Preliminary Results

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discoverIE Group plc

Preliminary results for the year ended 31 March 2022

Record growth and development

discoverIE Group plc (LSE: DSCV, "discoverIE" or "the Group"), a leading international designer and manufacturer of customised electronics for industrial applications, today announces its results for the year ended 31 March 2022 ("FY 2021/22" or "the Year").

Continuing Operations[1]	**FY 2021/22**	FY 2020/21	Growth %	FY 2019/20	Growth[2] %
Revenue	**£379.2m**	£302.8m	+25%	£303.3m	+25%
Underlying operating profit[3]	**£41.4m**	£30.8m	+34%	£30.8m	+34%
Underlying operating margin[3]	**10.9%**	10.2%	+0.7ppts	10.2%	+0.7ppts
Underlying EPS[3]	**29.4p**	22.4p	+31%	24.4p	+20%
Reported operating profit	**£20.9m**	£17.1m	+22%	£17.8m	+17%
Total Operations					
Reported fully diluted EPS	**26.3p**	13.0p	+102%	16.3p	+61%
Gearing	**0.6x**	1.1x	(0.5x)	1.25x	(0.65x)
Full year dividend per share	**10.8p**	10.15p	+6%	2.97p	+264%[4]

Highlights

- **Record growth in orders & sales driven by focus on structurally growing target markets**
  - 76% of sales into UNSDG aligned sectors of renewables, medical, transport, industrial & connectivity
  - Organic[5] orders: +36% (v FY 2020/21) and +32% (v pre-Covid period FY 2019/20)
  - Organic sales: +18% (v FY 2020/21) and +14% (v FY 2019/20)
  - Total sales +25% (v FY 2020/21) and +25% (v FY 2019/20)

- **Delivering strong financial performance**
  - Underlying operating profit from continuing operations: +34%
  - Underlying EPS from continuing operations: +31%

- **Excellent progress towards key strategic targets**
  - Underlying operating margin increased by 0.7ppts to 10.9% (target: 13.5%)
  - Like-for-like carbon emissions[6] reduced by 33% since CY 2019 (v 50% target by 2025)
  - Free cash flow conversion[7] over two years of 102% of net profit (v 85% target)

- **Three international acquisitions completed for £85m; well supported equity placing for net £53m**
  - Beacon, Antenova and CPI; now fully integrated

- **Sale of Acal BFi completes exit from the business of distribution**
  - Continuing operations arranged into two new divisions: Magnetics & Controls ("M&C") and Sensing & Connectivity ("S&C")

- **Group well positioned for further growth**
  - Record order book of £224m (organic: +62% v Mar 2021; +71% v Mar 2020)
  - Pipeline of acquisition opportunities remains strong
  - Gearing(8) of 0.6x, well below our target of 1.5x to 2.0x; significant funding headroom available
  - New financial year started well - continued strong organic revenue growth

Nick Jefferies, Group Chief Executive, commented:

"These results reflect the strength of the discoverIE business model which is performing well in good demand conditions and an inflationary environment and follows a resilient performance through the weaker Covid conditions of the year before. With record growth in orders, sales, order book and underlying earnings per share, which increased by 31%, continuing revenues and earnings are now well ahead of the pre-Covid period. I would like to thank all of our employees around the Group for their tremendous effort and flexibility over the last two years that has led to these results.

We are also making good progress on our sustainability initiatives. By switching our sites to renewable sources of energy where possible, the Group's like-for-like carbon emissions were 33% lower in calendar year 2021 than 2019 and we are on track to achieve our goal of a 50% reduction by 2025.

Following the Group's exit during the year from the business of distribution, discoverIE is now solely focused on the design and manufacture of customised electronics for industrial applications; our continuing focus is on achieving organic growth and new design wins in sustainable target markets, together with accretive acquisitions. The Group is well-funded, with a strong balance sheet and cash flow, and has significant funding headroom for further acquisitions.

The new financial year has started well, with continued strong growth in organic sales, and the order book at record high levels. While supply chain headwinds and inflationary pressures remain, they are expected to be manageable.

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

Analyst and investor presentation:

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

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Notes:

(1) Continuing operations excludes the results of the Acal BFi and Vertec SA businesses, and profit on sale, following their disposals during the year. These two businesses have been treated under IFRS 5 as discontinued operations.

(2) This is the two year growth from FY2019/20 to FY2021/22

(3) 'Underlying Operating Profit', 'Underlying Operating Margin", 'Underlying Profit before Tax' and 'Underlying EPS' are non-IFRS financial measures used by the Directors to assess the underlying performance of the Group. These measures relate to continuing operations and exclude acquisition-related costs (amortisation of acquired intangible assets of £14.0m and acquisition expenses of £6.5m) totalling £20.5m. Equivalent underlying adjustments within the FY 2020/21 underlying results totalled £13.7m. For further information, see note 5 of the attached summary financial statements.

(4) A final dividend was not proposed for FY2019/20 due to Covid.

(5) Organic growth for the Group compared with last year is calculated at constant exchange rates ("CER") and is shown excluding the first 12 months of acquisitions post completion (Phoenix was acquired in October 2020, Limitor in February 2021, CPI in May 2021, Antenova in August 2021 and Beacon in September 2021). Organic growth compared with two years ago excludes the first 24 months of acquisitions so also excludes Sens-Tech acquired in October 2019. The average sterling rate of exchange against the Euro strengthened by 5% compared with the average rate last year, by 2% on average against the three Nordic currencies, and by 5% compared with the US dollar rate for last year.

(6) Target is for Scope 1 and Scope 2 carbon emissions and is based on an intensity measure of tonnes of CO2 equivalent per £m revenue (tCO2e/£m revenue). Historic figures have been adjusted to exclude disposals in FY22 and acquisitions completed in the last 12

months.

(7) Free cash flow is cash flow before dividends, acquisitions, disposals and equity issuance. Free cash flow conversion rate of 136% of net profit in FY21 (linked to an inflow of working capital with organic sales down 4%), 77% in FY22 (linked to an outflow of working capital with organic sales up 18%) giving 102% for the 2 year period (with organic sales up 14%).

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

(9) Growth rates for the period FY 2017/18 to FY 2021/22 exclude the Covid year FY 2020/21 so the growth from FY 2019/20 to FY 2021/22 is treated as one year.

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

Notes to Editors:

About discoverIE Group plc

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

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

With a focus on sustainable key markets driven by structural growth and increasing electronic content, namely renewable energy, medical, electrification of transportation and industrial automation & connectivity, the Group aims to achieve organic growth that is well ahead of GDP and to supplement that with complementary acquisitions. The Group has an ongoing commitment to reducing the impact of its operations on the environment and with its key markets aligned with a sustainable future, MSCI has awarded the Group an ESG "A" rating.

The Group employs c.4,900 people across 20 countries with its principal operating units located in Continental Europe, the UK, China, Sri Lanka, India and North America.

discoverIE is listed on the Main Market of the London Stock Exchange and is a member of the FTSE250, classified within the Electrical Components and Equipment subsector.

CHAIRMAN'S STATEMENT

This year saw discoverIE recover very strongly from the effects of Covid the previous year, to deliver record organic growth in orders, sales and order book compared with both last year and the pre-Covid period two years ago, resulting in record profitability for its continuing operations. The exit from the business of distribution has enabled the Group to be fully focussed on its core strategy of designing and manufacturing customised electronics for industrial applications through two new divisions, with disposal proceeds available for re-investment into further high quality, higher margin acquisitions.

Cash generation has again been strong, reflecting both the quality of earnings generated and the efficient, capital-light nature of the Group's operating model. Gearing is now at its lowest level in eight years, with significant funding headroom for further acquisitions.

The Group is committed to reducing the impact of its business operations on the environment. Along with its focus on selling into markets that are aligned with a sustainable future, the Group has made excellent progress towards its target of reducing its carbon emissions by 50% by 2025 and is currently developing its net zero plan.

Strategy

discoverIE is a customised electronics business operating internationally, focusing on structurally growing, sustainable markets driven by increasing electronic content and where there is an essential need for its products. The Group's product range is highly differentiated, being customised for specific applications.

With the Group's target markets being worldwide and major customers operating internationally, the business is expanding both within and beyond Europe, building an international electronics group supplying complex, value-added solutions for customers.

Alongside organic growth, acquisitions are another key factor in building discoverIE. Since 2011, the Group has acquired 19 specialist, high margin design and manufacturing businesses which have been integrated successfully and have helped to accelerate its growth. discoverIE has a disciplined approach to acquisitions and continues to see significant scope for further expansion with several opportunities in development.

The Group's capital-light model delivers strong cash flows which management looks to reinvest into accelerating the strategy and delivering further value creation for shareholders.

Sustainability and Positive Impact

This is the first year that the UK requirement of TCFD reporting (Task Force on Climate-Related Financial Disclosures) comes into force. The Group has undertaken a preliminary assessment of the resilience of its business model and strategy, and potential impact of climate change over the short and medium term. It has 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 opportunities presented to the Group.

The Group's business model of designing and manufacturing customised electronics for industrial applications is well established. Aligning its purpose with the UN Sustainable Development Goals ("UN SDGs"), the Group creates 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 our four target markets, we play an essential role in achieving a cleaner, healthier, and more sustainable world.

The Group also aims to be a socially responsible employer, adhering to the highest ethical standards both internally and externally through its supply chain, with excellent employee relations and a commitment to increasing diversity in the workplace.

Emphasising its importance to the business, a Sustainability Committee of the Board has been established with responsibility for setting the Group's sustainability strategy, overseeing its implementation and ensuring progress. Reporting to the Board, the Group Executive Committee also has responsibility for Environmental, Social and Governance ("ESG") implementation and each member has the achievement of ESG objectives included in their annual incentive plans.

Recognising the Group's achievements and strong strategic focus on sustainable development, MSCI awarded the Group an "A" rating in its 2022 ESG Rating assessment. It acknowledged the Group's strong performance against global industry peers in various areas, including opportunities in clean tech and corporate governance.

Acquisitions and disposals

The Group made three acquisitions during the year for a total consideration of £85m on a cash free, debt free basis. Control Products Inc ("CPI"), a US based designer and manufacturer of custom, rugged sensors and switches was acquired in May 2021 and Antenova Limited, a UK and Taiwan based designer and manufacturer of antennas and radio frequency (RF) modules was acquired in August 2021. Both businesses now operate within the Sensing & Connectivity division. Beacon EmbeddedWorks ("Beacon"), a US based designer and manufacturer of custom embedded computing boards, was acquired in September 2021 and now operates within the Magnetics & Controls division.

All three businesses retain their distinct identity and high-quality management teams, and have now been fully integrated into the Group. Their complementary product ranges and wider access to customers is expected to create cross-selling opportunities in the Group's target markets and drive further growth.

We are delighted to welcome the employees of all three businesses into the Group.

Additionally during the year, the Group completed the disposals of the Acal BFi and Vertec SA distribution businesses, which has enabled the Group to be fully focussed on its core strategy of designing and manufacturing custom electronics for industrial applications.

We wish all employees of Acal BFi and Vertec SA well for the future and thank them for their excellent and long-standing contributions to the Group.

Group Results Summary

Continuing Group sales for the year increased by 25% to £379.2m (+28% CER), with underlying operating profit, which excludes acquisition costs, increasing by 34% to £41.4m. Underlying profit before tax increased by 38% to £37.6m, with underlying earnings per share for the year increasing by 31% to 29.4p (FY 2020/21: 22.4p).

After underlying adjustments for acquisition costs, together with taxation costs and the inclusion of net profits from discontinued operations, net profit for the year on a reported basis increased by 110% to £25.2m (FY 2020/21: £12.0m) with fully diluted earnings per share increasing by 102% to 26.3p (FY 2020/21: 13.0p).

