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discoverIE Group plc - Preliminary results

6/7/2023

RNS Number : 8710B
discoverIE Group plc
07 June 2023

7 JUNE 2023

discoverIE Group plc

Preliminary results for the year ended 31 March 2023

Strong growth in sales & earnings; medium-term operating margin target raised to 15%

discoverIE Group plc (LSE: DSCV, "discoverIE" or the "Group"), a leading international designer and manufacturer of customised electronics to industry, today announces its results for the year ended 31 March 2023 ("FY 2022/23" or the "year").

	FY 2022/23	FY 2021/22	Growth %	CER(2) growth %
Revenue	**£448.9m**	£379.2m	+18%	+15%
Underlying operating profit(1)	**£51.8m**	£41.4m	+25%	+20%
Underlying operating margin(1)	**11.5%**	10.9%	+0.6ppts	+0.5ppts
Underlying profit before tax(1)	**£46.3m**	£37.6m	+23%	
Underlying EPS(1)	**35.2p**	29.4p	+20%	
Reported profit before tax	**£29.1m**	£17.1m	+70%	
Reported fully diluted EPS (continuing business)	**21.7p**	10.1p	+115%	
Full year dividend per share	**11.45p**	10.80p	+6%	

Highlights

- **Strong financial performance driven by sales growth with operating efficiencies**
  - Group sales up 18%, with organic(3) sales up 10%, (divisional growth M&C: +11%; S&C: +8%)
  - Organic gross margins robust despite inflation headwinds
  - Underlying operating profit increased by 25%
  - Underlying EPS increased by 20%

- **Further progress made towards key targets**

- Underlying operating margin increased by 0.6ppts to 11.5%.
- Sales into UN SDG-aligned target markets(4) increased by 1ppt to 77%
- ROCE(5) increased by 1.2ppts to 15.9%
- Free cash flow(6) up 51% to £33.0m with a conversion of 95% of underlying earnings

- **Operating margin target raised to 15% over the medium term**
  - Remaining on track to reach 13.5% by FY25

- **Two earnings-accretive acquisitions completed for £23m**
  - Magnasphere and CDT; integrations underway and progressing as planned

- **Excellent progress on ESG initiatives**
  - Absolute carbon emissions reduced by 35% since CY 2021 (v new 65% target by CY 2025)(7)
  - SBTi aligned net zero carbon emissions commitment by 2030(8) announced in Nov 22

- **Group well positioned for further growth**
  - Strong order book of £223m and design wins up 11% to £273m
  - Strong pipeline of acquisition opportunities in development
  - Year-end gearing(9) of 0.7x, significant funding headroom available

Nick Jefferies, Group Chief Executive, commented:

"The Group has made further good progress towards our medium-term goals, with excellent sales growth and significant operational efficiencies resulting in 20% growth in underlying earnings per share.

We continue to focus on generating organic growth in high momentum, sustainable markets, enhanced by earnings-accretive acquisitions whilst reducing our carbon footprint. Our carbon emissions have reduced by 35% in absolute terms since CY 2021 and in November 2022 we announced our target to reach net zero by 2030.

The new financial year has started well with continued organic sales growth over last year. The order book remains at a higher than expected level, in line with last year,

providing good visibility of demand. As previously guided, the order book has been normalising from the record level in September 2022 and, as expected, this trend is continuing in the new financial year as global supply chain lead times return to normal.

discoverIE is well positioned in a changing world. Our products are designed-in and essential in customers' applications whilst amounting to only a small proportion of their overall spend, providing us with revenue visibility and stable margins. Additionally, our broad international footprint enables us to respond quickly to regional production movements.

The discoverIE business model has proven to be very resilient through difficult market conditions. With a strong pipeline of acquisition opportunities and a robust balance sheet, the Group is well positioned to make further good progress."

Analyst and investor presentation:

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

A webcast for US based analyst investors will be hosted at 3.30pm BST; for dial-in details, please contact **nicola.smith@peelhunt.com**.

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Notes:

(1) 'Underlying operating profit', 'Underlying operating margin", 'Underlying EBITDA', 'Underlying profit before tax', 'Underlying EPS', 'Underlying operating cash flow' and 'Free cash flow' are non-IFRS financial measures used by the Directors to assess the underlying performance of the Group. These measures exclude acquisition-related costs (amortisation of acquired intangible assets of £15.8m and acquisition & disposal expenses of £1.4m) totalling £17.2m. Equivalent underlying adjustments within the FY 2021/22 underlying results totalled £20.5m. For further information, see note 5 of the attached consolidated financial statements.

(2) Growth rates at constant exchange rates ("CER"). For the year ended 31 March 2023, the average sterling rate of exchange weakened 2% against the Euro and 12% against the US Dollar compared with the average rates for last year, whilst strengthening 2% on average against the three Nordic currencies.

(3) Organic growth for the Group compared with last year is calculated at constant exchange rates ("CER") and is shown excluding the first 12 months of acquisitions post completion (CPI in May 2021, Antenova in August 2021, Beacon in September 2021, CDT in June 2022 and Magnasphere in January 2023).

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

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

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

(7) Original target was to reduce scope 1 & 2 carbon emissions intensity in CY 2019 by 50% on a like-for-like basis by CY 2025. Achieved target three years early. New target introduced this year for an absolute carbon emissions reduction of 65% by CY 2025 since CY 2021.

(8) Net zero carbon emissions by 2030 defined as Net Zero Scope 1 & 2 emissions as defined by SBTi along with a commitment to achieve Net Zero Scope 3 emissions by 2040.

(9) Gearing ratio is defined as net debt divided by underlying EBITDA (including lease payments; annualised for acquisitions).

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

(11) The information contained within this announcement is deemed by the Group to constitute inside information as stipulated under the Market Abuse Regulation, Article 7 of EU Regulation 596/2014. Upon the publication of this announcement via Regulatory Information Service, this inside information is now considered to be in the public domain.

Notes to Editors:

About discoverIE Group plc

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

The Group provides application-specific components to original equipment manufacturers ("OEMs") internationally through its two divisions, Magnetics & Controls, and Sensing & Connectivity. By designing components that meet customers' unique requirements, which are then manufactured and supplied throughout the life of their production, a high level of repeating revenue is generated with long-term 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 is committed to reducing the impact of its operations on the environment with an SBTi aligned plan to reach net zero. With its key markets aligned with a sustainable future, the Group has been awarded an ESG "A" rating by MSCI and is Regional (Europe) Top Rated by Sustainalytics.

The Group employs c.4,700 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.

Strategic and Operational Review

A year of further strong progress

The Group designs and manufactures niche, customised, innovative electronics. We have made considerable progress this year towards our medium-term goals of becoming a higher operating margin group, supplying UN SDG-aligned target markets internationally, and generating consistently strong cash flow. Our low gearing leaves good headroom for further earnings-accretive acquisitions and to take advantage of new opportunities as they arise.

The Group delivered organic sales growth of 10%, underlying operating profit growth of 25% and underlying EPS growth of 20%. This continued the Group's good progress of previous years that has seen compound annualised growth ("CAGR") since FY 2017/18 of 10% in organic sales, 32% in underlying operating profit and 25% in underlying EPS.

Group sales increased by 18% overall in the year, driven by organic growth of 12% in our target markets (which now account for 77% of Group sales). Organic sales growth in the year was widespread across businesses and countries, with the UK increasing by 11%, Germany by 23%, the Nordic region by 12%, other European countries by 11% and the US by 20%. Following several years of strong growth, China reduced by 11% with Asia reducing by 6% overall. Expansion of production capacity commenced during the year in India, Germany and the UK, all of which are expected to be operational in FY 2023/24. Production in California and Arizona is in the process of being transferred to Mexico.

The underlying operating margin of 11.5% increased by 0.6ppts year-on-year and we are on track to achieving 13.5% by FY 2024/25. discoverIE has further demonstrated the strength of its business over the last three years, through what have been volatile and at times extremely challenging market conditions, with the decentralised model operating effectively at a local level, whilst benefiting commercially from the shared capability of divisional clusters and the wider Group. Reflecting the scope of the opportunity and our continued ambition to build a higher quality business, we are raising our underlying operating margin target to 15% over a period of around five

years.

The Group continues to manage supply chain and inflationary headwinds effectively with gross margins in the year being robust and slightly ahead of last year on an organic basis.

Positioned well in a changing world

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

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

- *Broad footprint*: a decentralised model with 32 manufacturing sites and operations around the world, able to support a diverse base of international and global customers and respond quickly to production requirements and movements.

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

- *Low energy intensity operations:* the large majority of the Group's energy exposure is electricity and with operations mainly being manual or semi-automated, energy costs represent less than 1% of Group revenues, limiting the Group's exposure to energy price rises and operational disruptions.

With a capital light business model, a differentiated product portfolio, a strong balance sheet and a broad customer base (the Group's largest customer is c.5% of Group sales), the Group has grown strongly and consistently over the last decade whilst proving resilient through downturns, most recently experienced with the pandemic. We expect this to continue to be the case in a changing world.

