



5 JUNE 2024

discoverIE Group plc

Preliminary results for the year ended 31 March 2024

**Strong growth in underlying operating profit and margin, with excellent cash flow.
Expectations for the new year unchanged.**

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 2024 ("FY 2023/24" or the "year").

	FY 2023/24	FY 2022/23	Growth %	CER ⁽²⁾ growth %
Revenue	£437.0m	£448.9m	-3%	+1%
Underlying operating profit ⁽¹⁾	£57.2m	£51.8m	+10%	+16%
Underlying operating margin ⁽¹⁾	13.1%	11.5%	+1.6ppts	+1.7ppts
Underlying profit before tax ⁽¹⁾	£48.2m	£46.3m	+4%	
Underlying EPS ⁽¹⁾	36.8p	35.2p	+5%	
Reported profit before tax	£22.2m	£29.1m	-24%	
Reported fully diluted EPS	15.8p	21.7p	-27%	
Full year dividend per share	12.0p	11.45p	+5%	

Highlights

- **Strong through cycle growth with efficiencies**
 - Group revenue up 1% CER after adjusting for pass-through costs, a 3% reduction on a statutory basis against strong comparators (sales increased by +48% over prior 2 years)
 - Operating efficiencies improve margins and more than offset a 1% reduction in organic sales⁽³⁾
 - Strong double-digit organic sales growth in medical, renewable and transportation markets offset by short-term destocking in industrial automation
 - Underlying operating profit up 16% CER
- **Underlying EPS +5% reflecting higher interest costs and foreign exchange movements**
 - EPS ahead of top end of consensus range
 - Group will benefit from reducing interest rates
- **Further good progress towards key targets**
 - Record underlying operating margin of 13.1%, up 1.6ppts, a significant step towards achieving targets of 13.5% in the year ahead and 15% over the medium term
 - Underlying operating cash flow up 22% with a 103% conversion rate⁽⁴⁾
 - ROCE⁽⁵⁾ of 15.7%, ahead of target, reflecting disciplined growth investment

- ROTCE⁽⁶⁾ of 54% reflects capital-light business
- Carbon emissions reduced by 47% in absolute terms since CY 2021⁽⁷⁾
- **Reported PBT reduced by 24% due to the timing of a non-core disposal**
 - Costs associated with the sale of the Santon solar business unit included in these results with net cash proceeds of c.£7m to be recognised in FY 2024/25
- **Five higher-margin acquisitions completed for £83m**
 - 2J and Silvertel integrations progressing well
 - Three smaller bolt-ons in the second half for an average mid-single digit EBIT multiple
 - Year-end gearing⁽⁸⁾ of 1.5x, at the lower end of the target range of 1.5x to 2.0x
- **Group well positioned for growth**
 - Strong bank of design wins to drive future recurring sales (up 23% to £337m ELV⁽⁹⁾)
 - Order book of c.4.5 months provides good visibility
 - Strong pipeline of acquisition opportunities and identified targets
- **Positive outlook with expectations for the full year unchanged**
 - Q1 trading in line with Board expectations against a tough comparator with first half sales expected to be ahead sequentially
 - Order book supports an anticipated normal seasonal weighting to results

Nick Jefferies, Group Chief Executive, commented:

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

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

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

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

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

Analyst and investor presentation:

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

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Notes:

- (1) 'Underlying operating profit', 'Underlying operating margin', 'Underlying EBITDA', 'Underlying profit before tax', 'Underlying EPS', 'Underlying operating cash flow' and 'Free cash flow' are non-IFRS financial measures used by the Directors to assess the underlying performance of the Group. These measures exclude acquisition and disposal related costs (amortisation of acquired intangible assets of £16.2m and acquisition and disposal expenses of £9.8m) totalling £26.0m. Equivalent underlying adjustments within the FY 2022/23 underlying results totalled £17.2m. For further information, see note 6 of the attached consolidated financial statements.
- (2) Growth rates at constant exchange rates ("CER") exclude the impact of nil margin, pass-through costs in FY 2022/23 totalling £5.0m. The average Sterling rate of exchange was unchanged against the Euro compared with the average rate for last year whilst strengthening 7% on average against the three Nordic currencies and 4% against the US Dollar.
- (3) Organic growth for the Group compared with last year is calculated at CER and is shown excluding the first 12 months of acquisitions post completion (CDT in June 2022, Magnasphere in January 2023, Silvertel in August 2023, 2J Antennas Group ("2J") in September 2023 and Shape, DTI and IKN in Q4 2023/24) and excluding the agreed disposal of the Santon solar business unit.
- (4) Underlying operating cash flow is underlying EBITDA adjusted for the investment in, or release of, working capital and less the cash cost of capital expenditure and lease payments.
- (5) ROCE is defined as underlying operating profit 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). Organic ROCE excludes acquisitions made this year.
- (6) ROTCE (return on tangible capital employed) is ROCE excluding the value of acquired goodwill and intangibles, leases provisions and tax.
- (7) Target is to reduce scope 1 & 2 carbon emissions by 65% by CY 2025 on an absolute basis (base year CY 2021).
- (8) Gearing ratio is defined as net debt divided by underlying EBITDA (excluding IFRS 16; annualised for acquisitions).
- (9) ELV is estimated lifetime value
- (10) Unless stated, growth rates refer to the comparable prior year period.
- (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 "AA" rating by MSCI and is Regional (Europe) Top Rated by Sustainalytics.