Strong free cash flow over the last two years represents 102% of underlying net profits, well ahead of the Group's 85% target despite strong organic sales growth requiring investment in working capital. Net debt at 31 March 2022 was £30.2m (31 March 2021: £47.2m) and a gearing ratio of 0.6x, well below our target range of 1.5x to 2.0x, leaves considerable headroom for further accretive acquisitions.

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

Increased Dividend

The Board is recommending a 6% (0.45 pence) increase in the final dividend per share to 7.45 pence per share, giving a full year dividend per share of 10.8 pence, and representing a cover against underlying earnings of 2.7 times (FY 2020/21: 2.4 times). Since 2010, the annual dividend per share has more than doubled.

The Board believes that, as an acquisitive growth company, maintaining a progressive dividend policy is appropriate along with a long-term dividend cover of over three times on an underlying basis. This approach along with the

continued growth of the Group should enable funding of both sustainable dividend growth and a higher level of investment in acquisitions from internally generated resources.

The final dividend is payable on 2 August 2022 to shareholders registered on 24 June 2022.

Employees and Culture

On behalf of the Board, I would like to thank everybody at discoverIE for their commitment and hard work through the unprecedented circumstances of the last two years when their flexibility, resilience, initiative and support have demonstrated, beyond all expectations, their quality, capability and dedication.

The Group comprises approximately 4,900 employees in 20 countries around the world and, by adopting an entrepreneurial and decentralised operating environment, together with rigorous planning, review, support, investment and controls, the Group has created an ambitious and successful culture, with a commitment to increasing diversity across the organisation.

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

Board and Group Executive Committee Strengthened; Chairman-elect announced.

Two additional senior level appointments were made during the year:

- Rosalind Kainyah MBE joined the Board in January 2022 as a Non-Executive Director. Rosalind brings many years of senior management, executive and board experience in international environments. She has extensive experience in sustainability matters and currently runs Kina Advisory, a consultancy advising on ESG matters for businesses. Previously, Rosalind held senior executive roles at Tullow Oil, as Vice President, External Affairs & Corporate Social Responsibility and at De Beers SA in various roles, latterly as President of its US business. On 1 April 2022, Rosalind was appointed chair of the newly established Sustainability Committee of the Board with responsibility for the Group's sustainability strategy, policies and performance of discoverIE and driving further progress.

- Paul Hill joined the Group Executive Committee ("GEC") in December 2021 and, since February 2022, has been leading the newly established Sensing & Connectivity division. Paul brings extensive experience in the electronics and technology sector having held senior operational roles in both hardware and software companies. Having started his career in electronics engineering, Paul has worked in electronic components, smart card systems and electronic design and manufacturing businesses. More recently Paul led private equity held businesses and joined from Antenova, our recent acquisition, where he was Chief Executive Officer. Paul also has Group-wide responsibility for evolving our approach to developing design opportunities.

After seven enjoyable years with discoverIE during which time the Group has ascended into the FTSE250, I am today announcing my intention to step down as Chairman of the Group from 1 November 2022. I am pleased to announce that my colleague Bruce Thompson will become Chairman from that date. Bruce has been a Non-Executive Director of the Group since February 2018, and the Group's Senior Independent Director since March 2019. Bruce is also Chairman of Avon Protection plc and, prior to joining the Group, was Chief Executive Officer of Diploma plc for over 20 years. I am also pleased to announce that Tracey Graham, a member of the Board since November 2015 and Chair of the Remuneration Committee, will succeed Bruce as Senior Independent Director.

Summary

The Group is building a high-quality business that is delivering strong results with excellent prospects. The customised electronics market remains highly fragmented, providing scope to further build capability and extend geographic coverage through disciplined acquisitions.

The Board is excited by the opportunities ahead to continue building a global business that attracts and retains high quality employees, delivers exceptional value to our customers, grows long term returns for our shareholders, contributes to the creation of a sustainable environment and adheres to the highest standards.

Throughout the year, the Group has again demonstrated the quality of its business and, with good levels of operational and funding capacity, is well positioned for continued growth in the year ahead.

Malcolm Diamond
Chairman
14 June 2022

STRATEGIC AND OPERATIONAL REVIEW

Overview

The Group had a strong year delivering record organic growth building on the progress made in the Covid-impacted prior year, and the pre-Covid period two years ago. Since FY 2017/18 as the customised design and manufacturing strategy gathered momentum, ongoing Group organic sales have grown by 10% CAGR while underlying EPS has grown by 26% CAGR.

With the exit this year from the lower margin business of electronic distribution, discoverIE is now solely focused on the design and manufacture of customised and niche, innovative electronics. Five higher margin acquisitions have been made over the last 18 months (three during the year), further progressing us towards our medium-term goals of becoming a higher margin Group, focused on international and sustainably-aligned target markets, generating strong cash flow. Our low gearing leaves us with considerable headroom for further acquisitions.

Continuing Group sales for the year increased by 28% at CER, being 18% higher organically than last year and 14% higher organically than the pre-Covid period two years ago. Performance in our target markets, which now account for 76% of Group sales, continues to be strong, helping to deliver an underlying operating margin of 10.9% up 3.2ppts since last year and up 0.7ppts on a continuing basis.

Orders grew by 36% organically compared with last year and by 32% compared with two years ago following the build-up of a strong pipeline of design wins over several years. This resulted in a record order book of £224m, respectively 62% and 71% higher organically than last year and two years previously. Whilst over 80% of the order book is for delivery within twelve months from the time of order, we have seen customers continue to place longer term orders. Over the course of the new financial year, we expect the order book level to normalise as it converts into sales.

The agility of the Group's model and the capabilities of our employees have enabled our businesses to respond effectively to the operational challenges caused by Covid and ongoing supply chain headwinds, including semiconductor shortages which delayed sales in the second half of the year in two of our 20 businesses.

Positioned well in a changing world

The Group is well positioned in an environment of rapidly changing global events and conditions, proving both resilient and flexible.

With 30 manufacturing sites and operations around the world supplying international and multinational customers, the Group is responding quickly to the growing trend of customers localising production, both for risk mitigation and environmental reasons. Additionally, with our manufacturing using only a low proportion of bought-in components, the majority being manufactured in-house from raw materials, our exposure to external supply chain restrictions is reduced (but not eliminated).

Gross margins have been robust despite supply chain headwinds and inflationary pressures. The Group's products are essential components, amounting to a small proportion of a customer's system cost, and sustain resilient margins.

The Group operates a capital-light business model focused on organic growth, operating efficiencies and high quality, accretive acquisitions. Selling into high quality markets with long term growth prospects, the Group expects to continue to grow ahead of the wider industry, converting revenue growth into profits and earnings into cash. Since 2017/18, organic sales from continuing operations have grown by 10% CAGR, approximately double that of global industrial production growth, with underlying operating profit growing by 34% CAGR and underlying earnings per share by 26% CAGR. Over the same period, conversion of operating profits into operating cash flow exceeded 100% p.a. on average.

Creating a sustainable business is one of the Group's top priorities. As detailed further below, actions to halve our like-for-like carbon emissions are underway and making good progress. More widely, our Group ESG priorities have been established with detailed plans and targets set.

Group Strategy

The Group designs and manufactures customised and niche electronic components, operating internationally and focusing on structurally growing markets that are driven by increasing electronic content and where there is an essential need for our products. With our target markets and global customer base, the business is expanding both in Europe and beyond, with 40% of continuing Group sales being outside Europe, as we build a geographically diverse electronics group.

The continuing Group has been built through organic growth, operational efficiency and 19 carefully selected and integrated acquisitions over the past 11 years to create a specialist, high margin design and manufacturing business. We have a well-developed approach to acquisitions and the use of capital, and see significant scope for further expansion of the Group with a number of opportunities in development.

The Group's strategy comprises four elements:

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

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

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

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

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

Sustainability and our positive impact

The Group's purpose aligns with the United Nations' Sustainability Development Goals ("UN SDGs"). 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, we play an essential role in enabling the following UN SDGs:

- SDG3 - Ensure healthy lives and promote well-being for all ages
- SDG7 - Ensure access to affordable, reliable, sustainable and modern energy for all
- SDG9 - Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation
- SDG11 - Make cities and human settlements inclusive, safe, resilient and sustainable
- SDG13 - Take urgent action to combat climate change and its impact

The following sections outline the progress we have made in the past year under the three pillars of our sustainability programme: Our Planet, Our People and Our Products.

Our Planet

Carbon emissions and energy usage

We have made decarbonisation a major priority for the Group and have a target of reducing our like-for-like carbon emissions intensity (Scope 1 and Scope 2) by 50% over the five years to 2025. Thereafter our target will be to achieve net zero as soon as possible, the details of which are currently being determined and will be published in due course. Following completion of the disposal of the Custom Supply distribution businesses in March 2022, we have rebased our 2019 benchmark, excluding the disposed businesses and acquisitions for the first 12 months.

We aim to achieve this goal through:

- Reducing carbon emissions from energy consumption (Scope 2) by:
  - Purchasing electricity from renewable sources
  - Installing renewable energy generation on site
  - Implementing energy saving measures
- Switching to hybrid or electric vehicles where practical
- Replacing gas heating with heat pumps and other natural sources

Progress made during the year:

- Reduced CY2021 emissions by 33% from CY2019 levels (CY2020: 6% reduction)
- Completed phase 1 of solar panels project at the Sri Lanka site. This is now operational and contributing to renewable energy capacity
- Conducted energy audits at a number of sites; energy saving opportunities identified and being implemented. Energy audits for the remaining sites are planned for the next 18 months
- Increased hybrid and fully electric vehicles in our car fleet to 26% from 19%[1] in CY2020

1. This figure has been rebased to exclude the disposals of Acal Bfi and Vertec SA. The reported figure (including disposals) for 2020 was 9%.

In accordance with TCFD reporting, the Group has undertaken an initial assessment of the resilience of its business model and strategy and concluded that while the Group may be exposed to certain risks in the transition to a low carbon economy, such risks are considered low and more than outweighed by the opportunities presented to the Group. Details of the assessment can be found in the TCFD report in the 2022 Annual Report. Further analysis is being carried out to quantify the potential impacts of climate change and will be reported in due course.

Water usage

During the year, we undertook an assessment of the Group's use of water and determined that the risk of water scarcity to our operations is not a material concern. The Group's production processes require little or no water.

ISO14001 accreditations

ISO14001 Environmental Management System is an international standard that ensures organisations have appropriate policies, processes and systems in place to manage their environmental performance, which includes efficient use of resources and reduction of waste. It provides an objective and independently assessed view of an organisation's environmental credentials.

In 2020, the Group set a target of 80% of its operations, measured by revenue, to be covered by an ISO14001 accreditation by 2025. As at the end of CY2021, 63% of the Group's operations had achieved the accreditation.

Our People

Health and safety

The Group aims to provide clean, healthy and safe working conditions. In addition to compliance with local regulations, discoverIE promotes working practices which protect the health and safety of its employees and other persons who enter its premises.

As at 31 December 2021, the Group had over 120 health & safety representatives, equivalent to a ratio of 1:38 representative to employees (31 December 2020: 1:52). During the year, the Group conducted over 5,500 hours of health and safety training.

Recognising the importance of a structured and objectively verifiable approach to Health & Safety, the Group has set a target to ensure that, by 2025, at least 80% of its global workforce is working in operations covered by an ISO45001 health and safety management system. The bulk of this programme is scheduled for CY2023 and CY2024, with preparation currently underway.

Equality and diversity

The Group is committed to ensuring employees are treated fairly and with respect, are empowered and appropriately rewarded. Our employment policies are based on equal opportunities for all.

Diversity at management level improved further during the year. As at 31 December 2021, the proportion of female representatives in the Group's executive management and their direct reports (29 people) was 20% (FY 2020/21: 15%), and as a proportion of the Group-wide operational senior management (66 people) was 36% (FY 2020/21: 18%).