A Strong Financial Performance

Group sales for the year increased by 18% to £448.9m (+15% CER), with underlying operating profit, which excludes acquisition costs, increasing by 25% to £51.8m (+20% CER). Underlying profit before tax increased by 23% to £46.3m, with underlying earnings per share for the year increasing by 20% to 35.2p (FY 2021/22: 29.4p).

After underlying adjustments for acquisition costs, profit before tax for the year on a reported basis increased by 70% to £29.1m (FY 2021/22: £17.1m) with fully diluted earnings per share increasing by 115% to 21.7p (FY 2021/22: 10.1p).

Strong free cash flow of £33.0m, up 51% on last year, represented 95% of underlying earnings and ahead of the Group's 85% target despite strong organic sales growth requiring investment in working capital. Net debt at 31 March 2023 was £42.7m (31 March 2022: £30.2m) with a gearing ratio of 0.7x, well below our target range of 1.5x to 2.0x, and leaves considerable headroom for further earnings-accretive acquisitions.

Increased Dividend

The Board is recommending a 6% (0.45 pence) increase in the final dividend per share to 7.9 pence per share, giving a full year dividend per share of 11.45 pence, and representing an underlying earnings cover of 3.1 times (FY 2021/22: 2.7 times).

The Board aims to maintain a progressive dividend policy along with a long-term dividend cover of over three times on an underlying basis. With continued growth of the Group, this is expected to 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 1 August 2023 to shareholders registered on 23 June 2023.

Board of Directors

Bruce Thompson became Chair of the Group on 1 November 2022, with Malcolm Diamond retiring from the Board. We extend our sincere thanks to Malcolm for his guidance and support in leading the Group into the FTSE250 index and wish him a very happy retirement.

Bruce has been a Non-Executive Director of the Group since February 2018, and the Group's Senior Independent Director since March 2019. Tracey Graham, a member of the Board since November 2015 and Chair of the Remuneration Committee, succeeds Bruce as Senior Independent Director from the same date.

Celia Baxter has been appointed as a Non-Executive Director with effect from 1 June 2023. Celia has many years of executive and board experience in listed companies including 13 years as Group HR Director at Bunzl plc giving her a good understanding of decentralised, acquisitive, international industrial businesses. Currently Celia is Non-Executive Director and Chair of the Remuneration Committee at DS Smith plc and Dowlais plc, following 10 years in that position at Senior plc. We are delighted to welcome Celia to the Board.

Continued Progress with Sustainability and Social Responsibility

The Group provides innovative electronics that help customers create new technologies for a sustainable world. Applications which use our products help to, for example, produce clean power, reduce power consumption and increase efficiency, such as wind turbines for renewable energy, control units for rail systems and wireless and fibre optic communications. This focus on sustainability forms the core of our target markets which are aligned with the UN Sustainable Development Goals and where, through focused initiatives, we aim to grow our revenues organically. These trends are reported in our key strategic indicators as target market sales. Additionally, the Group has reduced its focus on markets that are inconsistent with a long-term sustainability agenda.

77% of Group sales this year were from our target markets and we expect this share to continue to increase, subject to the impact of new acquisitions. We also aim to increase the proportion of the Group's operations covered by ISO 14001, the international standard for environmental management, from 61% in CY 2021 to 80% by CY 2025. The Group's Impact Report, which is available on the Group's website,

illustrates how we are helping to meet the global sustainability agenda.

Following the award of MSCI ESG "A" Rating in April 2022, the Group has been rated by Morningstar Sustainalytics as one of the Regional (Europe) Top Rated companies in 2023, a recognition given to companies that have achieved the highest scores in ESG risk management.

During the year a number of initiatives were undertaken to further improve our sustainability, social responsibility and diversity including:

i) Environmental

- Announced an SBTi aligned plan to achieve net zero for Scope 1 & 2 carbon emissions by 2030 and for Scope 3 by 2040;

- Further adoption of zero emissions electricity sources resulted in carbon emissions reducing on a like-for-like intensity basis by 66% since CY 2019 and on an absolute basis by 35% since CY 2021;

- Accelerated Sri Lanka solar panel installation project, with the remaining phases now complete and fully operational, reducing Scope 1 & 2 Group emissions by 15%;

- Completed installation of solar panels at the manufacturing facility in Thailand and the systems are now fully operational;

- The number of sites that completed an energy audit increased from 53% to 63%;

- The percentage of electric vehicles in the Company fleet increased from 26% to 33%;

- Two more sites completed ISO 14001 certification with more than half of the Group's sites now ISO 14001 certified.

ii) Social

- Six more sites achieved ISO 45001 certification, including the Group's two largest sites by headcount, meaning that 48% of Group workforce now works in operations with ISO 45001 certification;

- Health & safety representatives increased by 79% to 229, giving a representative to employee ratio of 1:21 vs target of 1:50;

- Completed 16,250 hours of health & safety training (CY 2021: 5,500);

- The percentage of Group revenue covered by ISO 9001 increased from 87% to 92%;

- Provided assistance and cost of living support to employees at our Sri Lanka site during the political crisis;

iii) Governance

- Established Sustainability Committee of the Board, effective 1 April 2022;

- Introduced ESG related objectives and targets into bonus schemes for executive management and operating businesses;

- Updated the Board Diversity Policy in June 2022 and issued a Sustainability Policy in May 2023;

- Adopted a new Sustainability Policy setting out the Group's sustainability commitments;

- Completed a detailed scenario analysis, and quantified the potential financial impact, of climate change as required by TCFD reporting;

- Disclosed environmental data through Carbon Disclosure Project for the first time, improving data transparency and benchmarking progress against global

standards.

A Proven Growth Strategy

The Group designs and manufactures niche and customised 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 internationally (40% of Group sales now being beyond Europe) as we build a geographically diverse electronics group.

The Group has been built through a focus on organic growth together with operational efficiency, alongside 21 carefully selected and integrated acquisitions over the past 12 years to create a focused, growth-oriented, higher margin design and manufacturing business. We have a well-developed approach to acquisitions and capital allocation, and see significant scope for further expansion 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 focusing on the structural growth markets that form our sustainable target markets;

2. Improve operating margins by moving up the value chain into higher margin products;

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

4. Further internationalise the business by expanding operations in North America 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 progressing towards net zero carbon emissions and reducing our impact on the environment.

Focused on UN SDG-Aligned Target Markets

Our four target markets of renewable energy, medical, electrification of transportation, and industrial automation & connectivity account for 77% of Group sales. These markets are expected to drive the Group's organic revenue growth well ahead of GDP over the economic cycle and create acquisition opportunities. These markets deliver above average revenue growth and resilience: over the last six years, target market sales for the Group grew organically by 12% CAGR whilst non-target markets grew by 5% CAGR; target markets were more resilient during FY 2020/21 (the Covid year) declining by only 3% compared with a 9% decline in non-target markets.

Growth in our target markets is being 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, artificial intelligence and connectivity.

By focusing on four target growth markets and having a low customer concentration, the Group has consistently delivered above market growth despite occasional slower periods in certain sectors, such as recently lower demand in wind energy markets.

During this year, target market sales grew organically by 12%, comprising slower renewable energy demand (-6%) against strong prior year demand, being offset by growth of 15% in the other target markets. Non-target markets, which accounted for 23% of Group revenues, grew by only 3% organically.

Continued progress on Key Strategic and Performance Indicators

Since 2014, the Group's strategic progress and its financial performance have been measured through key strategic indicators ("KSIs") and key performance indicators ("KPIs"). The KSI targets have been raised five times, most recently in November 2021 as the Group has developed into a pure designer and manufacturer of highly engineered components with higher operating margins. Together with additional earnings and margin enhancing acquisitions, we expect to make further progress towards achieving our 13.5% margin target and remain on track to achieve this by FY25. Additionally, we are announcing a new, increased medium term underlying operating margin target of 15%, where medium term is defined as around five years.

For tracking purposes, the KSIs and KPIs in the tables below remain as reported at the time rather than adjusted for disposals. This year's growth relative to last year is discussed below.

Key Strategic Indicators

	FY14	FY18	FY19	FY20	FY22(1)	FY23	Target
1. Increase underlying operating margin	3.4%	6.3%	7.0%	8.0%	10.9%	11.5%	15%
2. Build sales beyond Europe(2)	5%	19%	21%	27%	40%	40%	45%
3. Increase target market sales(2)		62%	66%	68%	76%	77%	85%
4.1 Carbon emissions reduction (like-for-like)(3)				6%	33%	66%	50%
4.2 Carbon emissions reduction (absolute)						35%	65%

(1) FY 2021/22 shown as performance over the pre-Covid year FY 2019/20 as this reflects the actual ongoing development of the business.

(2) As a percentage of Group revenue.

(3) Original target for CY 2025 was a like-for-like reduction of 50% since CY 2019. This target has now been upgraded to an absolute carbon emissions reduction of 65% by CY 2025 from CY 2021.

The Group made further significant progress with its KSIs during the year:

- Underlying operating margin was 11.5% (H1: 11.5%, H2: 11.6%), an increase of 0.6ppts on last year (FY 2021/22: 10.9%) The Group benefited from strong organic sales growth during the year with operating leverage through efficiency gains and robust gross margins, and remains on track to achieve 13.5% in FY 2024/25. This target has now been raised to 15% in the medium term.