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

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

Strategic and Operational Review

Good progress towards our targets

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

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

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

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

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

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

By organising into clusters, our businesses are able to generate efficiencies which result in higher gross margins and lower operating expenses. These efficiencies combined with higher margin acquisitions led to an underlying operating margin of 13.1%, an increase of 1.6ppts year-on-year and another significant step towards achieving our Group targets of 13.5% in the year ahead, and 15% in the medium-term.

During the year, our enlarged M&A team delivered five higher margin acquisitions (two platforms and three cluster

bolt-ons) for a total investment of £83m. We also reached an agreement to sell Santon's solar business unit enabling it to focus on its higher margin industrial business. This exit, which recognises £5.9m of costs in the year reported, is expected to realise c.£7m in net cash proceeds next year. Expansion of the Group's production capacity in Germany and Thailand was also completed this year, as was the transfer of production from Tempe, Arizona to Mexico.

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

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

Positioned well for market recovery

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

- *Essential products:* the Group's products are designed-in and essential for customers' applications whilst amounting to a small proportion of their overall system cost, thereby driving resilient gross margins.
- *Broad footprint:* a decentralised model with 36 manufacturing sites and with operations around the world, able to support customers locally and contribute to the decarbonisation of their supply chains.
- *Efficient supply chains:* our manufacturing uses a low proportion of bought-in components, the majority being manufactured in-house from raw materials and base components, reducing our exposure to external supply chain disruptions.
- *Low energy intensity operations:* the large majority of the Group's energy exposure is electricity and with operations mainly being manual or semi-automated, energy costs represent less than 1% of Group revenues, limiting the Group's exposure to energy price rises and operational disruptions.

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

Continued Financial Progress

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

This year saw a greater number and value of acquisitions (five deals for a total of £83m compared with two last year for a total of £25m) resulting in proportionately higher acquisition expenses. In addition, there were £5.9m of costs associated with the disposal of the Santon solar business unit (see finance section); net cash proceeds of c.£7m from this transaction are due to be received in the new financial year. After underlying adjustments for the inclusion of acquisition and disposal related costs, profit before tax on a reported basis reduced by £6.9m to £22.2m (FY 2022/23: £29.1m) with fully diluted earnings per share reducing by 5.9p to 15.8p (FY 2022/23: 21.7p).

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

Increased Dividend

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

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

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

Sustainability and Social Responsibility

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

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

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

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

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

Environmental

- Carbon emissions:
 - o Scope 1 & 2 emissions reduced by 47% in CY 2023 (CY 2022: 35%) compared with the CY 2021 baseline despite multiple acquisitions, and we remain on track to meet our target of a 65% reduction by CY 2025;
 - o Completed a full assessment of Scope 3 emissions; we are working on our reduction plan and are on target to complete our SBTi submission by the end of this year;
- Energy intensity (kWh/£m revenue) reduced by 11% year-on-year, with 72% of our electricity from renewable / clean sources;
- 13 more sites achieved ISO 14001 Environmental Management Systems accreditation, bringing the total number of sites to 43 sites; revenue generated from these sites represents 69% of Group sales (CY 2022: 59%); - 12 sites completed energy audits in the year, which means 81% of Group sites have now completed an audit since 2018, meeting our 80% CY 2025 target two years early;
- Electric or hybrid vehicles now represent 40% of our car fleet (CY 2022: 33%) also on track to meet our target of

Enabling our hygiene facilities now represent 10% of our total fleet (CY 2022: 6%), and on track to meet our target of 50% by CY 2025.