Learning and development

The Group provides technical training to employees, as relevant for their role. We also have in place apprenticeship schemes and graduate programmes in certain countries, such as the UK and Germany.

Personal development is discussed alongside annual performance reviews. Employees are actively encouraged to undertake further learning, such as National Vocational Qualifications or similar level courses, as well as continual professional development.

Our Products

Product responsibility

The Group produces high-quality, reliable products that bring considerable benefits to customers and the environment alike and that use materials procured from responsible sources.

During the year, a Group-wide supplier audit was conducted which covered the key suppliers of each operating business, equivalent to 60% of the Group's materials spend in the year. The areas surveyed included environment, people and labour, health and safety, and quality and governance. A majority of the surveyed suppliers were compliant with the Group's Supplier Code of Conduct, with areas of improvement identified and communicated. A small number of non-compliant suppliers were also identified and required actions to achieve compliance have been communicated.

The quality and safety of our products is ensured and monitored through the widespread adoption of ISO9001 systems. As at 31 December 2021, 95% of the Group's products, measured by revenue, were manufactured under an ISO9001 accredited system (31 December 2020: 88%). The Group receives very few customer complaints and fault / return rates are very low.

Product sustainability

The Group takes measures to minimise waste in the manufacture of products, using recycling options where possible and reducing packaging. Most of our products are components embedded in larger systems or devices. As such, regular servicing and replacement is generally not possible. However, our products are designed to be long-lasting and energy efficient, therefore reducing waste for customers.

Where hazardous materials are used in the manufacturing process, environmental risks are minimised by the use of appropriate labelling and technical information, in conjunction with training and procedures for handling, storage and disposal.

Target Markets - Aligned with structurally growing, sustainable markets

With global GDP expected to grow by around 4% CAGR 2020-26 (Source: Statista) and global industrial production forecast to also grow by around 4% in 2022, discoverIE continues to focus on its four target markets which are expected to grow at higher rates than other industrial markets: renewable energy, medical, electrification of transportation, and industrial automation & connectivity. Together they account for 76% of continuing Group sales.

For the Group, these markets continue to show above average revenue growth. Over the last five years, continuing Group organic sales have grown by 10% CAGR with target market sales growing by 12% CAGR while non-target markets have grown by 6% CAGR.

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

i) Renewable Energy

Mega trend - decarbonisation and diversification of energy sources

The world's drive towards net zero will require a global shift towards electricity as a main source of power and the majority of new electricity capacity is expected to come from solar and wind. The International Energy Agency (IEA) estimates that demand for global electricity will need to double to achieve net zero by 2050 and expects that the share of renewables in electricity generation will increase from 29% in 2020 to 60% in 2030 and as high as 90% by 2050. Shorter-term, the IEA predicts that renewables will account for up to 95% of the global increase in power capacity between 2020 and 2026 with solar alone accounting for half the growth. The growth in solar and wind energy is partially driven by the fall in costs: research by the World Resources Institute has shown that the cost of solar photovoltaic electricity has fallen by 85% since 2010; the cost of both onshore and offshore wind electricity has halved during the same period.

ii) Medical

Mega trend - sensing, analytics and artificial intelligence

Growth in the global medical and healthcare markets is driven by the rise in chronic diseases, a growing geriatric population, rising disposable income and improved access to healthcare facilities. Moreover, the use of electronic content is increasing as a result of the proliferation of digital technologies and the rising adoption of electronic devices for rapid and enhanced patient care diagnostics as well as the rise in minimal-invasive surgeries and non-invasive diagnostic devices.

The medical electronics market is expected to maintain its above-average growth, with Precedence Research predicting a global market growth of 11.8% CAGR for 2021-2030.

iii) Transportation

Mega trend - smart transportation, vehicle electrification

Safety, efficiency and environmental impact are key trends driving the rise in electronic content in the global transport market with improving technology and falling costs leading the growing demand for electronics.

The Group continues to focus on niche applications, especially in rail, bus and delivery vehicles, together with the growing demand for interconnectivity of the transport infrastructure and the emergence of smart cities.

Data Bridge Research estimates that the smart transportation market will grow at 11.1% CAGR from 2021 to 2029, whilst Research and Markets predicts CAGR growth of nearly 20% in global electronic connectivity in the transportation market between 2021 and 2030.

iv) Industrial Automation & Connectivity

Mega trend - growth in robotics, industrial automation and connectivity

The market for autonomous mobile robots is expanding rapidly across multiple sectors of industry such as warehousing, aviation, medicine and healthcare, and farming.

Furthermore, the increasing adoption of the internet of things ("IoT") and artificial intelligence ("AI"), the rising awareness of safety and security as well as the increasing demand for predictive maintenance and efficient supply chain management is driving the underlying growth of global industrial IoT markets. Fortune Business Insights predicts an average growth of 9.8% from 2021 to 2029 in the global industrial automation market and Statista expects growth of as much as 22.8% CAGR in the global industrial IoT market during 2021 - 2028.

With a focus on sustainable markets, the Group continues to concentrate on improving efficiency in industrial market applications that are aligned with a sustainable growth agenda, including fibre optic and wireless connectivity applications. Examples of new and emerging applications include areas in smart agriculture such as pollination and crop management.

Engineering-led Sales Model

Our business model has three core capabilities:

- Engineering - our primary and leading differentiator. By understanding our customers' design challenges we design and create products that address their specific needs.

- Manufacturing - we manufacture individually designed products to a repeatedly and consistently high standard at one or more of our production facilities internationally.

- Logistics - we supply our products internationally to customers' various production locations over the life of their demand, typically for five to seven years.

We apply these capabilities to develop long term, embedded relationships with our customers as follows:

- Understanding customer needs
  By listening to and understanding customers' needs, we help solve their technical challenges to create more effective, efficient, productive and sustainable equipment and comply with increasingly stringent environmental, health, safety and performance requirements.

- Enduring customer relationships
  Our sales model creates a unique understanding of customers' needs and builds long term relationships that last for many years.

- Engineering-led solutions
  By applying our extensive technical knowledge of applications and design, our engineers create unique products for customers' specific needs.

- Recurring revenues
  Our designs are specified into our customers' system designs, leading to multiple years of repeated monthly demand and creating stable, recurring revenue streams.

- Regional manufacturing
  Manufacturing locations in Europe, Asia and North America provide regional supply for customers, reducing transit times, costs and environmental impact as well as providing flexibility and reducing risk of disruption.

Additionally, we acquire businesses with similar characteristics, building our product capability and international presence. With many customers operating internationally, it is necessary for us to have a presence in multiple regions of the world and with the market being highly fragmented, numerous opportunities exist for us to acquire complementary businesses.

Key Strategic and Performance Indicators

Since 2014, the Group's progress with its strategic objectives and its financial performance has been measured through key strategic indicators ("KSIs") and key performance indicators ("KPIs"). The KSI targets have been raised as they are achieved, and in November 2021 the targets were raised again following the announced exit from the distribution businesses. For tracking purposes, the KSIs and KPIs in the tables below remain as reported at the time rather than adjusted for disposals. Given the one-off impact of Covid in FY 2020/21, we have shown in the tables below this year's growth for both KSIs and KPIs relative to the pre-Covid period two years ago (FY 2019/20) to illustrate the development of the Group. This year's growth relative to both FY2019/20 and FY 2020/21 is discussed below.

Key Strategic Indicators

	FY14	FY15	FY16	FY17	FY18	FY19	FY 20	FY 22[1]	FY25 Targets
1. Increase underlying operating margin	3.4%	4.9%	5.7%	5.9%	6.3%	7.0%	8.0%	10.9%	13.5%
2. Build sales beyond Europe[2]	5%	12%	17%	19%	19%	21%	27%	40%	45%
3. Increase target market sales[2]				56%	62%	66%	68%	76%	85%
4. Carbon emissions reduction							6%[3]	33%	50%

(1) Continuing operations. FY 2021/22 shown as growth over the pre-Covid period FY 2019/20 as this reflects the actual ongoing growth of the business. FY 2013/14 to FY 2019/20 are for total operations before disposals, as reported at the time.
(2) As a percentage of Group revenue
(3) First test was CY20 compared to CY19

The Group made further significant progress with its KSIs during this year. Alongside strong organic growth, the exit from distribution has resulted in a positive step change in the KSIs, which is explained as follows:

- Underlying operating margin exceeded 10% for the first time and follows 8.0% reported in FY 2019/20 and 7.7% in FY 2020/21 when the business included custom supply. The Group benefited both from the strong organic sales growth delivered during the year and the exit from the lower margin distribution business. With this exit, the FY 2024/25 margin target was increased during the year to 13.5% (previously 12.5%).

- Sales beyond Europe in the year increased by 13ppts to 40% of Group revenue from 27% two years ago (and 28% last year) driven by three factors. Firstly, the exit from distribution which was a UK/European focused business (c.7ppts increase); secondly, the five acquisitions in the last year in particular Beacon, Phoenix and CPI which are all US based (c.3ppts); thirdly, organic growth during the year was strongest in Asia and North

America (c.3ppts). Accordingly, the target for FY2024/25 was increased during the year to 45% (previously 40%).

- Target market sales in the year increased by 8ppts to 76% of Group revenue from 68% two years ago (and 70% last year) of which 5ppts reflects the exit from the distribution businesses. A further 5ppts improvement has been delivered through a combination of organic growth being more weighted to these long-term structural growth markets with a 2ppts reduction from the five acquisitions in the last year which, while well aligned with these markets, are currently below our average rate. The FY2024/25 target remains as 85% of sales from target markets.

- A new target was introduced in November 2020 for the reduction of carbon emissions intensity from the Group's existing businesses by 50% over five years. Additionally, for new acquisitions, we are targeting that within the first five years of ownership, at least 50% of their energy demand is generated from renewable sources. For calendar year 2021, carbon emissions reduced by 33% on a like-for-like basis (calendar year 2020: 6% like-for-like reduction). During this year, capital has been invested in projects to reduce carbon emissions by switching to clean energy, including solar panel installations in Sri Lanka, and an air source heat pump in Poland, two of the Group's major manufacturing facilities.

Key Performance Indicators

	FY14	FY15	FY16	FY17	FY18	FY19	FY 20	FY 22[1]	Target
1. Sales growth									
CER	17%	36%	14%	6%	11%	14%	8%	27%	Well ahead of GDP
Continuing organic	3%	9%	3%	(1%)	11%	10%	5%	14%	
2. Underlying EPS growth	20%	31%	10%	13%	16%	22%	11%	20%	>10%
3. Dividend growth	10%	11%	6%	6%	6%	6%	6%[2]	6%	Progressive
4. ROCE[3]	15.2%	12.0%	11.6%	13.0%	13.7%	15.4%	16.0%	14.7%	>15%
5. Operating profit conversion[3]	100%	104%	100%	136%	85%	93%	106%	101%	>85% of underlying operating profit
6. Free cash conversion[3]						94%	104%	102%	>85% of underlying net profit

(1) Continuing operations. FY 2021/22 shown as growth over the pre-Covid period FY 2019/20 as this reflects the actual 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 5 of the attached summary financial statements

The Group also made further significant progress with its KPIs during the year. Given the one-off impact of Covid last year, this year's growth is shown relative to the pre-Covid period FY 2019/20 illustrating the development of the Group. This year's growth relative to both FY2019/20 and FY 2020/21 is discussed below.

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

- Organic sales increased by 14% compared with the pre-Covid year FY 2019/20 (comprising 18% organic growth this year offsetting a 4% organic reduction during the Covid period). This follows average annual organic growth of 9% for the preceding three years and illustrates the strong through-cycle organic growth of the business.

- Underlying EPS increased by 20% compared with the pre-Covid year FY 2019/20 (comprising 31% growth this year offsetting an 8% reduction during FY 2019/20).