- Sales beyond Europe for the year remained at 40% of Group revenue with strong organic growth in the US of 20% being offset by a 6% organic reduction in Asian demand. This is expected to increase next year, reflecting a full year's results of US-based Magnasphere (acquired in January 2023).

- Target market sales for the year increased by 1ppt to 77% of Group revenue (FY 2021/22: 76%). The target is 85%, which includes the effect of incoming acquisitions which tend to have a lower proportion at the outset.

- In November 2022, we upgraded our carbon emissions target for CY 2025 from a reduction of 50% compared with a base in CY 2019 (on a like-for-like intensity basis) to an absolute reduction of 65% from a base in CY 2021. This is on the path to achieving net zero by CY 2030 for Scope 1 & 2 (SBTi aligned) and by CY 2040 for Scope 3. For CY 2022, carbon emissions had reduced by 35% on an absolute basis since 2021, and by 66% on a like-for-like intensity basis since CY 2019.

Key Performance Indicators

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

(1) FY 2021/22 shown as growth over the pre-Covid year 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 towards its KPIs during the year.

- Organic sales increased by 10% this year of which approximately 5% was related to volume and mix effects, 4% to price and 1% to a one-off increase in semiconductor pass-through costs. Since FY 2017/18, organic sales have grown by c.10% per annum on average, illustrating the strong through-cycle organic growth of the business.

- Underlying EPS increased by 20% from 29.4p last year to 35.2p this year and

by 25% CAGR since FY2017/18, excluding the Covid year.

- The proposed final 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 more than doubling of the dividend per share since 2010, whilst dividend cover on an underlying basis increased to 3.1x for the year.

- ROCE for the year was 15.9%, 1.2ppts higher than last year (FY 2021/22: 14.7%). The increase follows strong growth in profitability during the year and the delivery of operational efficiencies.

- Underlying operating cash flow for the year increased by 47% to £48.6m with operating profit conversion into cash of 94% and free cash conversion of 95%, both ahead of our 85% targets despite strong organic sales growth. Over the last ten years, both Underlying Operating cash conversion and free cash conversion have been consistently well over 90% reflecting the tight management of working capital and expenditure through the economic cycle.

Divisional Results

The divisional results for the Group for the year ended 31 March 2023 are set out and reviewed below.

	FY 2022/23			FY 2021/22			Reported revenue growth	CER revenue growth	Organic revenue Growth
	Revenue £m	**Underlying operating profit(1) £m**	**Margin**	Revenue £m	Underlying operating profit(1) £m	Margin			
M&C	**280.8**	**38.4**	**13.7%**	234.7	29.8	12.7%	20%	16%	11%
S&C	**168.1**	**25.6**	**15.2%**	144.5	23.3	16.1%	16%	14%	8%
Unallocated		**(12.2)**			(11.7)				
Total	**448.9**	**51.8**	**11.5%**	379.2	41.4	10.9%	18%	15%	10%

(1) Underlying operating profit excludes acquisition-related costs

Magnetics & Controls Division ("M&C")

The M&C division designs, manufactures and supplies highly differentiated magnetic and power components, embedded computing and interface controls, all for industrial applications through eight businesses operating across 17 countries. Most 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 and Thailand. Geographically, 6% of sales are in the UK by destination, 51% in the rest of Europe, 21% in North America and 22% in Asia.

Our largest facility in Sri Lanka accounts for around 6% of Group sales. Despite the well-publicised economic issues in the country, the facility continued to operate at expected output levels throughout the year with the Group providing support to local employees in the form of allowances for the higher cost of living, transportation and commuting support and, for a short period, family food parcel support. Economic issues have now eased following the IMF support package. Construction has also commenced in Kerala, India, of a new larger production facility which will supersede our existing plant there next year. US production in California has now largely been moved to Mexico; production in Arizona will also move to Mexico in the new financial year. Capacity has also been expanded in the UK to support future growth with a new facility in Newark.

Orders remained at a high level albeit 9% CER lower year-on-year at £263.9m versus a very strong prior year comparator, with a book-to-bill ratio of 0.96:1 (being orders divided by sales). This, together with a strong order book at the outset of this year, resulted in sales growing by 11% organically, with good levels of organic growth across all regions except China. Sales in the UK grew organically by 22%, with Europe growing by 19% and North America by 21%, whilst Asia reduced by 12% due to a 25% organic reduction in China as a result of renewable wind energy demand slowdown, supply chain bottlenecks and customer production movements. Sales in India grew by 2% for the year, with a very strong first half being offset by a slower second half. 2% of organic growth was as a result of one-off increase in semiconductor costs passed through to customers that have been categorised for reporting purposes as sales (H1: £2.9m; H2: £2.1m).

Combined with a 5% sales increase from acquisitions, overall sales increased by 16% CER. Including the impact of translation from a weaker Sterling on average, reported divisional revenue increased by 20% to £280.8m (FY 2021/22: £234.7m). This was achieved despite ongoing supply chain headwinds, in particular semiconductor shortages which delayed sales in two businesses within the division. These headwinds eased during the second half and are now mostly resolved with availability at required levels and lead-times returned to near normal levels.

Underlying operating profit of £38.4m was £7.5m (+24%) higher than last year at CER and £8.6m (+29%) higher on a reported basis (FY 2021/22: £29.8m). The underlying operating margin of 13.7% was 1ppt higher than last year (FY 2021/22: 12.7%), reflecting the positive effect of organic growth, robust gross margins and strong

operating efficiencies.

Sensing & Connectivity Division ("S&C")

The S&C division designs, manufactures and supplies highly differentiated sensing and connectivity components for industrial applications through 14 businesses operating across nine countries. The majority of the products are manufactured in-house at one of the division's 12 manufacturing facilities, with its principal ones being in Hungary, the Netherlands, Norway, Slovakia, the UK and the US. Geographically, 20% of sales are in the UK by destination, 46% in the rest of Europe, 16% in North America and 18% in Asia. Further capacity is being built in Germany.

As with the M&C division, orders of £173.7m remained at historically high levels despite the very strong comparators of last year (FY 2021/22: £173.1m), with a book-to-bill ratio of 1.03:1. This, together with a record order book at the outset of this year, resulted in sales growing by 8% organically, with 5% organic growth across Europe, 6% in the UK, 13% in North America and 15% growth in Asia, driven by a doubling of sales in China on the back of strong renewable solar energy demand.

Combined with a 6% sales increase from acquisitions, overall sales rose by 14% CER. Including the impact of translation from a weaker Sterling on average, reported divisional revenue increased by 16% to £168.1m (FY 2021/22: £144.5m).

Underlying operating profit of £25.6m was £1.7m (+6%) higher than last year at CER and £2.3m (+10%) higher on a reported basis (FY 2021/22: £23.3m). The underlying operating margin of 15.2% was 0.9ppts lower than last year (FY 2021/22: 16.1%), reflecting increased investment particularly across recently acquired businesses to upscale both sales resource and back-office support.

Design Wins Driving Future Recurring Revenues

Project design wins are a measure 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, in turn leading to future recurring revenue streams.

The Group has a strong bank of design wins built up over many years, creating the basis for the Group's strong organic growth. During the year, new design wins were registered with an estimated lifetime value of £273m, an increase of 11% over last year and with 89% being in our target markets.

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

Earnings-Accretive Acquisitions

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

We acquire businesses that are successful and profitable with good growth prospects 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;
- Increasing focus on opportunity generation;
- Developing and expanding the product range;
- Developing and implementing sustainability initiatives.

People management:

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

Investment:

- Capital investment in manufacturing and infrastructure;

- Improving manufacturing and infrastructure efficiency;
- Expansion through further acquisitions.

Controls and support:

- Implementing robust financial controls;
- Finance and related support, such as treasury, banking, legal, tax and insurance;
- Risk management and internal audit;
- Sustainability initiatives such as energy audits, carbon emission reductions and ISO standards accreditation.

The Group has acquired 21 design and manufacturing businesses over the last 12 years, with Group revenues increasing to £449m in FY 2022/23 from £10m in FY 2009/10. During the year, the Group completed two acquisitions:

i) Magnasphere, a US-based designer and manufacturer of magnetic sensors and switches for industrial electronic applications, for a cash consideration of $22m (£18.1m) on a debt free, cash free basis.

ii) CDT, a UK-based designer and manufacturer of customised plastic enclosures for electronic componentry for a cash consideration of £5.0m on a debt free, cash free basis.

Acquisition spend was lower this year than previous years, reflecting the Group's disciplined pricing criteria in an environment of elevated vendor price expectations. As company valuations are becoming more realistic, we expect transaction activity to increase. The Group looks to acquire high quality businesses with long-term growth prospects and to pay a price that reflects this quality whilst generating good returns for shareholders.

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 17 businesses acquired since 2011 and owned for at least two years delivered a return on investment ("EBIT ROI") of 21.4% this year, an increase of 3ppts over last year.

Summary and Outlook

The Group has made further good progress towards our medium-term goals, with excellent sales growth and significant operational efficiencies resulting in 20% growth in underlying earnings per share.

We continue to focus on generating organic growth in high momentum, sustainable markets, enhanced by earnings accretive acquisitions whilst reducing our carbon footprint. Our carbon emissions have reduced by 35% in absolute terms since CY 2021 and in November 2022 we announced our target to reach net zero by 2030.