Social

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

Governance

- Enhanced ESG accountability by establishing three-year ESG objectives and KPIs for each operating business;
- Rolled out a new carbon reporting system across the Group to help streamline data collection, consolidation and reporting on greenhouse gases;
- Launched a Business Ethics Policy and a Sustainability Policy;
- Completed Carbon Disclosure Project ("CDP") full disclosure for the first time;
- Increased transparency by reporting on the Sustainable Finance Disclosure Regulation Principal Adverse Impact (PAI) indicators;
- Preparation for IFRS Sustainability Reporting underway with dedicated resources in place;
- Improved Board gender diversity with female members representing 43% of the Board.

A Proven Growth Strategy

The Group has been built through a focus on organic growth and enhanced operational efficiency, alongside 26 carefully selected and well-integrated acquisitions over the past 13 years to create a focused, growth-oriented, higher margin design and manufacturing business. We have a well-developed approach to capital allocation and see significant scope for further expansion with a strong pipeline of opportunities in development.

The Group's strategy comprises four elements:

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

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

Focused on UN SDG-Aligned Target Markets

Our four target markets of industrial automation & connectivity, medical, renewable energy, and the electrification of

transportation accounted for 75% of sales. Long-term growth in these target markets is being driven by increasing electronic content and by global megatrends such as the accelerating need for industrial automation and connectivity, an ageing affluent population, renewable sources of energy and the electrification of transport.

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

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

Continued progress on Key Strategic and Performance Indicators

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

For tracking purposes, the KSIs and KPIs in the tables below remain as reported at the time rather than adjusted for disposals. Targets are for the medium-term unless stated, with medium-term defined as being around five years from FY 2022/23. This year's performance relative to last year is discussed below.

Key Strategic Indicators

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

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

(2) As a percentage of Group revenue.

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

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

- Underlying operating margin this year was 13.1%, an increase of 1.6ppts on last year (FY 2022/23: 11.5%) with the second half margin of 13.4% being 0.5ppts higher than for the first half (H1 2022/23: 12.9%). The Group benefited in the year from operational efficiencies resulting in robust gross margin and lower operating costs, augmented by higher margin acquisitions. The Group remains on track to achieve its targets of 13.5% in FY 2024/25 and 15% in the medium-term.
- Sales beyond Europe increased by 1ppt to 41% of Group revenue compared with FY 2022/23, with strong organic sales growth in the US plus two US acquisitions being partly offset by reduced demand in Asia. The target is 45%.
- Target market sales reduced by 2ppt to 75% of Group revenue compared with FY 2022/23 as a result of lower sales in industrial automation, acquisitions which had lower target market sales at the outset, as is often the case, and a recovery in some non-target market areas (space, aeronautics and security sectors and some non-

UN SDG aligned industrial markets). Design wins, which are the bedrock of future sales, were up by 23% year-on-year with 90% in target markets, ahead of our 85% target.

- Carbon emissions (Scope 1 & 2) reduced further during the year and are now 47% lower on an absolute basis than in CY 2021, demonstrating excellent progress towards our reduction targets of 65% by CY 2025 and net zero by 2030.

Key Performance Indicators

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

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

(2) Group organic sales growth for FY 2021/22 to FY 2023/24, and D&M divisional organic growth for years prior to disposal of Custom Supply division during FY 2021/22.

(3) 6% increase in the H1 2019/20 interim dividend; a final dividend was not proposed for FY 2019/20 due to Covid.

(4) Defined in note 6 of the attached consolidated financial statements.

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

- CER sales after adjusting for pass-through costs increased by 1% this year with organic sales reducing by 1%. Growth rates have reduced due to normalising markets and de-stocking in the industrial automation sector. Growth in the transportation, renewable energy and medical markets remained strong as well as in some of our other smaller market areas such as space, aeronautics and security. Over the last 10 years, organic sales have grown by 6% per annum on average, illustrating the strong through-cycle organic growth of the business, with 7% average growth per annum in the last seven years.
- Underlying EPS increased by 5% and by 10% at CER. Excluding increased finance costs and at CER (so eliminating the impact of stronger Sterling), underlying operating profit increased by 16% due to our operational efficiencies with robust gross margins, tight control of operating costs, and contributions from acquisitions.
- It is proposed to increase the full year dividend by 5%, continuing our progressive policy whilst providing for a higher proportion of investment in acquisitions from internally generated resources. This progressive policy has seen a more than doubling of the dividend per share since 2010 (up 135%), whilst dividend cover on an underlying basis remained at 3.1x for the year.
- ROCE for the year was 15.7% and remains ahead of our 15% target. As expected, it was marginally lower than last year (FY 2022/23: 15.9%) following five acquisitions this year for a total investment of £83m, as acquisitions will typically be dilutive to ROCE initially. Organic ROCE, which excludes acquisitions this year, increased by 1.9ppts to 17.8%.
- Underlying operating cash flow and free cash flow for the year were 22% and 12% higher respectively than last year with operating cash conversion of 103%, and free cash conversion of 102%, both well ahead of our 85% target. Operating cash flow was 11% higher than last year and free cash flow was 12% higher than last year.