- The dividend is being increased by 6%, continuing our progressive policy whilst providing for a higher proportion of investment in acquisitions from internally generated resources. This progressive policy has seen a doubling of the dividend per share since 2010, whilst dividend cover on an underlying basis has increased to 2.7x.

- ROCE for the year for continuing operations was 14.7% compared with 16.0% two years ago, and 0.2ppts higher than last year (FY 2020/21: 14.5%). The reduction compared to two years ago is mainly a result of recent larger acquisitions and the discontinuation of Custom Supply. Acquisitions will often be dilutive to the Group ROCE in the near term.

- Operating profit conversion into cash was very strong again at 101% of underlying operating profit on average over the last 2 years (comprising 80% this year during a period of very strong organic growth and the resulting need for additional working capital along with further inventory additions (£4m) to ease supply chain issues, and 128% in the prior (Covid) year during which working capital was released). This is significantly

ahead of the 85% target and reflects the tight management of working capital and expenditure through the economic cycle. Over the last ten years, operating cash conversion has been consistently strong.

- Free cash conversion has also been very strong at 102% of underlying net profit, on average over the last 2 years comprising 77% conversion this year and 136% conversion in the prior 12 month (Covid) period. Again, this is significantly ahead of the 85% target.

Divisional Results

Following the Group's exit from distribution, the Custom Supply division has been treated as discontinued operations, with the Design & Manufacturing ("D&M") division housing all of the Group's ongoing operating businesses. Reflecting this development and in line with certain growth initiatives, during the final quarter, the Group arranged the D&M division into two operating segments, the Magnetics & Controls division ("M&C") and the Sensing & Connectivity division ("S&C").

This new structure, which aligns business units by technology area, will enable greater collaboration between business units, improve visibility for the Group's growth initiatives and increases management bandwidth for further growth. Both divisions have similar exposure to the Group's target markets and geographies. The management and structure of each business unit is unchanged.

The divisional results for the continuing Group for the year ended 31 March 2022 are set out and reviewed below.

	FY 2021/22			FY 2020/21			Reported revenue growth	Organic revenue growth	Organic order growth
	Revenue £m	**Underlying operating profit[(1)] £m**	**Margin**	Revenue £m	Underlying operating profit[(1)] £m	Margin			
M&C	**234.7**	**29.8**	**12.7%**	190.4	23.4	12.3%	23%	22%	36%
S&C	**144.5**	**23.3**	**16.1%**	112.4	15.5	13.8%	29%	11%	36%
Unallocated		**(11.7)**			(8.1)				
Total	**379.2**	**41.4**	**10.9%**	302.8	30.8	10.2%	25%	18%	36%

(1) Underlying operating profit excludes acquisition-related costs and results of discontinued operations

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 through eight businesses operating across 16 countries. The great majority of the products are manufactured in-house at one of the division's 20 manufacturing facilities, with its principal ones being in China, India, Mexico, Poland, Sri Lanka, Thailand, the US and the UK. Geographically, 6% of sales are in the UK, 49% in rest of Europe, 17% in North America and 28% in Asia.

During the year, the Group's production facilities established new normal ways of operating after the disruption of Covid and the Group's production capacity has returned to output capacity levels capable of satisfying strong sales growth rates. To meet future growth, capacity is being expanded in the US and India, and production began as scheduled at the Group's new larger facility in Nogales, Mexico.

Orders were very strong in the year, increasing by 36% organically to £280.0m with a book to bill ratio of 1.19:1 (FY 2020/21: 1.06:1). The strong order performance led to sales increasing organically by 22% with strong organic growth across all regions: Asia growing organically by 30% driven by very strong organic growth in India, North America 28% and Europe & UK by 17%.

Combined with a 5% sales increase from acquisitions, overall sales increased by 27% CER. Including the impact of translation from a stronger Sterling on average, reported divisional revenue increased by 23% to £234.7m (FY 2020/21: £190.4m). This was achieved despite ongoing supply chain headwinds, in particular semiconductor shortages which have delayed sales in two businesses within the division.

Underlying operating profit of £29.8m was £6.8m (+29%) higher than last year at CER and £6.4m (+27%) higher on a reported basis (FY 2020/21: £23.4m) with an underlying operating margin of 12.7%, 0.4ppts higher than last year (FY 2020/21: 12.3%) reflecting the positive effect of organic growth. Gross margin reduced slightly as delays to semiconductor supplies temporarily reduced volume throughput.

Sensing & Connectivity Division ("S&C")

The S&C division designs, manufactures and supplies highly differentiated sensing and connectivity components for industrial applications through 12 businesses operating across nine countries. The vast majority of the products are manufactured in-house at one of the division's 10 manufacturing facilities, with its principal ones being in Hungary, the Netherlands, Norway, Slovakia, the US and the UK. Geographically, 20% of sales are in the UK, 49% in Europe, 14% in North America and 17% in Asia.

As with the M&C division, orders were very strong, increasing by 36% organically to £173.0m with a book to bill ratio of 1.20:1 (FY2020/21: 1.0:1). The strong order performance led to sales increasing organically by 11%, with 13% organic growth across Europe and 6% growth in Asia. Sales in North America were flat year-on-year due to the

slower recovery of certain transport infrastructure projects and semiconductor supply delays.

Combined with a 20% sales increase from acquisitions, overall sales increased by 31% CER. Including the impact of translation from a stronger Sterling on average, reported divisional revenue increased by 29% to £144.5m (FY 2020/21: £112.4m). This was achieved despite a slower post Covid recovery in some of our UK based businesses.

Underlying operating profit of £23.3m was £7.9m (+51%) higher than last year at CER and £7.8m (+50%) higher on a reported basis (FY 2020/21: £15.5m) with an underlying operating margin of 16.1%, 2.3ppts higher than last year (FY 2020/21: 13.8%) reflecting the positive effect of organic growth coupled with higher margin acquisitions.

Design Wins

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

The Group has a strong bank of design wins built up over several years that creates the basis for the growth in orders and sales now being experienced. During the year, design wins in the continuing business increased by 52% over the prior year and by 12% over the pre-Covid period two years ago. 86% of design wins were in the Group's target markets.

Additionally, during the year, new project design activity increased strongly, being broad based across all markets. The total pipeline of ongoing projects continues at a very high level.

Acquisitions

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

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

Strategy, sales and products

- Developing the longer term strategy of the business;
- Internationalising sales channels and expanding the customer base, including via cross-selling initiatives and focusing sales development onto target market areas;
- Developing and expanding the product range;
- Developing and implementing sustainability initiatives.

Talent management

- Investing in management capability ('scaling up') and succession planning;
- Peer networking and collaboration.

Investment

- Capital investment in manufacturing and infrastructure;
- Improving manufacturing efficiency;
- Infrastructure efficiencies, such as warehousing and freight;
- Expansion through further acquisitions.

Controls and support

- Implementing robust financial controls;
- Finance and related support, such as treasury, banking, legal, tax, insurance, consolidation.

During the year, the Group completed three acquisitions:

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

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

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

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

The Group has completed 19 acquisitions since 2011, contributing to growth in continuing Group revenues from £15m in FY 2012/13 to £379m this year. 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 14 businesses acquired since 2011 and owned for at least two years delivered a return on investment this year of 18.8%, an increase of 1.5ppts over last year (FY2020/21: 17.3% based on 13 acquisitions greater than 2 years old).

Summary and Outlook

These results reflect the strength of the discoverIE business model which is performing well in good demand conditions and an inflationary environment and follows a resilient performance through the weaker Covid conditions of the year before. With record growth in orders, sales, order book and underlying earnings per share, which increased by 31%, continuing revenues and earnings are now well ahead of the pre-Covid period. I would like to thank all of our employees around the Group for their tremendous effort and flexibility over the last two years that has led to these results.

We are also making good progress on our sustainability initiatives. By switching our sites to renewable sources of energy where possible, the Group's like-for-like carbon emissions were 33% lower in calendar year 2021 than 2019 and we are on track to achieve our goal of a 50% reduction by 2025.

Following the Group's exit during the year from the business of distribution, discoverIE is now solely focused on the design and manufacture of customised electronics for industrial applications; our continuing focus is on achieving organic growth and new design wins in sustainable target markets, together with accretive acquisitions. The Group is well-funded, with a strong balance sheet and cash flow, and has significant funding headroom for further acquisitions.

The new financial year has started well, with continued strong growth in organic sales, and the order book at record high levels.While supply chain headwinds and inflationary pressures remain, they are expected to be manageable.

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

Nick Jefferies
Group Chief Executive
14 June 2022

Group Financial Results

Revenue

Continuing Group sales of £379.2m were 18% higher organically than last year (FY 2020/21: £302.8m), and with acquired businesses (Phoenix and Limitor acquired last year, and CPI, Antenova and Beacon added this year) adding 10%, continuing sales increased by 28% CER. A stronger Sterling during the year, particularly compared with the US Dollar and Euro, reduced sales by 3% on translation for a net growth in reported continuing Group sales of 25%. Compared with two years ago, sales increased by 27% CER with 14% organic growth and 13% through acquisitions (the five acquisitions above together with Sens-Tech which was acquired in the last two years). The effects on the Group of the conflict in Ukraine are negligible.

Continuing Revenue £m	**FY 2021/22**	**FY 2020/21**	**%**	**FY 2021/22**	**FY 2019/20**	**%**
Reported	379.2	302.8	25%	379.2	303.3	25%
FX translation impact		(6.9)			(5.5)	
Underlying (CER)	379.2	295.9	28%	379.2	297.8	27%
Acquisitions: last 12mths	(31.3)					
Acquisitions: last 24mths				(40.9)		
Organic	347.9	295.9	18%	338.3	297.8	14%

Orders and Order Book

Continuing Group orders increased by 48% CER to £453.0m, and by 36% organically compared with the Covid-impacted prior year and importantly, by 48% CER and 32% organically compared with the pre-Covid year 2 years ago.

The book to bill ratio for the year was 1.19:1 (H1: 1.26:1; H2: 1.12:1) building on the momentum of the second half last year (book to bill: 1.16:1) as the Group recovered from the sharp impact of Covid in the first half last year (book to bill: 0.90:1). Two years ago the comparable book to bill ratio was 1.03:1. While this year's second half ratio was lower than the first half, this was due to the stronger comparators with organic orders still being 1% higher than in the first half.

During the year, the Group order book for continuing operations also grew very strongly and finished the year at a record level of £224m, being 86% (CER) higher than a year ago. Organically the order book increased by 62% in the year and by 71% compared with the pre-Covid period two years ago. Sequentially, the order book increased by 13% (CER) during the second half.

Group Operating Profit and Margin

Continuing Group underlying operating profit for the year was £41.4m, a 34% increase on last year (FY 2020/21: £30.8m), delivering an underlying operating margin of 10.9%, 0.7ppts higher than last year (FY 2020/21: 10.2%).

Underlying operating profit growth has been achieved through a combination of organic growth, efficient operational execution and acquisitions. Operationally, incremental profits on organic sales growth of £7.3m have been delivered across the two divisions, being a drop through ratio of 14%. During the year there has been progressive investment in operating expenditure across both divisions to support organic growth this year and in the future, with an average investment of 5.5% p.a. over the last two years. Gross margins have been robust despite supply chain headwinds, although semiconductor shortages, which have delayed sales in two of our 20 businesses, have impacted their manufacturing recovery rates with Group organic gross margin reducing 0.7ppts overall.

£m	Underlying Operating Profit
FY 2020/21	30.8
Gross profit on organic sales growth	19.4
Organic gross margin	(2.3)
Investment in opex	(9.8)
Organic profit growth - operations	7.3
Profit from acquired companies	6.5
Investment in central capabilities	(0.8)
Additional LTIP charge	(1.9)
Foreign exchange impact	(0.5)
FY 2021/22	**41.4**

Acquired companies contributed £6.5m of underlying operating profit since acquisition being CPI, Antenova and Beacon acquired this year, together with an annualisation of profits from Phoenix and Limitor acquired last year.

