guidance referred to above, and on the available cash resources of the Group and other accessible sources of funds. The level of distributable reserves is subject to any future restrictions or limitations at the time such distribution is made.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 March 2024

1. Basis of preparation

The separate Financial Statements of the Company have been prepared for all periods presented, in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") and in accordance with the Companies Act 2006. These Financial Statements are prepared on the going concern basis and under the historical cost convention modified for fair values, as described in note 2 to the consolidated Financial Statements.

2. Summary of material accounting policies

The summary of material accounting policies for the Company is described in note 2 to the consolidated Financial Statements.

3. Profit of the Company

The profit of the company for the financial year was £24.4m (2023: £12.7m). Dividends income received from subsidiary undertakings amounted to £34.4m (2023: £42.4m). By virtue of section 408(3) of the Companies Act 2006, the Company is exempt from presenting a separate Statement of Profit or Loss.

4. Employees

The Directors also provide services to other group undertakings and received remuneration from a fellow group undertaking, discoverIE Management Services Limited in respect of services to the Group. Directors' emoluments are shown in note 8 to the consolidated Financial Statements.

5. Investments

	Subsidiary undertakings £m
At 1 April 2022	203.4
Transfer of investment	(18.6)
Share-based payments	2.2
At 31 March 2023	187.0
Impairment of investment	(0.3)
Share-based payments	2.6
At 31 March 2024	189.3

Details of all direct and indirect holdings in subsidiaries are provided in note 34 of the consolidated Financial Statements.

Equity investments in subsidiary undertakings are reviewed annually for indicators of impairment of the carrying value, measured at cost less accumulated impairment losses. Where the net assets of a subsidiary fall below the carrying amount of the investment, an impairment test is performed. The impairment test compares the carrying amount to the estimated recoverable amount, calculated based on value in use of the forecast business cash flows, discounted at the Company's pre-tax discount rate.

6. Debtors

	2024 £m	2023 £m
Amounts falling due within one year:		
Amounts owed by subsidiary undertakings	88.7	101.5
Corporation tax	2.8	1.2
Other debtors	2.3	1.3
Prepayments	0.1	0.1
Deferred tax asset	1.4	2.8
	95.3	106.9

Amounts owed by subsidiary undertakings bore interest at a Sterling base rate plus a margin of 1.75% (2023: 1.75%). All amounts are repayable on demand. There are no material expected credit losses recognised for these receivables.

At 31 March 2024, the Company has recognised a deferred tax asset of £1.4m (2023: £2.8m) in respect of losses. Deferred tax assets are recognised to the extent that there are sufficient forecast future taxable profits against which the Company's losses can be offset. At 31 March 2024, the Company had not recognised a deferred tax asset in respect of tax losses of approximately £4.3m (2023: £7.3m).

NOTES TO THE COMPANY FINANCIAL STATEMENTS continued

for the year ended 31 March 2024

7. Creditors: amounts falling due within one year

	2024 £m	2023 £m
Bank loans and overdrafts	7.6	3.6
Amounts owed to subsidiary undertakings	21.4	31.6
Other payables	0.7	1.4
Accruals	1.5	1.2
	31.2	37.8

Amounts owed to subsidiary undertakings bore interest at a nil rate (2023: nil rate) and are repayable on demand.

8. Other financial liabilities

Other financial liabilities of £nil at 31 March 2024 (2023: £3.6m) comprised drawdowns on the Group's Revolving Credit Facility (see note 23 to the consolidated Financial Statements). The amount was denominated in Sterling and bore interest based on SONIA.

9. Called up share capital

Allotted, called up and fully paid	2024 Number	2024 £m	2023 Number	2023 £m
Ordinary shares of 5p each	96,356,109	4.8	96,356,109	4.8

During the year to 31 March 2024, no shares were issued to the Group's Employee Benefit Trust (2023: 900,000).

At 31 March 2024, there were outstanding options for employees of subsidiaries to purchase up to 3,374,283 (2023: 3,218,447) ordinary shares of 5p each between 2023 and 2034 at prices ranging from £nil per share to £9.18 per share. These are subject to certain performance conditions as disclosed in note 31 of the consolidated Financial Statements. During the year to 31 March 2024, employees exercised 275,492 share options under the terms of the various schemes (2023: 378,334). The shares exercised during the year ended 31 March 2024 were settled by the Trust.

10. Related parties

The Company is exempt under the terms of FRS 101 from disclosing related party transactions with wholly owned entities that are part of the Group as these transactions are fully eliminated on consolidation.

11. Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings. Borrowings by subsidiary undertakings totalling £137.4m (2023: £88.1m) which are included in the Group's borrowings (note 23) have been guaranteed by the Company.

12. Share-based payments

For detailed disclosures of share-based payments granted to the employees of subsidiaries refer to note 31 of the consolidated Financial Statements.