The new financial year has started well with continued organic sales growth over last year. The order book remains at a higher than expected level, in line with last year, providing good visibility of demand. As previously guided, the order book has been normalising from the record level in September 2022 and, as expected, this trend is continuing in the new financial year as global supply chain lead times return to normal.

discoverIE is well positioned in a changing world. Our products are designed-in and essential in customers' applications whilst amounting to only a small proportion of their overall spend, providing us with revenue visibility and stable margins. Additionally, our broad international footprint enables us to respond quickly to regional production movements.

The discoverIE business model has proven to be very resilient through difficult market conditions. With a strong pipeline of acquisition opportunities and a robust balance sheet, the Group is well positioned to make further good progress.

Nick Jefferies
Group Chief Executive

7 June 2023

Group Financial Results

Revenue and Orders

Group sales of £448.9m were 10% higher than last year organically (FY 2021/22: £379.2m) of which 1ppt relates to increase in semiconductor costs passed through to customers that have been categorised for reporting purposes as sales (H1: £2.9m; H2: £2.1m) and with acquisitions (CPI, Antenova and Beacon acquired last year, plus CDT and Magnasphere acquired this year) adding 5%, Group sales increased by 15% CER. A weaker Sterling on average during the year, particularly compared with the US Dollar, increased sales by 3% on translation for a total growth in reported Group sales of 18%. Group sales increased by 2% from £222.6m in the first half to £226.3m in the second half.

Revenue (£m)	**FY 2022/23**	**FY 2021/22**	**%**
Reported sales	448.9	379.2	18%
FX translation impact		10.2	
Underlying (CER) sales	448.9	389.4	15%
Acquisitions & disposals	(14.9)	5.7	
Organic sales	434.0	395.1	10%

Sales this year were driven by continued healthy order levels together with a very strong order book which began to normalise as expected through the second half of the year having reached a record high of £257m at 30 September 2022. Group orders for the year were £437.5m, reducing by 9% organically against a very strong prior year comparator (last year orders grew by 36% organically and by 32% organically compared with the pre-Covid year FY 2019/20 as customers increased and extended their order books in response to strong demand and the tight global supply

conditions).

The book-to-bill ratio for the year was 0.97:1 and, accordingly, the order book remained at a similar level to last year at £223m (31 March 2022: £224m), up 81% CER compared with two years ago.

Group Operating Profit and Margin

Group underlying operating profit for the year was £51.8m, a 25% increase on last year (FY 2021/22: £41.4m), 20% higher at CER, delivering an underlying operating margin of 11.5%, 0.6ppts higher than last year (FY 2021/22: 10.9%), with 11.5% in the first half of the year (H1 2021/22: 10.3%) and 11.6% in the second half (H2 2012/22: 11.4%).

Reported Group operating profit for the year (after accounting for the underlying adjustments discussed below) was £34.6m, 66% higher than last year (FY 2021/22: £20.9m), linked to higher underlying operating profits and lower spend on acquisitions and disposals during the year.

£m	**FY 2022/23**			FY 2021/22		
	Operating Profit	**Net Finance Cost**	**Profit before tax**	Operating profit	Net Finance cost	Profit before tax
Underlying	51.8	(5.5)	46.3	41.4	(3.8)	37.6
Underlying adjustments						
Amortisation of acquired intangibles	(15.8)	-	(15.8)	(14.0)	-	(14.0)
Acquisition & disposal expenses	(1.4)	-	(1.4)	(6.5)	-	(6.5)
Reported	34.6	(5.5)	29.1	20.9	(3.8)	17.1

Underlying operating profit growth has been achieved through a combination of

organic growth, efficient operational execution and acquisitions.

£m	Underlying Operating Profit
FY 2021/22	41.4
Gross profit on sales growth	12.7
Organic gross margin	3.6
Investment in operating costs	(9.2)
Organic profit growth - operations	48.5
Investment in Head Office	(0.5)
Profit from acquired companies	2.2
Foreign exchange impact	1.6
FY 2022/23	**51.8**

More than three quarters (£6.6m) of the incremental operating profits in the year at CER were generated from organic sales growth of £33.9m at CER, excluding the £5m increase in semiconductor costs passed through to customers that have been categorised for reporting purposes as sales. This resulted in a strong drop-through ratio of 19% (being organic profit growth as a percentage of organic sales growth) deriving mainly from scale and internal efficiencies. During the year, there was further investment in operating expenditure of 9% across both divisions to support future organic growth. Gross margins remained robust and ahead of last year organically, reflecting the high value-add nature of our products; this is despite ongoing inflationary supply chain headwinds.

Acquisitions in the last two years - CPI, Antenova and Beacon acquired last year together with CDT and Magnasphere acquired this year - contributed £2.2m of underlying operating profit.

Sterling weakened during the year by 12% compared to the US Dollar and by 2%

compared to the Euro whilst strengthening by 2% against the three Nordic currencies. This gave rise to an increase in underlying operating profits on translation of £1.6m.

Underlying Adjustments

Underlying adjustments for the year comprise the amortisation of acquired intangibles of £15.8m (FY 2021/22: £14.0m) and acquisition & disposal expenses of £1.4m (FY 2021/22: £6.5m).

The £1.8m increase in the amortisation charge since last year to £15.8m relates to the annualised amortisation of the intangibles for Beacon and Antenova which were acquired towards the end of the first half last year, plus the amortisation of intangibles this year's acquisitions (Magnasphere and CDT). The amortisation charge for next year for existing businesses is expected to be at a similar level.

Acquisition & disposal expenses of £1.4m comprise £1.8m of costs associated with the acquisitions during the year of CDT in June 2022 and Magnasphere in January 2023 and accrued contingent consideration costs relating to acquisitions of £1.5m partly offset by a £1.5m receipt from an insurance contract of CPI (acquired in May 2021) which was cashed-in during the year and a £0.4m credit relating to the disposal of Acal BFi last year.

Financing Costs

Net finance costs for the year were £5.5m (FY 2021/22: £3.8m) and include a £0.6m charge for leased assets under IFRS 16 (FY 2021/22: £0.6m) and £0.6m charge for amortised upfront facility costs (FY 2021/22: £0.4m). Finance costs related to our banking facilities of £4.3m (FY 2021/22: £2.8m) reflect increased interest rates during the year from near zero at 31 March 2022 with Sterling base rates rising to 4.25% at 31 March 2023, US Dollar federal rates to 5.25% and EU rates to 3.5%.

Financing costs are expected to increase next year with higher base rates still forecast by the market for all three currencies plus the annualisation of last year's rate rises.

Underlying Tax Rate

The underlying effective tax rate ("ETR") for the year was 25.3%, marginally higher than last year's rate (FY 2021/22: 25.0%) due to profit mix towards higher tax territories.

The overall ETR was 27% (FY 2021/22: 43%). This was higher than the underlying ETR due to there being no tax relief on acquisition-related expenses (within underlying adjustments above). The overall ETR was much higher last year due to the ETR on intangibles being impacted by the planned increase in the UK corporate tax rate from 19% to 25% from 1 April 2023, resulting in a one-off increase in the deferred tax liability (a non-cash item).

£m	FY 2022/23		FY 2021/22	
	PBT	ETR	PBT	ETR
Group underlying	46.3	25%	37.6	25%
Amortisation of acquired intangibles	(15.8)	20%	(14.0)	9%
Acquisition & disposal expenses	(1.4)	57%	(6.5)	12%
Total reported	29.1	27%	17.1	43%

Profit Before Tax and EPS

Underlying profit before tax for the year of £46.3m was £8.7m higher (+23%) than last year (FY 2021/22: £37.6m), with underlying EPS for the year increasing by 20% to 35.2p (FY 2021/22: 29.4p). The increase in underlying EPS was lower than the increase in underlying profit before tax due to the issuance of new equity in September 2021 increasing the number of fully diluted shares by 3% to 98.3m shares (FY 2021/22: 95.8m shares) and a marginally higher tax rate.

£m	FY 2022/23		FY 2021/22	
	PBT	EPS	PBT	EPS
Underlying	46.3	35.2p	37.6	29.4p
Underlying adjustments				
Amortisation of acquired intangibles	(15.8)		(14.0)	
Acquisition & disposal expenses	(1.4)		(6.5)	
Reported (continuing operations)	29.1	21.7p	17.1	10.1p

After the underlying adjustments above, reported profit before tax for continuing operations was £29.1m, an increase of £12.0m (+70%) compared with last year (FY 2021/22: £17.1m). With the reported effective tax rate for the year of 27% being much lower than last year's rate of 43% (for the reasons mentioned above), the resulting reported fully diluted earnings per share for continuing operations was 21.7p, 11.6p higher than last year (FY 2021/22: 10.1p).

Last Year's Disposals

Last year, the Group disposed of the Acal BFi and Vertec SA distribution businesses which together were treated for accounting purposes as a discontinued operation. In accordance with IFRS 5, net profits (profit after tax or "PAT") of the discontinued operation last year was shown separately to the results of the continuing operations.