Centrally, the Group has invested £0.8m in additional resources to support growth plans, including ESG, risk & internal audit and IT to support operating company system upgrades. Further investment is anticipated in the next 12 months in particular in M&A and IT.

The EPS growth impact on share based payment accruals, the accrued cost of national insurance contributions ("NIC") on LTIPs and the increased rate of NIC since April 2022 have added an additional cost of £1.9m relative to last year.

Reported Group continuing operating profit for the year (after accounting for the underlying adjustments discussed below) was £20.9m, £3.8m (+22%) higher than last year.

Continuing operations £m	FY 2021/22			FY 2020/21		
	Operating Profit	**Finance Cost**	**Profit before tax**	Operating profit	Finance cost	Profit before tax
Underlying	41.4	(3.8)	37.6	30.8	(3.6)	27.2
Underlying adjustments						
Acquisition expenses	(6.5)	-	(6.5)	(1.2)	-	(1.2)
Amortisation of acquired intangibles	(14.0)	-	(14.0)	(11.1)	-	(11.1)
IAS 19 pension cost				(1.4)	-	(1.4)
Reported	20.9	(3.8)	17.1	17.1	(3.6)	13.5

Underlying Adjustments

Underlying adjustments for the year comprise acquisition & integration expenses of £6.5m (FY 2020/21: £1.2m), and the amortisation of acquired intangibles of £14.0m (FY 2020/21: £11.1m). From this year, the IAS 19 pension administration cost has been taken as a continuing cost of the business. Last year's pension cost comprised the administration cost of £0.4m and a one off adjustment of £1.0m relating to historic commutation terms for legacy scheme members.

Acquisition expenses of £6.5m are the costs associated with acquisition activity during the year of £3.0m, principally of CPI, Antenova and Beacon, accrued contingent consideration costs of £3.1m and the £0.4m for the integration of Hobart into Noratel. The £2.9m increase in the amortisation charge since last year to £14.0m relates to the amortisation of intangibles relating to the five acquisitions since the first half of last year. The annualised amortisation charge for next year is approximately £16.5m.

Financing Costs

Net finance costs for the year were £3.8m (FY 2020/21: £3.6m) and include a £0.6m charge for leased assets under IFRS 16 (FY 2020/21: £0.6m). Finance costs related to banking facilities of £3.2m (FY 2020/21: £3.0m) were slightly higher than last year reflecting marginally higher average net debt during the year.

Underlying Tax Rate

The underlying effective tax rate for continuing operations for the year was 25%, 1ppt ahead of last year's rate (FY 2020/21: 24%) reflecting increased profits accruing in higher tax territories.

The overall effective tax rate for continuing operations was 43% (FY 2020/21: 30%). This was higher than the underlying effective tax rate due to there being no tax relief on certain acquisition-related expenses and a lower rate of tax relief on the amortisation of acquired intangibles (both within underlying adjustments above). The effective tax rate ("ETR") on intangibles was further impacted this year by the enactment of the increase in the UK corporate tax rate from 1 April 2023, resulting in a one-off increase in the deferred tax liability (a non-cash item).

£m	**FY 2021/22**		**FY 2020/21**	
	PBT	**ETR**	**PBT**	**ETR**
Continuing operations	37.6	25%	27.2	24%
Acquisition expenses	(6.5)	12%	(1.2)	10%
Amortisation of acquired intangibles	(14.0)	9%	(11.1)	19%
IAS 19 pension cost			(1.4)	19%
Total reported	17.1	43%	13.5	30%

Group Profit Before Tax and EPS

Continuing Group underlying profit before tax for the year of £37.6m was £10.4m higher (+38%) than last year (FY 2020/21: £27.2m), with underlying EPS for the year increasing by 31% to 29.4p (FY 2020/21: 22.4p). The increase in underlying EPS was lower than that for underlying profit before tax due to the higher effective tax rate (+1ppt) and the issuance of new equity in September 2021 increasing fully diluted shares by 4% to 95.8m shares (FY: 2020/21: 92.2m shares). The annualised fully diluted shares for the full year is expected to be c. 98m shares.

After the underlying adjustments above, reported profit before tax on continuing operations was £17.1m, an increase of £3.6m (+27%) compared with last year (FY 2020/21: £13.5m). With the reported effective tax rate for the year of 43% being higher than last year's rate of 30% (as mentioned above), the resulting reported fully diluted earnings per share on continuing operations was 10.1p, 0.2p lower than last year (FY 2020/21: 10.3p).

Continuing operations £m	**FY 2021/22**		**FY 2020/21**	
	PBT	**EPS**	**PBT**	**EPS**
Underlying	37.6	29.4p	27.2	22.4p
Underlying adjustments				
Acquisition & integration expenses	(6.5)		(1.2)	
Amortisation of acquired intangibles	(14.0)		(11.1)	
IAS 19 pension cost			(1.4)	
Reported	17.1	10.1p	13.5	10.3p

Discontinued Operations

During the year, the Group completed the disposals of the Acal BFi and Vertec SA distribution businesses which have been treated for accounting purposes as discontinued operations. In accordance with IFRS 5, net profits (profit after tax or "PAT") of discontinued operations, which includes the profit on disposal of the businesses, have been shown separately to the results of the continuing operations.

Total operations £m	**FY 2021/22**		**FY 2020/21**	
	PAT	**EPS**	**PAT**	**EPS**
Continuing operations	9.7	10.1p	9.5	10.3p
Discontinued operations	15.5	16.2p	2.5	2.7p
Total operations	25.2	26.3p	12.0	13.0p

Working Capital

Working capital at 31 March 2022 was £57.2m, equivalent to 13.9% of annualised second half sales at CER and was £4.4m (7%) lower than the prior year-end (31 March 2021: £61.6m). This reduction is due to the disposal of the Custom Supply division in the year which had £15.6m of the Group's working capital last year end.

For continuing operations, working capital increased by £11.2m to support the significant increase in sales (+28% growth CER) and at 13.9% was 0.4ppts better as a percentage of annualised second half sales at CER (FY 2020/21: 14.3%) reflecting continuing tight management across the Group. Debtor days were 47 days, creditor days were 80

days and stock turns were 3.4 turns. Stock turns reduced by 0.3 turns on a continuing basis (£4m) reflecting the increase in inventories given current supply chain pressures. Working capital performance was similar in both divisions.

Cash Flow for Continuing Operations

Net debt at 31 March 2022 was £30.2m compared with £47.2m at 31 March 2021.

£m	FY 2021/22	FY 2020/21
Opening net debt at 1 April	(47.2)	(61.3)
Free cash flow (see table below)	21.8	28.1
Discontinued operations	38.4	9.5
Acquisition-related costs	(87.6)	(21.8)
Equity issuance (net of taxes)	52.6	0.1
Dividends paid	(9.4)	(2.8)
Foreign exchange impact	1.2	1.0
Net debt at 31 March	**(30.2)**	**(47.2)**

Net acquisition-related costs of £87.6m in the year comprised £58.8m for the acquisition of Beacon in September 2021, £18.2m for Antenova in August 2021 and £8.1m for CPI in May 2021 (all on debt free, cash free bases). Additionally there were £2.5m of expenses associated with acquisitions during the year. Together with the acquisitions of Phoenix and Limitor during the six month period ended 31 March 2021, a total of £109.4m has been spent on acquisitions during the last 18 months.

Group acquisitions were partly funded from a 6% placing of shares in September 2021 which raised net equity proceeds of £53.4m; £0.8m of national insurance contributions paid in respect of executive share options which were exercised during the year. Net cash of £38.4m was raised from discontinued operations with a further £5m of deferred consideration due to the Group in three years' time. Dividends of £9.4m were paid during the year, compared to only £2.8m last year when no final FY 2019/20 dividend was declared as management sought to preserve cash at the outset of Covid.

Operating cash flow and free cash flow for continuing operations (see definitions in note 5 to the summary financial statements) for the year compared with last year are shown below.

£m	FY 2021/22	FY 2020/21
Underlying profit before tax	37.6	27.2
Net finance costs	3.8	3.6
Non-cash items	12.5	10.4
Total EBITDA	**53.9**	**41.2**
IFRS 16	(5.1)	(4.2)
EBITDA (pre IFRS16)	**48.8**	**37.0**
Working capital	(10.2)	5.6
Capital expenditure	**(5.5)**	**(3.1)**
Operating cash flow	**33.1**	**39.5**
Finance costs	(3.2)	(3.1)
Taxation	(6.2)	(6.5)
Legacy pensions	(1.9)	(1.8)
Free cash flow	**21.8**	**28.1**

Operating cash (ex working capital)	43.3	33.9
Free cash flow (ex working capital)	32.0	22.5

EBITDA of £53.9m was 31% higher than the Covid-impacted last year (FY 2020/21: £41.2m) and the pre-Covid period two years ago (FY 2019/20: £41.2m) reflecting strong organic sales growth combined with contributions from the five acquisitions made in the last 18 months.

During the year, the Group invested £10.2m in working capital to support organic sales growth contrasting with last year's £5.6m inflow resulting from the reduction in sales following the onset of Covid. In combination, over the last 2 years only £0.7m has been invested in working capital despite organic sales growth of 14% across that period, reflecting further significant improvements in working capital efficiency.

Capital expenditure of £5.5m was invested during the year including capacity expansions in Mexico and on ESG initiatives including solar panels in Sri Lanka, the Group's largest facility. This saw a return to more normal levels following a reduction during the Covid-impacted last year to maintenance levels only (FY 2020/21: £3.1m). Capital expenditure levels are expected to increase next year to around £8.5m for the full year as we continue to invest in additional capacity, system upgrades and the roll out of our ESG initiatives.

£33.1m of operating cash was generated in the year. While this was below last year's £39.5m, this was due to working capital inflows last year of £5.6m resulting from the reduction in sales due to Covid. Excluding working capital, operating cash was up 28% on last year. £33.1m of operating cash flow represents 80% of underlying operating profit (FY 2020/21: 128%). While this was below our 85% target due to the strong organic sales growth, the

two year conversion rate of 101% is well ahead. Over the last ten years, the Group has consistently achieved high levels of cash conversion, averaging in excess of 100%.

Finance cash costs of £3.2m were marginally ahead of last year while corporate income tax payments of £6.2m were £0.3m lower than last year reflecting refunds of R&D tax credits.

Free cash flow (being cash flow before dividends, acquisitions, disposals and equity issuance) for the year was £21.8m. While this was 22% lower than the prior year, it was 42% higher excluding working capital. Our free cash flow conversion rate this year was 77% of underlying net profit (FY 2020/21: 136%). While this was below our 85% target due to the strong organic sales growth, the two year conversion rate of 102% is well ahead illustrating the strength of the Group's cash generation.

Banking Facilities

During May 2022, the Group increased its syndicated banking facility from £180m to £240m and extended the remaining term of the facility by two years out to four years ending in June 2026, with an option exercisable by the Group to extend the facility by a further year to June 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 now comprises seven lending banks.

With net debt at 31 March 2022 of £30.2m, the Group's gearing ratio at the end of the year (being net debt divided by underlying EBITDA as annualised for acquisitions) was 0.6x, the lowest Group gearing ratio since 2015. With our target gearing range being between 1.5x and 2.0x, there is plenty of funding capacity for future acquisitions.