85% targets. Over the last ten years, both operating cash conversion and free cash conversion have been consistently strong, averaging well over 90%, reflecting the cash generative nature of the business through the economic cycle.

Divisional Results

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

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

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

(2) Revenue for FY 2022/23 included a £5.0m one-off increase in semiconductor costs passed through to customers at nil margin

Magnetics & Controls Division ("M&C")

The M&C division designs, manufactures and supplies highly differentiated magnetic and power components, embedded computing and interface controls, for industrial applications. The division comprises two clusters and three further businesses operating across 17 countries. Products are manufactured in-house at one of the division's 21 manufacturing facilities, with its principal sites being in China, India, Mexico, USA, Poland, Sri Lanka, Thailand and the UK. Geographically, 6% of sales by destination are in the UK, 49% in the rest of Europe, 26% in North America and 19% in Asia.

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

With supply chain conditions back to normal during the year, the divisional order book normalised as expected with orders reducing by 7% CER to £237.1m (FY 2022/23: £254.9m CER) for a book-to-bill ratio of 0.90:1 against exceptional prior year comparators. The book-to-bill ratio improved during the year, from 0.89:1 in the first half to 0.91:1 in the second half. Normalisation of inventories at customers led to sales reducing in the year by 2% organically. Strong growth in North America of 19% was offset by sales in Asia reducing by 15%, primarily due to one major customer's slowdown in India, and the rest of Europe reducing by 5%, mainly in Germany. Excluding one large customer destocking in India, sales in Asia were down only 1%.

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

Sensing & Connectivity Division ("S&C")

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

Germany, the Netherlands, Norway, Sweden, the UK and the US. Geographically, 22% of sales by destination are in the UK, 44% in the rest of Europe, 23% in North America and 11% in Asia.

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

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

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

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

Design Wins Driving Future Recurring Revenues

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

The Group has a strong bank of design wins built up over many years, creating the basis for the Group's strong organic growth through the cycle. During the year, new design wins were registered with an estimated lifetime value of £337m, an increase of 23% over last year and with 90% being in our target markets. This increase in design wins reflects both the expected increase in customer project design activity at this stage in the cycle, catch-up from designs that were paused during last year's supply chain bottlenecks, and increased focus and implementation by Group engineers.

Additionally, new project design activity remains at a high level, being broad-based across all target markets along with a smaller proportion in other market areas with similar high quality recurring revenue characteristics such as space, aeronautics and security. The total pipeline of ongoing projects continues to be very strong.

Acquisitions

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

The businesses we acquire are typically led by entrepreneurs who wish to remain with the business for a period following acquisition. We encourage this as it enables integration and helps retain a dynamic, decentralised and entrepreneurial culture.

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

Strategy and operations:

Creating a long term strategy for growth with operational leverage

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

People:

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

Sustainability:

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

Investment:

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

Controls and support:

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

The Group has acquired 26 design and manufacturing businesses over the last 13 years, with the Group's continuing revenues increasing to £437m in FY 2023/24 from £10m in FY 2009/10. By taking a long-term approach to create compounding organic growth in acquired and integrated businesses, the Group has generated substantial value organically. As reported in the finance section, our ROCE increases over time, broadly according to the period of ownership.

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

- i) Silvertel, a UK-based designer and manufacturer of differentiated, high performance Power-over-Ethernet ("PoE") modules and complementary products for global industrial electronic connectivity markets, which sells into more than 70 countries. Silvertel was acquired for an initial cash consideration of £21.7m on a debt free, cash free basis, together with an earn-out of up to £23m payable subject to Silvertel's performance over the next four years.
- ii) 2J, a Slovakian-based designer and manufacturer of high performance antennas for industrial electronic connectivity applications for a cash consideration of €50.8m (£44.1m) on a debt free, cash free basis. 2J, which has subsidiaries in the US and UK and sells into more than 50 countries, will form a new technology cluster with the Group's existing antenna business, Antenova, creating a leading platform in the growing, high performance, industrial wireless connectivity market.
- iii) Three smaller bolt-on deals for a total debt free, cash free consideration of £17.0m for an average mid-single digit EBIT multiple, namely: Shape, a US-based designer and manufacturer of speciality transformers; DTI, a US-based designer and manufacturer of custom embedded modules; and IKN, a Norwegian cable designer and manufacturer. All three will be part of existing clusters, with Shape part of the Noratel cluster, DTI part of the Beacon cluster and IKN being part of the Foss cluster.