£m	FY 2022/23		FY 2021/22	
	PAT	EPS	PAT	EPS
Continuing operations (reported)	21.3	21.7p	9.7	10.1p
Discontinued operations (reported)			15.5	16.2p
Total operations (reported)	21.3	21.7p	25.2	26.3p

Working Capital

Working capital at 31 March 2023 was £69.4m, equivalent to 15.2% of second half annualised sales at CER. This is 1.3ppts lower than at 30 September 2022 when working capital was £74.7m, equivalent to 16.5% of first half annualised sales following reductions in inventory levels which had increased in order to secure supply. This remains 1.3ppts higher than last year when working capital was £57.2m, equivalent to 13.9% of second half annualised sales linked to some elevated inventories still remaining.

Working capital KPIs have remained robust with debtors days of 45 (2 days lower than last year), creditor days of 80 (in line with last year) and stock turns of 3.2 (0.2 turn lower than last year but 0.2 turns higher than at 30 September 2022).

ROCE for the year (return on capital employed, as defined in note 5 to the attached summary financial statements) was 15.9%, up 1.2ppts on last year driven by increased profitability and operating efficiency. This is ahead of our target to achieve a ROCE of at least 15%.

Cash Flow

Net debt at 31 March 2023 was £42.7m compared with £30.2m at 31 March 2022. The movements in net debt during the year are summarised as follows:

£m	**FY 2022/23**	**FY 2021/22**
Opening net debt at 1 April	(30.2)	(47.2)
Free cash flow (see table below)	33.0	21.8
Acquisition & disposals	(30.6)	(49.2)
Equity issuance (net of taxes)	(0.6)	52.6
Dividends	(10.5)	(9.4)
Foreign exchange impact	(3.8)	1.2
Net debt at 31 March	**(42.7)**	**(30.2)**

Net acquisition & disposal-related costs of £30.6m in the year comprised acquisitions of CDT in June 2022 for £5.0m and Magnasphere in January 2023 for £18.5m (both on a debt free, cash free basis) together with £6.4m on earnout payments in respect of Cursor and CPI. Additionally, there were £2.2m of expenses associated with acquisitions and disposals during the year, partially offset by a £1.5m receipt from an insurance contract which was cashed-in during the year.

Dividends of £10.5m paid during the year were 12% higher than paid in the previous year (FY2021/22: £9.4m) following a 6% increase in the final dividend declared last year and a 6% increase in equity following the share issuance in September 2021 at the time of the Beacon acquisition.

Sterling weakened significantly during the year in particular compared to the US Dollar. Based on the closing rates at 31 March 2023 compared with the rates at 31 March 2022, Sterling fell 6% compared to the US Dollar and also reduced by 4% against the Euro. With the Group's policy being to hold net debt in currencies linked to the currency of its cash flows, net debt increased on translation, partially matching the increase in underlying EBITDA that arose, in order to protect the gearing of the Group.

Underlying operating cash flow and free cash flow for the year (see definitions in note 5 to the summary financial statements) compared with last year are shown below:

£m	FY 2022/23	FY 2021/22
Underlying profit before tax	**46.3**	**37.6**
Net finance costs	5.5	3.8
Non-cash items	14.6	12.5
Underlying EBITDA	**66.4**	**53.9**

Lease payments	(5.8)	(5.1)
EBITDA (incl. lease payments)	**60.6**	**48.8**
Changes in working capital	(6.4)	(10.2)
Capital expenditure	(5.6)	(5.5)
Underlying operating cash flow	**48.6**	**33.1**
Finance costs	(5.0)	(3.2)
Taxation	(9.0)	(6.2)
Legacy pensions	(1.6)	(1.9)
Free cash flow	**33.0**	**21.8**

Underlying EBITDA of £66.4m was 23% higher than last year (FY 2021/22: £53.9m) reflecting strong organic sales growth combined with contributions from the five acquisitions made over the last two years.

During the year, Group working capital increased by £6.4m, supporting strong organic sales growth and to secure inventory supply where necessary. This is £3.8m below last year's increase (FY 2021/22: £10.2m).

Capital expenditure of £5.6m was invested during the year in line with last year (FY 2021/22: £5.5m) including capacity expansions in the UK and Germany, various new production line extensions, ERP upgrades and ESG initiatives e.g. additional solar panels in Sri Lanka - the largest Group facility - and in Thailand.

£48.6m of Underlying operating cash flow was generated in the year up 47% on last year (FY 2021/22: £33.1m) representing 94% of underlying operating profit, ahead of our 85% target. Over the last nine years, the Group has consistently achieved high levels of cash conversion, averaging well in excess of 90%.

Finance cash costs of £5.0m were £1.8m ahead of last year on the back of higher average interest rates, whilst corporate income tax payments of £9.0m were £2.8m ahead of last year reflecting higher profitability.

Free cash flow (being cash flow before dividends, acquisitions and equity) of £33.0m was generated in the year, up 51% on last year (FY 2021/22: £21.8m), being a free cash conversion of 95% of underlying earnings; again ahead of our 85% target.

Banking Facilities

The Group has a £240m syndicated banking facility which now extends to June 2027 following the exercise by the Group in May 2023 of an option to extend the facility by a further year. In addition, the Group has an £80m accordion facility which it can use to extend the total facility up to £320m. The syndicated facility is available both for acquisitions and for working capital purposes, and comprises seven lending banks.

With net debt at 31 March 2023 of £42.7m, the Group's gearing ratio at the end of the year (being net debt divided by underlying EBITDA as annualised for acquisitions) was 0.7x. With our target gearing range being between 1.5x and 2.0x, there is plenty of funding capacity for future earnings accretive acquisitions.

Balance Sheet

Net assets of £303.6m at 31 March 2023 were £13.2m higher than at the end of the last financial year (31 March 2022: £290.4m). The increase primarily relates to the net profit after tax for the year of £21.3m partially offset by dividend payments this year of £10.5m. The movement in net assets is summarised below:

£m	**FY 2022/23**
Net assets at 31 March 2022	290.4
Net profit after tax	21.3
Dividend paid	(10.5)
Translation of net assets	0.7
Loss on defined benefit scheme	(0.9)
Shares issued	0.1
Share-based payments (incl tax)	2.5
Net assets at 31 March 2023	**303.6**

Defined Benefit Pension Scheme

The Group's IAS 19 pension asset, associated with its legacy defined benefit pension scheme, decreased during the year by £0.4m from £2.7m at 31 March 2022, to £2.3m at 31 March 2023. The key drivers were the increase in corporate bond yields together with an annual payment made during the year of £1.6m, partly offset by increases in future inflation expectations.

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 geopolitical issues arising from the ongoing Ukraine conflict; inflationary headwinds and rising interest rates; the performance of acquired companies; climate-related risks; loss of major customers or suppliers; technological changes; major business disruption; cyber security; loss of key personnel; inventory obsolescence; product liability; liquidity and debt covenants; exposure to adverse foreign currency movements; and non-compliance with legal and regulatory requirements.

The Board reviewed the Group's principal risks and the mitigating actions and processes in place during the financial year, giving specific consideration to the impact of the Ukraine conflict and inflationary headwinds. The Board view that risks associated with the macroeconomic environment and supply chain for existing and acquired businesses 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
7 June 2023

Consolidated Statement of Profit or Loss

for the year ended 31 March 2023

Continuing operations	Notes	2023 £m	2022 £m
Revenue		**448.9**	379.2
Operating costs		**(414.3)**	(358.3)
Operating profit		**34.6**	20.9
Finance income		**1.6**	0.4
Finance costs		**(7.1)**	(4.2)
Profit before tax		**29.1**	17.1
Tax expense		**(7.8)**	(7.4)
Profit for the year from continuing operations		**21.3**	9.7
Discontinued operations			
Profit for the year from discontinued operations		-	15.5
Profit for the year		**21.3**	25.2
Earnings per share	9		
Basic, profit from continuing operations		**22.3p**	10.4p
Diluted, profit from continuing operations		**21.7p**	10.1p
Basic, profit for the year		**22.3p**	27.1p
Diluted, profit for the year		**21.7p**	26.3p

Supplementary Statement of Profit or Loss information

Underlying performance measures (continuing operations)	Notes	2023 £m	2022 £m
Operating profit		**34.6**	20.9
Add back: Acquisition expenses		**1.4**	6.5
Amortisation of acquired intangible assets		**15.8**	14.0
Underlying operating profit	5	**51.8**	41.4
Profit before tax		**29.1**	17.1
Add back: Acquisition expenses		**1.4**	6.5
Amortisation of acquired intangible assets		**15.8**	14.0
Underlying profit before tax	5	**46.3**	37.6

Underlying earnings per share	5	**35.2p**	29.4p

The above consolidated Statement of Profit or Loss should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2023

	2023 £m	2022 £m
Profit for the year	**21.3**	25.2
Other comprehensive (loss)/income:		
Items that will not be subsequently reclassified to profit or loss:		
Actuarial (loss)/gain on defined benefit pension scheme	**(1.2)**	2.2
Tax credit/(charge) relating to defined benefit pension scheme	**0.3**	(0.5)
	(0.9)	1.7
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of foreign subsidiaries	**0.7**	9.6
Reclassification of exchange differences on disposal of businesses	-	(2.0)
	0.7	7.6
Other comprehensive (loss)/income for the year, net of tax	**(0.2)**	9.3
Total comprehensive income for the year, net of tax	**21.1**	34.5