Balance Sheet

Net assets of £290.4m at 31 March 2022 were £82.0m higher than at the end of the last financial year (31 March 2021: £208.4m). The increase primarily relates to the net issuance of equity of £53.5m (nearly all being the equity placing in September 2021) and net profit after tax for the year of £25.2m (which includes the profit on disposal of discontinued operations). This has been partly offset by dividend payments this year of £9.4m. The movement in net assets is summarised below:

£m	**FY 2021/22**
Net assets at 31 March 2021	208.4
Net profit after tax	25.2
Dividend paid	(9.4)
Net equity issuance	53.5
Currency net assets - translation impact	7.6
Gain on defined benefit scheme	1.7
Share based payments (inc tax)	3.4
Net assets at 31 March 2022	**290.4**

Defined Benefit Pension Scheme

The Group's IAS19 pension position associated with its legacy defined benefit pension scheme improved during the year by £3.7m, from a £1.0m deficit at 31 March 2021 to a £2.7m surplus at 31 March 2022. This partly results from contributions of £1.9m made by the Group; and also from increased corporate bond yields increasing discount rates over the year. These are partly offset by increases in future inflation expectations and updated demographic assumptions during the year.

Risks and Uncertainties

The principal risks faced by the Group are covered in more detail in the Group's Annual Report, which will be published shortly. These risks comprise: the economic environment, particularly linked to the geo-political issues arising from the ongoing Ukraine conflict and also from Covid; 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 existing and emerging risks and the mitigating actions and processes in place during the financial year, giving specific consideration to the impact of the Ukraine conflict, supply chain headwinds and Covid. The Board view that risks associated with the macroeconomic environment and supply chain for existing and acquired businsses has increased during the financial year with no material change to the relative importance or quantum of the Group's other principal risks.

The risk assessment and review are an ongoing process, and the Board will continue to monitor risks and the mitigating actions in place. The Group's risk management processes cover identification, impact assessment, likely occurrence and mitigation actions where practicable. Some level of risk, however, will always be present. The Group is well positioned to manage such risks and uncertainties, if they arise, given its strong balance sheet, committed banking facility of £240m and the adaptability we have as an organisation.

Simon Gibbins
Group Finance Director
14 June 2022

Consolidated Statement of Profit or Loss

for the year ended 31 March 2022

Continuing operations	notes	2022 £m	2021 restated* £m
Revenue		**379.2**	302.8
Operating costs		**(358.3)**	(285.7)
Operating profit		**20.9**	17.1
Finance income		**0.4**	0.3
Finance costs		**(4.2)**	(3.9)
Profit before tax		**17.1**	13.5
Tax expense		**(7.4)**	(4.0)
Profit for the year from continuing operations		**9.7**	9.5
Discontinued operations			
Profit for the year from discontinued operations	9	**15.5**	2.5
Profit for the year		**25.2**	12.0
Earnings per share	11		
Basic, profit from continuing operations		**10.4p**	10.7p
Diluted, profit from continuing operations		**10.1p**	10.3p
Basic, profit for the year		**27.1p**	13.5p
Diluted, profit for the year		**26.3p**	13.0p

Supplementary Statement of Profit or Loss information

Underlying Performance Measures (continuing operations)	notes	2022 £m	2021 restated* £m
Operating profit		**20.9**	17.1
Add back: Acquisition expenses		**6.5**	1.2
Amortisation of acquired intangible assets		**14.0**	11.1
IAS 19 pension charge		**-**	1.4
Underlying operating profit		**41.4**	30.8
Profit before tax		**17.1**	13.5
Add back: Acquisition expenses		**6.5**	1.2
Amortisation of acquired intangible assets		**14.0**	11.1
IAS 19 pension charge		**-**	1.4
Underlying profit before tax	7	**37.6**	27.2
Underlying earnings per share	11	**29.4p**	22.4p

* 2021 restated. Refer to note 4 to the consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2022

	2022 £m	2021 £m
Profit for the year	**25.2**	12.0
Other comprehensive income/(loss):		
Items that will not be subsequently reclassified to profit or loss:		
Actuarial gain/(loss) on defined benefit pension scheme	**2.2**	(3.4)
Deferred tax (charge)/credit relating to defined benefit pension scheme	**(0.5)**	0.6
	1.7	(2.8)

Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign subsidiaries	**9.6**	(0.5)
Reclassification of exchange differences on disposal of businesses	**(2.0)**	-
	7.6	(0.5)
Other comprehensive income/(loss) for the year, net of tax	**9.3**	(3.3)
Total comprehensive income for the year, net of tax	**34.5**	8.7

Consolidated Statement of Financial Position

as at 31 March 2022

	notes	**2022 £m**	2021 restated* £m
Non-current assets			
Property, plant and equipment		**23.5**	23.5
Intangible assets - goodwill	14	**175.7**	127.9
Intangible assets - other		**87.6**	62.9
Right of use assets		**21.9**	22.4
Pension asset	16	**2.7**	-
Other receivables		**5.9**	-
Deferred tax assets		**9.2**	7.9
		326.5	244.6
Current assets			
Inventories		**77.8**	67.7
Trade and other receivables		**78.0**	84.9
Current tax assets		**1.6**	1.8
Cash and cash equivalents		**39.4**	29.2
		196.8	183.6
Total assets		**523.3**	428.2
Current liabilities			
Trade and other payables		**(104.8)**	(94.8)
Other financial liabilities		**(2.0)**	(0.8)
Lease liabilities		**(4.7)**	(4.8)
Current tax liabilities		**(7.7)**	(5.6)
Provisions		**(1.7)**	(1.8)
		(120.9)	(107.8)
Non-current liabilities			
Trade and other payables		**(2.7)**	(0.8)
Other financial liabilities		**(67.6)**	(75.6)
Lease liabilities		**(16.4)**	(16.7)
Pension liability	16	**-**	(1.0)
Provisions		**(4.2)**	(5.4)
Deferred tax liabilities		**(21.1)**	(12.5)
		(112.0)	(112.0)
Total liabilities		**(232.9)**	(219.8)
Net assets		**290.4**	208.4
Equity			
Share capital	15	**4.7**	4.4
Share premium		**192.0**	138.8
Merger reserve		**10.5**	19.9
Currency translation reserve		**4.9**	(2.7)
Retained earnings		**78.3**	48.0
Total equity		**290.4**	208.4

*2021 restated. Refer to note 4 to the consolidated Financial Statements.

The Financial Statements were approved by the Board of Directors on 14 June 2022 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 2022

	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 2020	**4.4**	**138.8**	**22.7**	**(2.2)**	**36.8**	**200.5**
Prior year restatement (note 4)	-	-	-	-	(0.4)	(0.4)
At 1 April 2020 (restated)	**4.4**	**138.8**	**22.7**	**(2.2)**	**36.4**	**200.1**
Profit for the year	-	-	-	-	12.0	12.0
Other comprehensive loss	-	-	-	(0.5)	(2.8)	(3.3)
Total comprehensive income	-	-	-	(0.5)	9.2	8.7
Share-based payments including tax	-	-	-	-	2.4	2.4
Transfer to retained earnings	-	-	(2.8)	-	2.8	-
Dividends (note 10)	-	-	-	-	(2.8)	(2.8)
At 31 March 2021 (restated)	**4.4**	**138.8**	**19.9**	**(2.7)**	**48.0**	**208.4**
Profit for the year	-	-	-	-	25.2	25.2
Other comprehensive income	-	-	-	7.6	1.7	9.3
Total comprehensive income	-	-	-	7.6	26.9	34.5
Shares issued (note 15)	0.3	53.2	-	-	-	53.5
Share-based payments including tax	-	-	-	-	3.4	3.4
Transfer to retained earnings	-	-	(9.4)	-	9.4	-
Dividends (note 10)	-	-	-	-	(9.4)	(9.4)
At 31 March 2022	**4.7**	**192.0**	**10.5**	**4.9**	**78.3**	**290.4**

Consolidated Statement of Cash Flows

for the year ended 31 March 2022

	notes	2022 £m	2021 £m
Net cash flow from operating activities	13	**30.9**	46.0
Investing activities			
Acquisition of businesses, net of cash acquired		**(84.5)**	(20.8)
Business disposal proceeds		**37.3**	-
Purchase of property, plant and equipment		**(5.4)**	(3.2)
Purchase of intangible assets - software		**(0.8)**	(0.7)
Proceeds from disposal of property, plant and equipment		**0.4**	0.3
Interest received		**0.4**	0.3
Net cash used in investing activities		**(52.6)**	(24.1)
Financing activities			
Net proceeds from the issue of shares		**53.4**	0.1
Proceeds from borrowings		**94.1**	9.3
Repayment of borrowings		**(102.3)**	(27.8)
Payment of lease liabilities		**(6.4)**	(6.1)
Cash-settled share-based payments		**(0.1)**	-
Dividends paid	10	**(9.4)**	(2.8)
Net cash generated from/(used in) financing activities		**29.3**	(27.3)
Net increase/(decrease) in cash and cash equivalents[1]		**7.6**	(5.4)
Net cash and cash equivalents at 1 April		**28.2**	34.8
Effect of exchange rate fluctuations		**1.1**	(1.2)
Net cash and cash equivalents at 31 March		**36.9**	28.2

Reconciliation to cash and cash equivalents in the consolidated statement of financial position		
Net cash and cash equivalents shown above	**36.9**	28.2
Add back: bank overdrafts	**2.5**	1.0
Cash and cash equivalents presented in current assets in the consolidated statement of financial position	**39.4**	29.2

1 Further information on the consolidated statement of cash flows is provided in notes 12 and 13.

Notes to the Group consolidated Financial Statements

for the year ended 31 March 2022

1. Publication of non-statutory accounts

The preliminary results were authorised for issue by the Board of Directors on 14 June 2022. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 March 2022 or 31 March 2021, but is derived from those accounts. Statutory accounts for 2021 have been delivered to the Registrar of Companies whereas those for 2022 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts; their report was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 2006.

2. Basis of preparation

The Group's consolidated Financial Statements have been prepared in accordance with UK-adopted International Accounting Standards (UK adopted IAS) and with requirements of the Companies Act 2006 applicable to companies reporting under those standards. The consolidated financial statements are prepared under the historical cost convention, unless otherwise stated.

The consolidated financial statements are presented in pounds sterling and all values are rounded to the nearest hundred thousand except as otherwise indicated.

3. Going concern

In line with IAS1 '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 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 committed facilities of £240m for the foreseeable future.

The sensitivities take into account the principal risks and uncertainties, notably instability in the economic environment, underperformance of acquired businesses, climate related risks, loss of key customers and suppliers, major business disruption, liquidity restriction, liquidity and debt covenants and adverse foreign currency movements.

The most severe but plausible downside scenario assumes a worsening of the economic environment caused by a prolonged Ukraine conflict, significant reduction in consumer demand due to inflationary pressures and a resurgence of Covid-19. This downside scenario results in a significant decline in second half sales of FY 2022/23, negative sales growth in FY 2023/24 and modest growth thereon in FY 2024/25. Additionally, operating margin was reduced, working capital materially increased, significant one-off expenditures included (product liability, major customer insolvency or litigation, climate change), interest rates increased significantly and an increase in the Group effective tax rate.

After factoring in the significant additional downsides, there remains good headroom both in terms of liquidity and our 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.

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 be at risk of breaching 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 2% 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 2022 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.

4. Prior year restatement

Discontinued Operations

The Group has restated the prior year comparatives in the consolidated Statement of Profit or Loss to exclude the results of discontinued operations with the objective of ensuring that the amounts disclosed for the year ended 31 March 2022 are comparable with the results for the year ended 31 March 2021 (the comparative period). Details of the financial position and results for the discontinued operations can be found in note 9 to the consolidated Financial Statements.

Following the disposal of the Group's Custom Supply Division, the Group has reviewed its reporting of operating performance to the Board, which is now organised into two new divisions: (i) Magnetics & Controls ("M&C") and (ii) Sensing & Connectivity ("S&C"). These have been assessed as the Reportable Operating Segments of the Group as described in note 6 to these Financial Statements.

As a result, and according to requirements of IFRS 8 'Operating Segments', the Group has changed the disclosures in note 6 to reflect the new defined operating segments and has restated the corresponding items of segment information for last year.