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

where this year, then above our target of 10%.

Summary and Outlook

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

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

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

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

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

Nick Jefferies

Group Chief Executive

Group Financial Results

Revenue and Orders

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

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

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

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

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

book normalisation. The extent of normalisation reduced during the year with a book to bill ratio of 0.87:1 in the first half improving to 0.91:1 in the second half, for a full year ratio of 0.89:1.

Group Operating Profit and Margin

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

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

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

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

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

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

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

Underlying Adjustments

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

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

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

£5.9m of costs (of which c.£2.4m are cash costs) arise from the agreed sale of Santon's lower margin solar business unit including £3.0m of costs being the assets of the business unit, and £2.9m of exit and restructuring costs. c. £2.0m of profit is expected to accrue in FY 2024/25 on completion of the disposal for an overall net transaction book loss of c.£4.0m with a net cash inflow on the whole transaction arising next year of c.£7m.

Financing Costs

Net finance costs for the year were £9.0m (FY 2022/23: £5.5m) and include a £0.7m charge for leased assets under IFRS 16 (FY 2022/23: £0.6m) and £0.6m charge for amortised upfront facility costs (FY 2022/23: £0.6m). Finance costs related to our banking facilities were £7.7m (FY 2022/23: £4.3m) and have increased by 79%. This increase is mainly linked to the rise in interest rates during last year and the first half of this year. From April 2022 to September 2023, the Sterling base rate increased from 0.75% to 5.25%, the US Dollar Federal rate from 0.5% to 5.5% and the ECB lending rate from 0% to 4.5%, these being the Group's three principal borrowing currencies. Together with five debt funded acquisitions in the last seven months of the year, net finance costs for next year are expected to annualise to c.£11m. Looking forward, with interest rates expected to have peaked, and the Group's banking facility being at variable rates, a 1ppt reduction in interest rates would reduce annualised finance costs by approximately £1.3m, and increase EPS by c.1.0p or c.2.5%.

Underlying Tax Rate

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

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

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

Profit Before Tax and EPS

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

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

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

year costs recognised this year and income recognised only on receipt of the sale proceeds next year, and expenses associated with the increased level of acquisitions.

Working Capital

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

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

Asset Return Ratios

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

Organic ROCE, excluding acquisitions this year, was 17.8% (an increase of 1.9ppts on last year) and we expect this to continue to grow well going forward. The effect of compounding growth on acquisitions over time can be seen in the ROCE for those businesses acquired more than 7 years ago which have a ROCE of 28% including an apportionment of Group central costs.

Return on Tangible Capital Employed ("ROTCE") for the year, which excludes intangible and non-operational assets, was 54.1% and illustrates both the strong returns being generated by the Group's operational assets, and the capital-light requirements of those businesses with capital expenditure of only 1.1% of sales this year (FY 2022/23: 1.2%). ROTCE was 5.8ppts ahead of last year (FY 2022/23: 48.3%) with improvements from organic operating efficiency and also from acquiring high margin businesses with low capital requirements.

Cash Flow

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

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

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

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

The cash impact from FX translation was lower this year, compared to last year which saw Sterling significantly weaken in particular compared to the US Dollar. The Group's policy is to hold net debt in currencies aligned to the currency of its cash flows in order to protect the gearing of the Group.

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

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

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

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

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

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

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

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

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

Banking Facilities

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

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

Balance Sheet

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

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

Defined Benefit Pension Scheme

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

Risks and Uncertainties

The principal risks faced by the Group are covered in more detail in 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 conflicts in Ukraine and the Middle East; inflationary headwinds and rising interest rates; the performance of acquired companies; climate-related risks; loss of major customers or suppliers; technological changes; major business disruption; cyber security; loss of key personnel; inventory obsolescence; product liability; liquidity and debt covenants; exposure to adverse foreign currency movements; and non-compliance with legal and regulatory requirements.