13. Post balance sheet events

There were no matters arising, between the statement of financial position date and the date on which these financial statements were approved by the Board of Directors, requiring adjustment in accordance with IAS 10, Events after the reporting period. The following important non-adjusting events should be noted:

Dividends

A final dividend of 8.25p per share (2023: 7.90p), amounting to a dividend of £7.9m (2023: £7.6m) and bringing the total dividend for the year to 12.0p (2023: 11.45p), was declared by the Board on 4 June 2024.

FIVE YEAR RECORD

	2024 £m	2023 £m	2022 £m	2021 £m	2020 £m
Consolidated Statement of Profit or Loss – continuing operations¹					
Revenue	437.0	448.9	379.2	302.8	303.3
Underlying operating profit	57.2	51.8	41.4	30.8	30.8
Underlying profit before tax	48.2	46.3	37.6	27.2	26.5
Profit before tax	22.2	29.1	17.1	13.5	13.2
Profit for the year from continuing operations	15.5	21.3	9.7	9.5	9.3
Earnings per share – continuing operations					
Underlying earnings per share	36.8p	35.2p	29.4p	22.4p	24.4p
Diluted earnings per share	15.8p	21.7p	10.1p	10.3p	10.6p
Dividend per share	12.0p	11.45p	10.8p	10.15p	2.97p
Consolidated Statement of Financial Position					
Net debt	(104.0)	(42.7)	(30.2)	(47.2)	(61.3)
Non-current assets	381.0	335.9	326.5	244.6	236.4
Net assets	301.6	303.6	290.4	208.4	200.5

The figures up to 2022 exclude the results of discontinued operations mainly related to the disposal of the Acal BFi business.

PRINCIPAL LOCATIONS

Group head office

Location	Company	City
United Kingdom	discoverIE Group plc	Guildford
	discoverIE Management Services	Guildford

Operating companies

Location	Company	City
United Kingdom	CDT	Brackley
	Contour Electronics	Hook
	Cursor Controls	Newark
	Heason Technology	Horsham
	Herga Technology	Bury St. Edmunds
	Noratel UK	Nantwich
	Positek	Cheltenham
	Sens-Tech	Egham
	Silvertel	Newport
	Stortech Electronics	Harlow
	Variohm-Eurosensor	Towcester
	Vertec Scientific	Reading
Belgium	NSI	Bilzen
Canada	Noratel Canada	Ontario
China Mainland	Foshan Noratel Electric	Foshan
	Zhongshan Myrra Electronic	Zhongshan
Denmark	Noratel Denmark	Glostrup
	Flux	Asnaes
Finland	Noratel Finland	Salo
France	Myrra SAS	Bussy-Saint-Georges
Germany	Limitor	Urbach
	MTC Micro Tech Components	Dillingen
	Noratel Germany	Grafenau, Bremen
	Variohm-Eurosensor	Heidelberg
Hong Kong	Contour Asia	Kowloon
	Myrra Hong Kong	Wanchai
Hungary	Limitor Hungaria	Pecs
India	Noratel India Power Components	Kerala, Bangalore
Mexico	Hobart Electronics	Agualeguas, Nogales
Netherlands	Santon	Rotterdam
Norway	Foss	Drammen
	Noratel Norway	Hokksund, Hamar
Poland	Myrra Poland	Kaluszyn
	Noratel Poland	Szczecinska
Slovakia	2J Antennas	Bardejov
	Foss Fibre Optics	Bratislava
South Korea	EMC Innovation	Cheongcheon-Dong
Sri Lanka	Noratel International	Katunayake
Sweden	Hectronic	Uppsala
	Noratel Sweden	Laxa, Vaxjo
Taiwan	Antenova Asia	Taipei
Thailand	Flux International	Bangkok
USA	2J Antennas	Gilbert, AZ
	Beacon EmbeddedWorks	Eden Prairie, MN
	Control Products Inc (CPI)	East Hanover, NJ
	Diamond Technologies (DTI)	Hudson, MA
	Noratel US	Hobart, IN
	Magnasphere	Waukesha, WI and Goshen, IN
	Phoenix America	Fort Wayne, IN
	Shape	Addison, IL

FINANCIAL CALENDAR 2024/25

Annual General Meeting

26 July 2024

Results

Interim results for the six months to 30 September 2024

Early December 2024

Preliminary announcement for the year to 31 March 2025

Early June 2025

Annual Report 2025

Late June 2025

CORPORATE INFORMATION

Registered office

discoverIE Group plc
2 Chancellor Court
Occam Road
Surrey Research Park
Guildford
Surrey GU2 7AH

Telephone: 01483 544500

Incorporated in England and Wales
with registered number: 02008246

Auditors

PricewaterhouseCoopers LLP

Corporate solicitors

White & Case LLP

Principal bankers

Bank of Ireland
Clydesdale Bank plc
Citibank NA Inc
Danske Bank A/S
Fifth Third Commercial Bank
HSBC Bank UK plc
KBC Bank NV

Registrar

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
www.shareview.co.uk

Stockbroker

Peel Hunt LLP



The production of this report supports the work of the Woodland Trust, the UK's leading woodland conservation charity. Each tree planted will grow into a vital carbon store, helping to reduce environmental impact as well as creating natural havens for wildlife and people.



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