Presentation of the Consolidated Statement of Profit or Loss

Following the discontinuance of the Custom Supply division, there is a broad range of gross margins within the operating companies of the Group which make operating profit margin a more consistent, reliable and comparable indicator of ongoing performance of the continuing operations. Accordingly, the Company has changed the presentation of the consolidated Statement of Profit and Loss for the year ending 31 March 2022 and the comparative prior year by amalgamating cost of sales, selling and distribution costs, and administrative expenses into one line item namely operating costs. There is no change to the prior year operating profit, profit before tax and profit for the year as a result of these presentational changes as demonstrated in the below table:

	2022 £m	2021 restated* £m	2021 original £m
Revenue	**379.2**	**302.8**	**454.3**
Cost of Sales	(233.0)	(187.7)	(299.0)

Gross profit	**146.2**	**115.1**	**155.3**
Selling and distribution costs	(37.7)	(32.3)	(57.8)
Administrative expenses	(87.6)	(65.7)	(76.8)
Operating profit	**20.9**	**17.1**	**20.7**

* Restated to exclude the results of discontinued operations as described in note 9 to the consolidated Financial Statements.

FY 2021/22 Financial Statements (with changes in presentation)

	2021 restated £m
Revenue	302.8
Operating costs	(285.7)
Operating profit	**17.1**

Configuration and Customisation costs in a Cloud Computing Arrangement

The Group has changed its accounting policy relating to the capitalisation of certain software costs; this change follows the IFRIC Interpretation Committee's agenda decision published in April 2021 and relates to the capitalisation of costs of configuring or customising application software under 'Software as a Service' ('SaaS') arrangements. The Group's accounting policy has historically been to capitalise costs directly attributable to the configuration and customisation of SaaS arrangements as intangible assets in the Consolidated Statement of Financial Position.

Following the adoption of the above IFRIC agenda guidance, the accounting policy was changed so that the Group only capitalises costs relating to the configuration and customisation of SaaS arrangements as intangible assets where control of the asset exists. As a result of this change in accounting policy, all current SaaS arrangements were identified and assessed to determine if the Group has control of the asset.

For those arrangements where the Group does not have control of the developed application, the Group derecognised the intangible asset previously capitalised. The change in accounting policy led to adjustments amounting to a £0.4m reduction in intangible assets and a £0.4m reduction in retained earnings in the 31 March 2021 Consolidated Statement of Financial Position. The 2021 consolidated Statement of Profit or Loss and Statement of Other Comprehensive Income have not been restated, as the impact on them is immaterial. Accordingly, the prior period consolidated Statement of Financial Position at 31 March 2021 have been restated in accordance with IAS 8 requirements. The overall impact of the adjustment is not considered to be material and, therefore, a consolidated Statement of Financial Position for 31 March 2020 has not been presented.

The tables below show the impact of the change in accounting policy on the previously reported financial position.

	As previously reported 2021 £m	Impact of restatement 2021 £m	Restated 2021 £m
Intangible asset - other	63.3	(0.4)	62.9
Retained earnings	48.4	(0.4)	48.0

5. Underlying profits and earnings

These Financial Statements include alternative 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. See note 7.

Alternative 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 Directors consider there to be the following alternative performance measures:

Underlying operating profit

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

Acquisition expenses comprise transaction costs, contingent consideration payments relating to the retention of former owners of acquired businesses, adjustments to previously estimated contingent consideration, and costs related to integration of acquired businesses into the Group.

Underlying EBITDA

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

Underlying profit before tax

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

Underlying effective tax rate

"Underlying effective tax rate" is defined as the effective tax rate on underlying profit before tax.

Underlying earnings per share

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

Operating cash flow

"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.

Free cash flow

"Free cash flow" is defined as net cash flow from continuing operations before dividend payments, net proceeds from equity fund raising, the cost of acquisitions and proceeds from business disposals.

Return On Capital Employed ("ROCE")

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

Organic basis

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

6. Operating segment information

During the year, the Group completed the disposal of its Custom Supply Division, as described in note 9. As a result of the disposal, the Group has reorganised its businesses into two distinct divisions, Magnetics & Controls ("M&C") and Sensing & Connectivity ("S&C). These have been assessed as the new Reportable Operating Segments in accordance with IFRS 8 'Operating Segments'. The senior management structure has also been aligned with these two segments.

Within each of the above reportable operating segment 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.

Segment revenue and results

2022	Magnetics & Controls £m	Sensing & Connectivity £m	Unallocated Costs £m	Total continuing operations £m
Revenue	**234.7**	**144.5**	**-**	**379.2**
Result				
Underlying operating profit/(loss)	29.8	23.3	(11.7)	41.4
Acquisition expenses	(1.4)	(5.1)	-	(6.5)
Amortisation of acquired intangible assets	(4.8)	(9.2)	-	(14.0)
Operating profit/(loss)	**23.6**	**9.0**	**(11.7)**	**20.9**

2021 (restated*)	Magnetics & Controls £m	Sensing & Connectivity £m	Unallocated Costs £m	Total continuing operations £m
Revenue	**190.4**	**112.4**	**-**	**302.8**
Result				
Underlying operating profit/(loss)	23.4	15.5	(8.1)	30.8
Acquisition expenses	0.4	(1.6)	-	(1.2)
Amortisation of acquired intangible assets	(3.5)	(7.6)	-	(11.1)
IAS 19 pension charge	-	-	(1.4)	(1.4)
Operating profit/(loss)	**20.3**	**6.3**	**(9.5)**	**17.1**

* 2021 restated. Refer to note 4 to the consolidated Financial Statements.

7. Underlying profit before tax

			2022 £m	2021 restated* £m
Profit before tax			**17.1**	13.5
Add back	Acquisition expenses	(a)	**6.5**	1.2
	Amortisation of acquired intangible assets	(b)	**14.0**	11.1
	Total IAS 19 pension charge	(c)	**-**	1.4

Underlying profit before tax	**37.6**	27.2

* 2021 restated. Refer to note 4 to the consolidated Financial Statements.

The tax impact of the underlying profit adjustments above is a credit of £2.0m (2021: £2.5m).

a. Acquisition and merger related expenses of £6.5m comprise £2.6m of transaction costs in relation to the acquisition of CPI, Antenova, Beacon and ongoing transactions; £3.5m charge relating to the movement in fair value of contingent consideration and assets acquired on past acquisitions; and £0.4m charge in relation to the integration of acquired businesses in North America.

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

b. Amortisation charge for intangible assets recognised on acquisition of £14.0m being amortisation of acquired customer relationships and patents. The equivalent charge last year was £11.1m. The increase relates to the five acquisitions during the last two years (Phoenix in October 2020, Limitor in February 2021, CPI in May 2021, Antenova in August 2021 and Beacon in September 2021).

c. Pension costs in the prior period related to a one-off adjustment relating to historic commutation terms for legacy scheme members.

8. Business combinations

Acquisition of CPI

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

CPI was acquired for an initial cash consideration of £8.9m ($12.5m), before expenses, funded from the Group's existing debt facilities. In addition, a contingent payment of up to £3.8m ($5.4m) will be payable subject to CPI achieving certain operational and profit growth targets during the four-year period ending 31 March 2025. £2.2m ($3.2m) fair value of contingent consideration has been accounted for in the purchase price at the acquisition date.

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

	Provisional fair value recognised at acquisition £m
Intangible assets - other *(customer relationships)*	4.4
Right of use assets	0.6
Inventories	0.9
Trade and other receivables	0.4
Net cash	0.6
Trade and other payables	(0.3)
Provisions	(0.1)
Lease liabilities	(0.6)
Total identifiable net assets	**5.9**
Provisional goodwill arising on acquisition	**5.2**
Total investment	**11.1**
Discharged by	
Initial cash consideration	8.9
Contingent consideration	2.2
	11.1

Net cash outflows in respect of the acquisition comprise:

	Total £m
Fair value of cash consideration	8.9
Transaction costs of the acquisition (included in operating cash flows) [1]	0.5
Net cash acquired	(0.6)
	8.8

1) Acquisition costs of £0.4m and £0.1m were expensed as incurred in the period ended 31 March 2022 and the year ended 31 March 2021 respectively. These were included within operating costs (note 7).

Included in cash flow from investing activities is the cash consideration of £8.9m and the net cash acquired of £0.6m.

Acquisition of Antenova

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

Antenova was acquired for a cash consideration of £20.9m, before expenses, funded from the Group's existing debt facilities.

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

	Provisional fair value recognised at acquisition £m
Property, plant and equipment	0.2
Intangible assets - other *(customer relationships)*	8.2
Intangible assets - other *(software)*	0.1
Right of use assets	0.3
Inventories	1.0
Trade and other receivables	0.9
Net cash	3.0
Trade and other payables	(1.2)
Current tax liabilities	(0.1)
Deferred tax liabilities	(1.9)
Lease liabilities	(0.3)
Total identifiable net assets	**10.2**
Provisional goodwill arising on acquisition	**10.7**
Total investment	**20.9**
Discharged by	
Cash	20.9
	20.9

Net cash outflows in respect of the acquisition comprise:

	Total £m
Fair value of cash consideration	20.9
Transaction costs of the acquisition (included in operating cash flows) [1]	0.6
Net cash acquired	(3.0)
	18.5

1) Acquisition costs of £0.6m were expensed as incurred in the year ended 31 March 2022. These were included within operating costs (note 7).

Included in cash flow from investing activities is the cash consideration of £20.9m and the net cash acquired of £3.0m.

Acquisition of Beacon

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

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

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

	Provisional fair value recognised at acquisition £m
Property, plant and equipment	0.4
Intangible assets - other *(customer relationships)*	25.1
Right of use assets	2.2
Inventories	2.9
Trade and other receivables	1.9

Trade and other payables	(3.6)
Provisions	(0.2)
Deferred tax liabilities	(6.3)
Lease liabilities	(2.2)
Total identifiable net assets	**20.2**
Provisional goodwill arising on acquisition	**37.0**
Total investment	**57.2**

Discharged by	
Initial cash consideration	57.7
Working capital purchase price adjustment	(0.5)
	57.2

Net cash outflows in respect of the acquisition comprise:

	Total £m
Fair value of cash consideration	57.7
Working capital purchase price adjustment	(0.5)
Transaction costs of the acquisition (included in operating cash flows) [1]	0.6
	57.8

1) Acquisition costs of £0.9m were expensed as incurred in the period ended 31 March 2022. These were included within operating costs (note 7). £0.3m of costs remained unpaid at 31 March 2022.

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

9. Discontinued operations and assets held for sale

During the year, the Group exited its distribution business by completing the disposal of its Acal BFi business and Vertec Scientific SA Proprietary Limited, which together has been referred to as the disposal group.

The disposal of the Acal BFi business completed on 3 March 2022 for an initial cash consideration of £37.6m net of normalised working capital adjustment and debt-like adjustments, and before expenses. In addition, deferred consideration (loan note) of £5m will be payable 3 years from completion of the disposal.

The disposal of Vertec Scientific SA Proprietary Limited completed on 5 January 2022 for an initial cash consideration of £1.3m, before expenses. In addition, deferred consideration of £0.9m will be payable over a 3-year period from completion.