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

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

Simon Gibbins
Group Finance Director

Consolidated Statement of Profit or Loss for the year ended 31 March 2024

	Notes	2024 £m	2023 £m
Revenue	4	437.0	448.9
Operating costs		(405.8)	(414.3)
Operating profit	7	31.2	34.6
Finance income		3.9	1.6
Finance costs		(12.9)	(7.1)
Profit before tax		22.2	29.1
Tax expense		(6.7)	(7.8)
Profit for the year		15.5	21.3
<hr/>			
Earnings per share	11		
Basic, profit for the year		16.2p	22.3p
Diluted, profit for the year		15.8p	21.7p

Supplementary Statement of Profit or Loss information

	Notes	2024 £m	2023 £m
Underlying performance measures			
Operating profit		31.2	34.6
Add back: Acquisition and disposal expenses		9.8	1.4
Amortisation of acquired intangible assets		16.2	15.8
Underlying operating profit	6	57.2	51.8
Profit before tax		22.2	29.1
Add back: Acquisition and disposal expenses		9.8	1.4
Amortisation of acquired intangible assets		16.2	15.8
Underlying profit before tax	6	48.2	46.3
Underlying earnings per share	6	36.8p	35.2p

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

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2024

	Notes	2024 £m	2023 £m
Profit for the year		15.5	21.3
Other comprehensive loss:			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Actuarial loss on defined benefit pension scheme	16	(1.2)	(1.2)
Tax credit relating to defined benefit pension scheme		0.3	0.3
		(0.9)	(0.9)
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translation of foreign subsidiaries		(7.7)	0.7
		(7.7)	0.7
Other comprehensive loss for the year, net of tax		(8.6)	(0.2)
Total comprehensive income for the year, net of tax		6.9	21.1

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

Consolidated Statement of Financial Position

as at 31 March 2024

	Notes	2024 £m	2023 £m
Non-current assets			
Property, plant and equipment		20.5	25.2
Intangible assets - goodwill	12	231.7	188.1
Intangible assets - other		97.8	83.9
Right of use assets		20.6	19.2
Pension asset	16	0.3	2.3
Other receivables		0.2	6.0
Deferred tax assets		9.9	11.2
		381.0	335.9
Current assets			
Inventories		80.1	90.0
Trade and other receivables		88.8	74.6
Current tax assets		1.3	1.3
Cash and cash equivalents		110.8	83.9
Assets held for sale	9	6.7	-
		287.7	249.8
Total assets		668.7	585.7
Current liabilities			

Trade and other payables	(87.5)	(95.2)
Other financial liabilities	(78.7)	(39.9)
Lease liabilities	(5.7)	(4.0)
Current tax liabilities	(8.3)	(10.4)
Provisions	(5.2)	(1.7)
	(185.4)	(151.2)
Non-current liabilities		
Trade and other payables	(4.6)	(4.1)
Other financial liabilities	(136.1)	(86.7)
Lease liabilities	(14.4)	(14.8)
Provisions	(3.6)	(4.2)
Deferred tax liabilities	(23.0)	(21.1)
	(181.7)	(130.9)
Total liabilities	(367.1)	(282.1)
Net assets	301.6	303.6
Equity		
Share capital	15	4.8
Share premium		192.0
Merger reserve		2.9
Currency translation reserve		(2.1)
Retained earnings		104.0
Total equity	301.6	303.6

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

The Financial Statements were approved by the Board of Directors on 4 June 2024 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 2024

	Attributable to equity holders of the Company					
	Share capital £m	Share premium £m	Merger reserve £m	Currency translation reserve £m	Retained earnings £m	Total equity £m
At 1 April 2022	4.7	192.0	10.5	4.9	78.3	290.4
Profit for the year	-	-	-	-	21.3	21.3
Other comprehensive income/(loss)	-	-	-	0.7	(0.9)	(0.2)
Total comprehensive income	-	-	-	0.7	20.4	21.1
Shares issue (note 15)	0.1	-	-	-	-	0.1
Share-based payments including tax	-	-	-	-	2.5	2.5
Transfer to retained earnings	-	-	(7.6)	-	7.6	-
Dividends (note 10)	-	-	-	-	(10.5)	(10.5)
At 31 March 2023	4.8	192.0	2.9	5.6	98.3	303.6
Profit for the year	-	-	-	-	15.5	15.5
Other comprehensive loss	-	-	-	(7.7)	(0.9)	(8.6)
Total comprehensive (loss)/income	-	-	-	(7.7)	14.6	6.9
Share-based payments including tax	-	-	-	-	2.3	2.3
Dividends (note 10)	-	-	-	-	(11.2)	(11.2)
At 31 March 2024	4.8	192.0	2.9	(2.1)	104.0	301.6