The above consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

as at 31 March 2023

	Notes	2023 £m	Restated[1] 2022 £m
Non-current assets			
Property, plant and equipment		**25.2**	23.5
Intangible assets - goodwill	12	**188.1**	175.7
Intangible assets - other		**83.9**	87.6
Right of use assets		**19.2**	21.9
Pension asset	14	**2.3**	2.7
Other receivables		**6.0**	5.9

Deferred tax assets		**11.2**	9.2
		335.9	326.5
Current assets			
Inventories		**90.0**	77.8
Trade and other receivables		**74.6**	78.0
Current tax assets		**1.3**	1.6
Cash and cash equivalents		**83.9**	108.8
		249.8	266.2
Total assets		**585.7**	592.7
Current liabilities			
Trade and other payables		**(95.2)**	(104.8)
Other financial liabilities		**(39.9)**	(71.4)
Lease liabilities		**(4.0)**	(4.7)
Current tax liabilities		**(10.4)**	(7.7)
Provisions		**(1.7)**	(1.7)
		(151.2)	(190.3)
Non-current liabilities			
Trade and other payables		**(4.1)**	(2.7)
Other financial liabilities		**(86.7)**	(67.6)
Lease liabilities		**(14.8)**	(16.4)
Provisions		**(4.2)**	(4.2)
Deferred tax liabilities		**(21.1)**	(21.1)
		(130.9)	(112.0)
Total liabilities		**(282.1)**	(302.3)
Net assets		**303.6**	290.4
Equity			
Share capital	13	**4.8**	4.7
Share premium		**192.0**	192.0
Merger reserve		**2.9**	10.5
Currency translation reserve		**5.6**	4.9
Retained earnings		**98.3**	78.3
Total equity		**303.6**	290.4

The above consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

The Financial Statements were approved by the Board of Directors on 7 June 2023 and signed on its behalf by:

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

Consolidated Statement of Changes in Equity
for the year ended 31 March 2023

	Attributable to equity holders of the Company					
	Share capital £m	Share premium £m	Merger reserve £m	Currency translation reserve £m	Retained earnings £m	Total equity £m
At 1 April 2021	**4.4**	**138.8**	**19.9**	**(2.7)**	**48.0**	**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	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 8)	-	-	-	-	(9.4)	(9.4)
At 31 March 2022	**4.7**	**192.0**	**10.5**	**4.9**	**78.3**	**290.4**
Profit for the year	-	-	-	-	21.3	21.3
Other comprehensive income/(loss)	-	-	-	0.7	(0.9)	(0.2)
Total comprehensive income	-	-	-	0.7	20.4	21.1
Shares issued (note 13)	0.1	-	-	-	-	0.1
Share-based payments including tax	-	-	-	-	2.5	2.5
Transfer to retained earnings	-	-	(7.6)	-	7.6	-
Dividends (note 8)	-	-	-	-	(10.5)	(10.5)
At 31 March 2023	**4.8**	**192.0**	**2.9**	**5.6**	**98.3**	**303.6**

The above consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows
for the year ended 31 March 2023

	notes	2023 £m	Restated[2] 2022 £m
Net cash flow from operating activities	11	**36.3**	30.9
Investing activities			
Acquisition of businesses, net of cash acquired		**(22.8)**	(84.5)
Contingent consideration related to business acquisitions		**(2.3)**	-
Business disposal proceeds		-	37.3
Purchase of property, plant and equipment		**(5.4)**	(5.4)
Purchase of intangible assets - software		**(0.2)**	(0.8)
Proceeds from disposal of property, plant and equipment		-	0.4
Interest received		**1.4**	0.4

Net cash used in investing activities		**(29.3)**	(52.6)
Financing activities			
Net proceeds from the issue of shares		-	53.4
Proceeds from borrowings		**61.8**	94.1
Repayment of borrowings		**(44.9)**	(102.3)
Payment of lease liabilities		**(5.2)**	(6.4)
Cash-settled share-based payments		-	(0.1)
Dividends paid	8	**(10.5)**	(9.4)
Net cash generated from financing activities		**1.2**	29.3
Net increase in cash and cash equivalents[3]		**8.2**	7.6
Net cash and cash equivalents at 1 April		**36.9**	28.2
Effect of exchange rate fluctuations		**(1.7)**	1.1
Net cash and cash equivalents at 31 March		**43.4**	36.9

Reconciliation to cash and cash equivalents in the consolidated Statement of Financial Position		
Net cash and cash equivalents shown above	**43.4**	36.9
Add back: bank overdrafts	**40.5**	71.9
Cash and cash equivalents presented in current assets in the consolidated Statement of Financial Position	**83.9**	108.8

The above consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Group consolidated Financial Statements

for the year ended 31 March 2023

1. Publication of non-statutory accounts

The preliminary results were authorised for issue by the Board of Directors on 7 June 2023. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 March 2023 or 31 March 2022, but is derived from those accounts. Statutory accounts for 2022 have been delivered to the Registrar of Companies whereas those for 2023 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 Group 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 IAS 1 "Presentation of Financial Statements" and revised guidance on "risk management, internal control and related financial and business reporting", management has taken into account all available information about the future for a period of at least, but not limited to, 12 months from the date of approval of the Financial Statements when assessing the Group's and Company's ability to continue as a going concern.

The Group's business activities, together with factors which may adversely impact its future development, performance and position, are set out in the Strategic Report of the Annual Report. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Finance Review section of the Strategic Report.

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 debt facilities of £240m for the foreseeable future.

The Viability Base Case has been subjected to sensitivity analysis involving flexing a number of the underlying key assumptions, both individually and in conjunction. The sensitivities take into account the principal risks and uncertainties set out in the annual report, 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 significant reduction in consumer demand due to inflationary pressures and elevated interest rates. This downside scenario results in a significant decline in second half sales of FY 2023/24, 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 (such as product liability, major customer insolvency or litigation, climate change), interest rates increased, and the Group effective tax rate increased.

After factoring in all of the significant additional downsides, there remains good headroom both in terms of liquidity and 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 as disclosed in the Strategic Report.

Reverse stress testing has also been applied to the most plausible downside scenario to determine the level of downside that would be required before the Group would 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% in FY2023/24 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 2023 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

Cash offsetting

During the year the Financial Reporting Council ("FRC") reviewed the Group's Annual Report and Accounts for the year ended 31 March 2022. Following completion of the review, the Directors have concluded that the overdraft balances of Group entities should be separately presented gross on the consolidated Statement of Financial Position, rather than netted off against cash and cash equivalents held either by the same entity, or other Group entities, with the same bank, despite the existence of a legal right of set off. These overdrafts are held with the Group's relationship banks.

As a result, the consolidated Statement of Financial Position as at 31 March 2022 has been restated as follows:

Consolidated Statement of Financial Position	As reported 2022 £m	Impact of restatement 2022 £m	Restated 2022 £m
Current assets			
Cash and cash equivalents	39.4	69.4	108.8
Current liabilities			
Bank overdrafts	(2.5)	(69.4)	(71.9)
Net cash (note 10)	36.9	-	36.9

The restatement did not result in any change to reported profit, earnings per share, net assets or cash flows reported in the FY 2021/22 financial year.

The impact on the opening consolidated Statement of Financial Position as at 1 April 2021 is as follows:

Consolidated Statement of Financial Position	As reported 2021 £m	Impact of restatement 2021 £m	Restated 2021 £m

Current assets			
Cash and cash equivalents	29.2	72.6	101.8
Current liabilities			
Bank overdrafts	(1.0)	(72.6)	(73.6)
Net cash (note 10)	28.2	-	28.2

5. Underlying performance measures

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

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

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

Underlying operating profit

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

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

Underlying EBITDA

"Underlying EBITDA" is defined as underlying operating profit with depreciation, amortisation, equity-settled share-based payment expense and IAS 19 pension cost added back.

Underlying operating margin

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

Underlying profit before tax

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

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

"Underlying tax charge" is defined as the tax charge adjusted for the tax effect on the acquisition-related costs (namely amortisation of acquired intangible assets and acquisition expenses) and other tax charges or credits relating to acquisitions.

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

Underlying profit after tax

"Underlying profit after tax" is defined as profit for the year from continuing operations excluding acquisition-related costs (namely amortisation of acquired intangible assets and acquisition expenses), net of tax effect on underlying

profit.

Underlying earnings per share

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

Underlying operating cash flow / Underlying operating cash flow conversion

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

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

Free cash flow / Free cash flow conversion

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

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

Return on capital employed ("ROCE")

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

Organic and CER revenue growth

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

"Organic revenue growth" is defined as reported revenue adjusted for the effect of acquisitions/disposals and foreign exchange translation.

Gearing ratio

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

The tables below shows the reconciliation for the main underlying performance measures used by the Group.