The disposal group generated a profit on disposal of £6.6m, which is summarised below:

	Total £m
Net consideration	44.8
Net assets disposed of	(33.1)
Cumulative exchange loss reclassified from equity to the consolidated Statement of Profit or Loss	(2.0)
Transaction costs	(3.1)
Profit on disposal	**6.6**

Consideration received:	
Net upfront cash consideration received	38.9
Deferred consideration	5.9
Net consideration receivable	**44.8**

Net assets disposed of:	
Property, plant and equipment	1.4
Right of use assets	6.6
Intangible assets - Goodwill	9.4
Intangible assets - Other	1.0
Inventories	13.7
Trade and other receivables	34.8
Cash	1.6
Trade and other payables	(26.4)
Current tax liabilities	(1.4)

Lease liability	(5.9)
Provisions	(2.0)
Deferred tax assets	0.3
Net assets disposed of	**33.1**

Net cash inflow from disposal:	
Cash consideration	38.9
Cash disposed	(1.6)
Transaction costs of disposal (included in operating cash flows)	(2.4)
Net cash inflow on disposal	**34.9**

The results of the disposal group are shown as discontinued operations for the year and the prior year and are presented below:

	2022 £m	2021 £m
Revenue	**162.7**	151.5
Operating costs	**(150.3)**	(147.9)
Operating profit	**12.4**	3.6
Finance costs	**(0.2)**	(0.1)
Profit before tax from operating activities	**12.2**	3.5
Tax expense	**(2.9)**	(1.0)
Profit for the year from operating activities	**9.3**	2.5
Gain on sale of discontinued operations	**6.6**	-
Tax expense on gain on sale of discontinued operations	**(0.4)**	-
Profit for the year from discontinued operations	**15.5**	2.5

Earnings per share

	2022 £m	2021 £m
Basic profit per share on discontinued operations	**16.7p**	2.8p
Diluted profit per share on discontinued operations	**16.2p**	2.7p

The operating profit for 2022 excludes £1.0m of depreciation charge on non-current assets as a result of them being classified as held for sale as at 30 September 2021.

Cash flows relating to trading activity of discontinued operations

	2022 £m	2021 £m
Net cash inflow from operating activities	**5.9**	11.9
Net cash outflows from investing activities	**(0.3)**	(0.1)
Net cash outflows from financing activities	**(2.1)**	(2.3)
Net increase in cash and cash equivalents	**3.5**	9.5

10. Dividends

Dividends recognised in equity as distributions to equity holders in the year:	**2022 £m**	2021 £m
Equity dividends on ordinary shares:		
Final dividend for the year ended 31 March 2021 of 7.0p (2020: 0.0p)	**6.2**	-
Interim dividend for the year ended 31 March 2022 of 3.35p (2021: 3.15p)	**3.2**	2.8
Total amounts recognised as equity distributions during the year	**9.4**	2.8

Proposed for approval at AGM:	**2022 £m**	2021 £m
Equity dividends on ordinary shares:		
Final dividend for the year ended 31 March 2022 of 7.45p (2021: 7.0p)	**7.1**	6.2
Summary		
Dividends per share declared in respect of the year	**10.8p**	10.15p
Dividends per share paid in the year	**10.35p**	3.15p
Dividends paid in the year	**£9.4m**	£2.8m

11. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent 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 computations:

	2022 £m	2021 £m
Profit for the year attributable to equity holders of the parent:		
Continuing operations	**9.7**	9.5
Discontinued operations	**15.5**	2.5
Profit after tax for the year	**25.2**	12.0

	Number	Number
Weighted average number of shares for basic earnings per share	**93,015,684**	88,753,576
Effect of dilution - share options	**2,783,673**	3,469,048
Adjusted weighted average number of shares for diluted earnings per share	**95,799,357**	92,222,624
Basic earnings per share from continuing operations	**10.4p**	10.7p
Diluted earnings per share from continuing operations	**10.1p**	10.3p
Basic earnings per share	**27.1p**	13.5p
Diluted earnings per share	**26.3p**	13.0p

Underlying earnings per share is calculated as follows:

	2022 £m	2021 £m
Profit after tax for the year from continuing operations	**9.7**	9.5
Acquisition expenses	**6.5**	1.2
Amortisation of acquired intangible assets	**14.0**	11.1
IAS 19 pension charge	-	1.4
Tax effect of the above	**(2.0)**	(2.5)
Underlying profit after tax	**28.2**	20.7

	Number	Number
Weighted average number of shares for basic earnings per share	**93,015,684**	88,753,576
Effect of dilution - share options	**2,783,673**	3,469,048
Adjusted weighted average number of shares for diluted earnings per share	**95,799,357**	92,222,624
Underlying earnings per share	**29.4p**	22.4p

At the year end, there were 2,985,201 ordinary share options in issue that could potentially dilute underlying earnings per share in the future, of which 2,783,673 are currently dilutive (2021: 3,928,273 in issue and 3,469,048 dilutive).

12. Movements in cash and net debt

Year to 31 March 2022	1 April 2021 £m	Cash flow £m	Non cash changes £m	**31 March 2022 £m**
Cash and cash equivalents	29.2	9.0	1.2	**39.4**
Bank overdrafts	(1.0)	(1.4)	(0.1)	**(2.5)**
Net cash	28.2	7.6	1.1	**36.9**
Bank loans under one year	(0.3)	0.3	-	**-**
Bank loans over one year	(76.3)	7.9	0.6	**(67.8)**
Capitalised debt costs	1.2	-	(0.5)	**0.7**
Total loan capital	(75.4)	8.2	0.1	**(67.1)**
Net debt	(47.2)	15.8	1.2	**(30.2)**

Bank loans over one year above include £65.5m (2021: £74.0m) drawn down against the Group's revolving credit facility.

Year to 31 March 2021	1 April 2020 £m	Cash flow £m	Non cash changes £m	31 March 2021 £m
Cash and cash equivalents	36.8	(6.0)	(1.6)	29.2
Bank overdrafts	(2.0)	0.6	0.4	(1.0)
Net cash	34.8	(5.4)	(1.2)	28.2
Bank loans under one year	(2.8)	2.4	0.1	(0.3)
Bank loans over one year	(95.0)	16.1	2.6	(76.3)
Capitalised debt costs	1.7	-	(0.5)	1.2
Total loan capital	(96.1)	18.5	2.2	(75.4)
Net debt	(61.3)	13.1	1.0	(47.2)

Supplementary information to the statement of cash flows

Underlying Performance Measure	2022 £m	2021 £m
Increase in net cash	**15.8**	13.1
Add: Business combinations	**87.6**	21.8
Dividends paid	**9.4**	2.8
Less: Net proceeds from share issue	**(52.6)**	(0.1)
Discontinued operations	**(38.4)**	(9.5)
Free cash flow	**21.8**	28.1
Net finance costs	**3.2**	3.1
Taxation	**6.2**	6.5
Legacy pension scheme funding	**1.9**	1.8
Operating cash flow	**33.1**	39.5

13. Reconciliation of cash flows from operating activities

	2022 £m	2021 £m
Profit for the year	**25.2**	12.0
Tax expense	**10.7**	5.0
Net finance costs	**4.1**	3.7

Depreciation of property, plant and equipment	**4.7**	4.9
Depreciation of right of use assets	**6.1**	6.6
Amortisation of intangible assets - other	**14.5**	11.7
Gain on business disposal	**(6.6)**	-
Gain on disposal of property, plant and equipment	**(0.1)**	-
Change in provisions	**(0.3)**	1.0
Pension scheme funding	**(1.9)**	(1.8)
IAS 19 pension charge	**0.6**	1.4
Impact of equity-settled share-based payment expense and associated taxes	**1.3**	1.1
Operating cash flows before changes in working capital	**58.3**	45.6
Increase in inventories	**(17.7)**	(0.1)
(Increase)/decrease in trade and other receivables	**(24.9)**	5.5
Increase in trade and other payables	**26.8**	6.2
(Decrease)/increase in working capital	**(15.8)**	11.6
Cash generated from operations	**42.5**	57.2
Interest paid	**(3.7)**	(3.4)
Interest paid on lease liabilities*	**(0.8)**	(0.6)
Income taxes paid	**(7.1)**	(7.2)
Net cash flow from operating activities	**30.9**	46.0

14. Intangible assets - goodwill

Cost	£m
At 1 April 2020	154.1
Arising from business combinations	9.3
Exchange adjustments	1.3
At 31 March 2021	164.7
Arising from business combinations (note 8)	53.7
Business disposed (note 9)	(46.2)
Exchange adjustments	3.5
At 31 March 2022	**175.7**

Impairment	£m
At 1 April 2020 and at 31 March 2021	(36.8)
Business disposed (note 9)	36.8
At 31 March 2022	**-**

Net book value at 31 March 2022	**175.7**
Net book value at 31 March 2021	127.9

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 they can be integrated.

Following disposal of the Group's Custom Supply Division, as described in note 6, the Group's operations were reorganised into two distinct divisions, Magnetics & Control ("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:

	2022 £m	2021 £m
Discontinued operations	-	9.6
Magnetics & Controls	**89.3**	49.5
Sensing & Connectivity	**86.4**	68.8
	175.7	127.9

The movement in goodwill compared to prior year relates to the movement in foreign exchange with the exception of Acal BFi, which was disposed of during the year (note 9) and CPI, Antenova and Beacon which were acquired in the year (note 8).

The significant amounts of goodwill is analysed below:

	2022 £m	2021 £m
Noratel	**34.7**	33.6
Beacon	**38.8**	-
Variohm	**24.0**	17.6
Sens-Tech	**27.4**	27.4
	124.9	78.6

The Group defines significant as 10% of the total carrying value of goodwill.

15. Share capital

Allotted, called up and fully paid	2022 Number	2022 £m	2021 Number	2021 £m
Ordinary shares of 5p each	**95,456,109**	**4.7**	89,455,915	4.4

During the year to March 2022, 650,000 shares were issued to the Group's Employee Benefit Trust (2021: 750,000). At 31 March 2022 the Trust held 168,425 shares (2021: 689,307). During the year to 31 March 2022, employees exercised 1,170,882 share options under the terms of the various share option schemes (2021: 60,693).

On 2 September 2021, 5,350,194 shares were issued for a gross consideration of £55.0m before costs and £53.5m after costs. The shares were issued at 1,028 pence per share, which is equal to the mid-market closing price on 2 September 2021. £0.3m was share capital with the balance of £53.2m being allocated to share premium account.

16. Pension

The acquisition of the Sedgemoor Group in June 1999 included a defined benefit pension scheme, the Sedgemoor Group Pension Fund ("the Sedgemoor Scheme"). The Sedgemoor Scheme, which is funded by the Company, provides retirement benefits based on final pensionable salary. Its assets are held in a separate trustee-administered fund. Following the acquisition of the Sedgemoor Group, the Sedgemoor Scheme was closed to new members. Shortly thereafter, employees were given the opportunity to join the discoverIE pension scheme and future service benefits ceased to accrue to members under the Sedgemoor Scheme. Contributions to the Sedgemoor Scheme are determined in accordance with the advice of independent, professionally qualified actuaries.

During the year, the financial position of the Sedgemoor Scheme has been updated in line with changes in actuarial assumptions and cash contributions made to the Scheme. The valuation used for IAS 19 disclosures has been based on the most recent valuation at 31 March 2018 updated to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme as at 31 March 2022.

The IAS 19 defined benefit pension scheme asset at 31 March 2022 was £2.7m (31 March 2021: £1.0m liability). The movement principally relates to the changes in actuarial assumptions and cash contributions in the period.

17. 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 2022 Closing rate	Year to 31 March 2022 Average rate	Year to 31 March 2021 Closing Rate	Year to 31 March 2021 Average rate
US Dollar	**1.3123**	**1.3668**	1.3760	1.3075
Euro	**1.1821**	**1.1761**	1.1736	1.1207
Norwegian Krone	**11.479**	**11.856**	11.731	11.970

18. Events after the reporting date

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 IAS10, Events after the reporting period. The following important non-adjusting events should be noted:

Dividends

A final dividend of 7.45p per share (2021: 7.0p), amounting to a dividend of £7.1m (2021: £6.2m) and bringing the total dividend for the year to 10.8p (2021: 10.15p), was declared by the Board on 27 May 2022.

Revolving Credit Facility

On 3 May 2022, the Group increased its syndicated banking facility from £180m to £240m and extended the remaining term of the facility by two years out to four years ending in June 2026, with an option exercisable by the Group to extend the facility by a further year to June 2027. In addition, the Group has an £80m accordion facility which it can use to extend the total facility up to £320m.

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