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

Consolidated Statement of Cash Flows
for the year ended 31 March 2024

	Notes	2024 £m	2023 £m
Net cash flow from operating activities	14	41.2	36.3
Investing activities			
Acquisition of businesses, net of cash acquired		(82.8)	(22.8)
Contingent consideration related to business acquisitions		-	(2.3)
Purchase of property, plant and equipment		(4.8)	(5.4)
Purchase of intangible assets - software		(0.1)	(0.2)
Interest received		3.9	1.4
Net cash used in investing activities		(83.8)	(29.3)
Financing activities			
Proceeds from borrowings		79.4	61.8
Repayment of borrowings		(28.9)	(44.9)
Payment of lease liabilities		(6.1)	(5.2)
Dividends paid	10	(11.2)	(10.5)
Net cash generated from financing activities		33.2	1.2
Net increase in cash and cash equivalents^[1]		(9.4)	8.2
Net cash and cash equivalents at 1 April		43.4	36.9
Effect of exchange rate fluctuations		(2.5)	(1.7)
Net cash and cash equivalents at 31 March		31.5	43.4
Reconciliation to cash and cash equivalents in the consolidated Statement of Financial Position			
Net cash and cash equivalents shown above		31.5	43.4
Add back: bank overdrafts		79.3	40.5
Cash and cash equivalents presented in current assets in the consolidated Statement of Financial Position		110.8	83.9

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 2024

1. Publication of non-statutory accounts

The preliminary results were authorised for issue by the Board of Directors on 4 June 2024. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 March 2024 or 31 March 2023, but is derived from those accounts. Statutory accounts for 2023 have been delivered to the Registrar of Companies whereas those for 2024 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. 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 debt facilities of £240m committed up to the end of August 2027.

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, debt covenants and adverse foreign currency movements.

The most severe but plausible downside scenario assumes a worsening of the economic environment caused by a number of factors including geo-political events and significant reduction in consumer demand due to continuing inflationary pressures and elevated interest rates. This downside scenario results in a significant decline in second half sales of FY 2024/25, negative sales growth in FY 2025/26 and modest growth thereon in FY 2026/27. Additionally, operating margin was reduced, working capital materially increased, significant one-off expenditures included (such as product liability, major customer insolvency or litigation,

climate change, cyber-security incident), interest rates increased, and the Group effective tax rate increased.

After factoring in all of the significant additional downsides, there remains good headroom both in terms of liquidity and banking covenants. This is supported by the fact that the Group sells a wide portfolio of different products across a diverse set of industries and geographies, has low customer/supplier concentration, has a global supply chain network, diverse manufacturing capacity, and has well-established relationships with its customers. These factors are considered important in mitigating many of the risks that could affect the long-term viability of the Group. As a consequence, the Directors believe that the Group is well placed to manage its principal risks and uncertainties as disclosed 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 breach its existing financial covenants or current liquidity headroom during the assessment period. The reverse stress test was conducted on the basis that certain mitigating actions would be undertaken to reduce overheads and capital expenditure during the period as sales declined and, on that basis, a fall in underlying operating margin to below 6% in FY 2024/25 would be required before such a breach occurred. The Board considers the possibility of such a scenario to be remote and further mitigation, such as hiring freezes, pay and bonus reductions, headcount reductions, reduction in planned capital expenditure, suspension of dividend payments and equity raise, would be available if future trading conditions indicated that such an outcome were possible.

The Company acts as a holding company for investments in the subsidiaries and does not engage in any trading activities directly and thus is dependent on the trading activities of its subsidiaries. The Company holds sufficient net current assets as at 31 March 2024 to continue as a going concern.

The Directors are confident that the Company and the Group have sufficient resources to continue in operational existence for at least 12 months from the date of approval of the Financial Statements. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Financial Statements.

4. Revenue

Group revenue is analysed below:

	2024 £m	2023 £m
Sale of goods	431.4	442.4
Rendering of services	5.6	6.5
Total revenue	437.0	448.9

5. Operating segment information

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is reported and evaluated based on operating profit or loss earned by each segment. Unallocated costs relate to central head office administration costs that are not directly attributable to the Operating Segments.