Underlying operating profit / Underlying EBITDA

Underlying operating profit and EBITDA are calculated as follows:

			2023 £m	2022 £m
Operating profit			**34.6**	20.9
Add back	Acquisition expenses	(a)	**1.4**	6.5
	Amortisation of acquired intangibles	(b)	**15.8**	14.0
Underlying operating profit			**51.8**	41.4
Add back	Depreciation and amortisation		**11.7**	10.7
	Share-based payment and IAS 19 pension cost		**2.9**	1.8
Underlying EBITDA			**66.4**	53.9

a. Acquisition expenses of £1.4m comprise £1.8m of transaction costs in relation to the acquisition of CDT, Magnasphere and ongoing transactions, £1.5m charge relating to the movement in fair value of contingent consideration and assets acquired on past acquisitions, offset by £0.4m credit relating to disposal costs in connection with the Acal BFi disposal in the prior year, and £1.5m in relation to insurance receipts relating to a prior year acquisition of CPI.

   During the prior year there were £6.5m of acquisition and merger-related expenses, of which £2.6m related to transaction costs incurred for the acquisition of CPI, Antenova, Beacon and ongoing transactions, £3.5m charge related 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.

b. Amortisation charge for intangible assets recognised on acquisition of £15.8m being amortisation of acquired customer relationships and patents. The equivalent charge last year was £14.0m. The increase relates to the five acquisitions during the last two years (CPI in May 2021, Antenova in August 2021, Beacon in September 2021, CDT in June 2022 and Magnasphere in January 2023).

Underlying profit before tax

Underlying profit before tax is calculated as follows:

		2023 £m	2022 £m
Profit before tax		**29.1**	17.1
Add back	Acquisition expenses	**1.4**	6.5
	Amortisation of acquired intangible assets	**15.8**	14.0
Underlying profit before tax		**46.3**	37.6

Underlying effective tax rate

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

	2023 £m	2022 £m
Underlying profit before tax	**46.3**	37.6
Tax expense	**7.8**	7.4
Tax effect on amortisation of acquired intangible assets and acquisition expenses	**3.9**	2.0
Underlying tax charge	**11.7**	9.4
Underlying effective tax rate	**25.3%**	25.0%

Underlying profit after tax / Underlying earnings per share

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

		2023 £m	2022 £m
Profit for the year from continuing operations		**21.3**	9.7
Add back	Acquisition expenses	**1.4**	6.5
	Amortisation of acquired intangible assets	**15.8**	14.0
Tax effect on the above		**(3.9)**	(2.0)
Underlying profit after tax		**34.6**	28.2

	Number	Number
Weighted average number of shares for basic earnings per share	**95,426,255**	93,015,684
Effect of dilution - share options	**2,917,061**	2,783,673
Adjusted weighted average number of shares for diluted earnings per share	**98,343,316**	95,799,357
Underlying earnings per share	**35.2p**	29.4p

Underlying operating cash flow / Free cash flow

		2023 £m	2022 £m
Underlying EBITDA		**66.4**	53.9
Lease payments		**(5.8)**	(5.1)
EBITDA (incl. lease payments)		**60.6**	48.8
Changes in working capital	(a)	**(6.4)**	(10.2)
Capital expenditure		**(5.6)**	(5.5)
Underlying operating cash flow		**48.6**	33.1
Net interest paid		**(5.0)**	(3.2)
Taxation		**(9.0)**	(6.2)
Legacy pension scheme funding		**(1.6)**	(1.9)
Free cash flow		**33.0**	21.8

(a) Changes in working capital includes a movement of £1.1m related to acquisition-related accruals.

ROCE

ROCE is calculated as follows:

		2023 £m	2022 £m
Net assets		**303.6**	290.4
Less:	Deferred consideration in relation to disposed businesses	**(6.0)**	(5.9)
	Net debt	**42.7**	30.2
	IAS 19 pension asset	**(2.3)**	(2.7)
Adjusted net assets		**338.0**	312.0
Underlying operating profit		**51.8**	41.4
Add:	Annualisation of acquired businesses	**1.8**	4.3
Annualised operating profit		**53.6**	45.7
ROCE		**15.9%**	14.7%

Organic and CER revenue growth

Organic and CER revenue growth are calculated as follows:

	2023 £m	2022 £m	%

Revenue	**448.9**	379.2	18%
FX translation impact	**-**	10.2	
Underlying (CER) revenue	**448.9**	389.4	15%
Acquisitions	**(14.9)**	5.7	
Organic revenue	**434.0**	395.1	10%

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 (CPI in May 2021, Antenova in August 2021, Beacon in September 2021, CDT in June 2022 and Magnasphere in January 2023).

Gearing ratio

Gearing ratio is calculated as follows:

	2023 £m	2022 £m
Net debt	**42.7**	30.2
Underlying EBITDA	**66.4**	53.9
Lease payments	**(5.8)**	(5.1)
Annualisation of acquired businesses	**2.0**	4.4
Adjusted EBITDA	**62.6**	53.2
Gearing ratio	**0.7**	0.6

6. Operating segment information

The Reportable Operating Segments of the Group include two distinct divisions, Magnetics & Controls ("M&C") and Sensing & Connectivity ("S&C"). Within each of these reportable operating segments are aggregated business units with similar characteristics such as the nature of customers, products, risk profile and economic characteristics.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is reported and evaluated based on operating profit or loss earned by each segment.

Segment revenue and results

2023	**Magnetics & Controls £m**	**Sensing & Connectivity £m**	**Unallocated Costs £m**	**Total continuing operations £m**
Revenue	**280.8**	**168.1**	**-**	**448.9**
Result				
Underlying operating profit/(loss)	38.4	25.6	(12.2)	51.8
Acquisition expenses	-	(1.8)	0.4	(1.4)

Amortisation of acquired intangible assets	(6.3)	(9.5)	-	(15.8)
Operating profit/(loss)	**32.1**	**14.3**	**(11.8)**	**34.6**

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**

7. Business combinations

Acquisition of CDT

On 30 June 2022, the Group completed the acquisition of CDT 123 Limited and CustomDesignTechnologies Ltd ("CDT") via the purchase of 100% of the share capital and voting equity interests of CDT 123 Limited which is a company incorporated in the United Kingdom. CDT was acquired for an initial cash consideration of £5m, before expenses, funded from the Group's existing debt facilities.

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

	Provisional fair value recognised at acquisition £m
Intangible assets - other *(customer relationships)*	2.0
Right of use assets	0.2
Inventories	0.9
Trade and other receivables	0.3
Net cash	0.3
Trade and other payables	(0.3)
Current tax liabilities	(0.3)
Deferred tax liabilities	(0.5)
Lease liabilities	(0.2)
Total identifiable net assets	**2.4**
Provisional goodwill arising on acquisition	**2.6**

Total investment	**5.0**
Discharged by	
Cash	5.0
	5.0

Net cash outflows in respect of the acquisition comprise:

	Total £m
Cash consideration	5.0
Transaction costs of the acquisition (included in operating cash flows) 1	0.2
Net cash acquired	(0.3)
	4.9

1 Acquisition costs of £0.2m were expensed as incurred in the period ended 31 March 2023. These were included within operating costs.

Included in cash flow from investing activities is the cash consideration of £5.0m and the net cash acquired of £0.3m.

Included in the £2.6m of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree, due to their nature. These include the value of expected benefits that are not easily quantifiable.

All the acquired receivables are expected to be collected.

Acquisition of Magnasphere

On 18th January 2023, the Group completed the acquisition of Magnasphere Corporation ("Magnasphere"), a company based in the US. Magnasphere is a US-based designer and manufacturer of high-performance magnetic sensors and switches for industrial electronic markets including access control, data centres and specialist vehicles.

Magnasphere was acquired for a cash consideration of £18.8m ($22.9m) and funded from the Group's existing debt facilities.

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

	Provisional fair value recognised at acquisition £m

Property, plant and equipment	0.3
Intangible assets - other *(customer relationships)*	8.2
Intangible assets - other *(patents)*	0.2
Right of use assets	0.3
Inventories	1.7
Trade and other receivables	1.3
Net cash	2.6
Trade and other payables	(2.3)
Current tax liabilities	(0.1)
Deferred tax liabilities	(2.0)
Lease liabilities	(0.3)
Total identifiable net assets	**9.9**
Provisional goodwill arising on acquisition	**8.9**
Total investment	**18.8**

Discharged by	
Cash	18.8
	18.8

Net cash outflows in respect of the acquisition comprise:

	Total £m
Fair value of cash consideration	18.8
Transaction-related payment to seller	1.7
Transaction costs of the acquisition (included in operating cash flows) 1	0.7
Net cash acquired	(2.6)
	18.6

1 Acquisition costs of £0.7m were expensed as incurred in the year ended 31 March 2023. These were included within operating costs.

Included in cash flow from investing activities is the cash consideration of £18.8m, a £1.7m transaction-related payment to the seller and the net cash acquired of £2.6m.

Included in the £8.9m of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree, due to their nature. These include the value of expected benefits that are not easily quantifiable.

All the acquired receivables are expected to be collected.

8. Dividends

Dividends recognised in equity as distributions to equity holders in the year:	2023 £m	2022 £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
Interim dividend for the year ended 31 March 2023 of 3.55p (2022: 3.35p)	**3.4**	3.2
Total amounts recognised as equity distributions during the year	**10.5**	9.4

Proposed for approval at AGM:	2023 £m	2022 £m
Equity dividends on ordinary shares:		
Final dividend for the year ended 31 March 2023 of 7.90p (2022: 7.45p)	**7.6**	7.1
Summary		
Dividends per share declared in respect of the year	**11.45p**	10.8p
Dividends per share paid in the year	**11.00p**	10.35p
Dividends paid in the year	**£10.5m**	£9.4m

9. 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:

	2023 £m	2022 £m
Profit for the year attributable to equity holders of the parent:		
Continuing operations	**21.3**	9.7
Discontinued operations	**-**	15.5
Profit after tax for the year	**21.3**	25.2

	Number	Number
Weighted average number of shares for basic earnings per share	**95,426,255**	93,015,684
Effect of dilution - share options	**2,917,061**	2,783,673
Adjusted weighted average number of shares for diluted earnings per share	**98,343,316**	95,799,357
Basic earnings per share from continuing operations	**22.3p**	10.4p
Diluted earnings per share from continuing operations	**21.7p**	10.1p
Basic earnings per share	**22.3p**	27.1p

Diluted earnings per share	**21.7p**	26.3p

At the year-end, there were 3,025,959 ordinary share options in issue that could potentially dilute underlying earnings per share in the future, of which 2,917,061 are currently dilutive (2022: 2,985,201 in issue and 2,783,673 dilutive).

10. Movements in cash and net debt

Year to 31 March 2023	1 April 2022 £m	Cash flow £m	Non-cash changes £m	**31 March 2023 £m**
Cash and cash equivalents	108.8	(23.4)	(1.5)	**83.9**
Bank overdrafts	(71.9)	31.6	(0.2)	**(40.5)**
Net cash	36.9	8.2	(1.7)	**43.4**
Bank loans over one year	(67.8)	(18.6)	(1.7)	**(88.1)**
Capitalised debt costs	0.7	1.7	(0.4)	**2.0**
Total loan capital	(67.1)	(16.9)	(2.1)	**(86.1)**
Net debt	(30.2)	(8.7)	(3.8)	**(42.7)**
Lease liability	(21.1)	5.8	(3.5)	**(18.8)**
Net debt (incl. lease liability)	(51.3)	(2.9)	(7.3)	**(61.5)**

Bank loans over one year above include £88.1m (2022: £65.5m) drawn down against the Group's revolving credit facility.

Bank overdrafts reflect the aggregated gross overdrawn balances of Group companies (even if those companies have other positive cash balances). The overdrafts and cash and cash equivalents are held with the Group's relationship banks with a legal right to offset.

Year to 31 March 2022	Restated 1 April 2021 £m	Cash flow £m	Non-cash changes £m	Restated 31 March 2022 £m
Cash and cash equivalents[1]	101.8	5.8	1.2	108.8
Bank overdrafts[1]	(73.6)	1.8	(0.1)	(71.9)
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)
Lease liability	(21.5)	7.2	(6.8)	(21.1)
Net debt (incl. lease liability)	(68.7)	23.0	(5.6)	(51.3)

1 Amounts restated. Refer to note 4 to the consolidated Financial Statements.

11. Reconciliation of cash flows from operating activities

	2023 £m	2022 £m
Profit for the year	**21.3**	25.2
Tax expense	**7.8**	10.7
Net finance costs	**5.5**	4.1
Depreciation of property, plant and equipment	**4.6**	4.7
Depreciation of right of use assets	**5.8**	6.1
Amortisation of intangible assets - other	**16.5**	14.5
Gain on business disposal	-	(6.6)
Gain on disposal of property, plant and equipment	-	(0.1)
Loss on disposal of intangible assets	**0.6**	-
Change in provisions	**(0.2)**	(0.3)
Pension scheme funding	**(1.6)**	(1.9)
IAS 19 pension charge	**0.7**	0.6
Contingent consideration related to business acquisitions	**(4.0)**	-
Business disposal costs	**(1.2)**	-
Associated taxes on LTIPs	**(0.6)**	-
Impact of equity-settled share-based payment expense and associated taxes	**2.2**	1.3
Operating cash flows before changes in working capital	**57.4**	58.3
Increase in inventories	**(8.6)**	(17.7)
Decrease/(Increase) in trade and other receivables	**5.0**	(24.9)
(Decrease)/Increase in trade and other payables	**(1.7)**	26.8
Increase in working capital	**(5.3)**	(15.8)
Cash generated from operations	**52.1**	42.5
Interest paid	**(6.2)**	(3.7)
Interest paid on lease liabilities	**(0.6)**	(0.8)
Income taxes paid	**(9.0)**	(7.1)
Net cash flow from operating activities	**36.3**	30.9

12. Intangible assets - goodwill

Cost	£m
At 1 April 2021	164.7
Business acquired	53.7
Business disposed	(46.2)
Exchange adjustments	3.5

At 31 March 2022	175.7
Business acquired (note 7)	11.5
Exchange adjustments	0.9
At 31 March 2023	**188.1**

Impairment	£m
At 31 March 2022 and at 31 March 2023	-

Net book value at 31 March 2023	**188.1**
Net book value at 31 March 2022	175.7

Goodwill acquired through business combinations is allocated to cash-generating units ("CGUs") and tested annually for impairment. Newly acquired entities might be a single CGU until such time as they can be integrated.

The Group's operations are organised into two distinct divisions, Magnetics & 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:

	2023 £m	2022 £m
Magnetics & Controls	**89.0**	89.3
Sensing & Connectivity	**99.1**	86.4
	188.1	175.7

The movement in goodwill compared to prior year relates to the movement in foreign exchange rates and to CDT and Magnasphere which were acquired in the year (note 7).

The significant amounts of goodwill are analysed below:

	2023 £m	2022 £m
Noratel	**31.6**	34.7
Beacon	**41.2**	38.8
Sens-Tech	**27.4**	27.4

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

13. Share capital

Allotted, called up and fully paid	2023 Number	2023 £m	2022 Number	2022 £m
Ordinary shares of 5p each	**96,356,109**	**4.8**	95,456,109	4.7

During the year to 31 March 2023, 900,000 shares were issued to the Group's Employee Benefit Trust (2022: 650,000). At 31 March 2023 the Trust held 690,092 shares (2022: 168,425). During the year to 31 March 2023, employees exercised 378,333 share options under the terms of the various share option schemes (2022: 1,170,882).

14. Pension

The acquisition of the Sedgemoor Group in June 1999 brought with it certain defined benefit pension schemes, together "the Sedgemoor Scheme". The Sedgemoor Scheme is funded by the Group, provides retirement benefits based on final pensionable salary and its assets are held in a separate trustee-administered fund.

Following the acquisition of the Sedgemoor Group, the Sedgemoor Scheme was closed to new members. Shortly thereafter, employees were given the opportunity to join the discoverIE scheme and future service benefits ceased to accrue to members under the Sedgemoor Scheme.

Contributions to the Sedgemoor Scheme are determined in accordance with the advice of independent, professionally qualified actuaries and are set based upon funding valuations carried out every three years.

Based upon the results of the triennial funding valuation at 31 March 2021, the Sedgemoor Scheme's Trustees agreed with Sedgemoor Limited on behalf of the participating employers to continue the same rate of participating employer's contributions under the deficit recovery plan agreed at the previous valuation at 31 March 2018. This required contributions of £1.9m over the year to 31 March 2022, with future contributions of £1.9m p.a. increasing by 3% each April payable over the period to 30 April 2024. After the valuation, in December 2022, it was agreed with the Trustees that, with effect from January 2023, these contributions could be paid into an escrow account to the benefit of the Trustees unless and until such time as pension benefits are fully secured with an insurer and the scheme wound up. For the year ended 31 March 2023, a total of £0.2m was paid into the escrow account and is reported under trade and other receivables.

The IAS 19 defined benefit pension scheme asset at 31 March 2023 was £2.3m (31 March 2022: £2.7m). The movement principally relates to the changes in actuarial assumptions and cash contributions in the period.

15. 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 2023 Closing rate	Year to 31 March 2023 Average rate	Year to 31 March 2022 Closing Rate	Year to 31 March 2022 Average rate
US Dollar	**1.2369**	**1.2058**	1.3123	1.3668
Euro	**1.1374**	**1.1576**	1.1821	1.1761
Norwegian Krone	**12.9595**	**11.9778**	11.479	11.856

16. Events after the reporting date

There were no matters arising, between the balance sheet date and the date on which these Financial Statements were approved by the Board of Directors, requiring adjustment in accordance with IAS 10 "Events after the Reporting Period". The following important non-adjusting events should be noted:

Dividends

A final dividend of 7.90p per share (2022: 7.45p), amounting to a dividend of £7.6m (2022: £7.1m) and bringing the total dividend for the year to 11.45p (2022: 10.8p), was declared by the Board on 31 May 2023. The Group Financial Statements do not reflect this dividend.

[1] 2022 RESTATED. REFER TO NOTE 4 TO THE CONSOLIDATED FINANCIAL STATEMENTS.

[2] 2022 RESTATED. REFER TO NOTE 4 TO THE CONSOLIDATED FINANCIAL STATEMENTS.

[3] Further information on the consolidated Statement of Cash Flows is provided in notes 10 and 11.

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