Segment revenue and results

	Magnetism & Controls	Sensing & Connectivity	Unallocated Costs	Total
2024	£m	£m	£m	£m
Revenue	265.1	171.9	-	437.0
Result				
Underlying operating profit/(loss)	40.6	28.9	(12.3)	57.2
Acquisition and disposal expenses	(2.2)	(7.6)	-	(9.8)
Amortisation of acquired intangible assets	(6.6)	(9.6)	-	(16.2)
Operating profit/(loss)	31.8	11.7	(12.3)	31.2

	Magnetism & Controls	Sensing & Connectivity	Unallocated Costs	Total
2023	£m	£m	£m	£m
Revenue	280.8	168.1	-	448.9
Result				
Underlying operating profit/(loss)	38.4	25.6	(12.2)	51.8
Acquisition and disposal expenses	-	(1.8)	0.4	(1.4)
Amortisation of acquired intangible assets	(6.3)	(9.5)	-	(15.8)
Operating profit/(loss)	32.1	14.3	(11.8)	34.6

6. Underlying performance measures

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

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

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

Underlying operating profit

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

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

Underlying EBITDA

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

Underlying operating margin

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

Underlying profit before tax

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

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

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

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

Underlying profit after tax

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

Underlying earnings per share

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

Underlying operating cash flow / Underlying operating cash flow conversion

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

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

Free cash flow / Free cash flow conversion

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

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

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

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

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

Organic and CER revenue growth

"CER revenue growth" is defined as growth rates at constant exchange rates, excluding the impact of nil margin, one-off increase in semiconductor pass-through costs.

"Organic revenue growth" is defined as "CER revenue growth" adjusted for the effect of acquisitions/disposals in the last 12 months.

Gearing ratio

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

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

Underlying operating profit / Underlying EBITDA

Underlying operating profit and EBITDA are calculated as follows:

		2024 £m	2023 £m
Operating profit		31.2	34.6
Add back	Acquisition and disposal expenses (a)	9.8	1.4
	Amortisation of acquired intangibles (b)	16.2	15.8
Underlying operating profit		57.2	51.8
Add back	Depreciation and amortisation	12.5	11.7
	Share-based payment and IAS 19 pension cost	3.4	2.9
Underlying EBITDA		73.1	66.4

- a. Acquisition expenses comprise £3.1m of transaction costs in relation to the acquisition of Silvertel, 2J, Shape, DTI, IKN and ongoing transactions, and £0.8m charge relating to the movement in fair value of contingent consideration and assets acquired on past acquisitions. Disposal expenses comprise £5.9m of expenses which have been incurred in relation to the disposal of the Santon solar business unit.

During the prior year, acquisition and disposal expenses of £1.4m comprised £1.8m of transaction costs in relation to the

acquisition of CDI, Magnasphere and ongoing transactions, £1.5m charge relating to the movement in fair value of contingent consideration and assets acquired on past acquisitions, offset by £0.4m credit relating to disposal costs in connection with the Acal BFI disposal in 2022, and £1.5m in relation to insurance receipts relating to a previous year acquisition of CPI.

- b. Amortisation charge for intangible assets recognised on acquisition is £16.2m being the amortisation of acquired customer relationships and patents. The equivalent charge last year was £15.8m. The increase relates to the seven acquisitions during the last two years offset by lower amortisation on fully written down acquired intangible assets on past acquisitions.

Underlying profit before tax

Underlying profit before tax is calculated as follows:

	2024 £m	2023 £m
Profit before tax	22.2	29.1
Add back Acquisition and disposal expenses	9.8	1.4
Amortisation of acquired intangible assets	16.2	15.8
Underlying profit before tax	48.2	46.3

Underlying effective tax rate

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

	2024 £m	2023 £m
Underlying profit before tax	48.2	46.3
Total tax charge	6.7	7.8
Add back tax effect of amortisation of acquired intangible assets and acquisition and disposal expenses and other tax charges and credits relating to acquisitions and disposals	5.3	3.9
Underlying tax charge	12.0	11.7
Underlying effective tax rate	24.9%	25.3%

Underlying profit after tax / Underlying earnings per share

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

	2024 £m	2023 £m
Profit for the year	15.5	21.3
Add back Acquisition and disposal expenses	9.8	1.4
Amortisation of acquired intangible assets	16.2	15.8
Tax charge relating to the above adjustments	(5.3)	(3.9)
Underlying profit after tax	36.2	34.6

	Number	Number
Weighted average number of shares for basic earnings per share	95,835,775	95,426,255
Effect of dilution - share options	2,450,593	2,917,061
Adjusted weighted average number of shares for diluted earnings per share	98,286,368	98,343,316
Underlying earnings per share	36.8p	35.2p

Underlying operating cash flow / Free cash flow

	2024 £m	2023 £m
Underlying EBITDA	73.1	66.4
Lease payments	(6.8)	(5.8)
EBITDA (incl. lease payments)	66.3	60.6
Changes in working capital	(2.2)	(6.4)
Capital expenditure	(4.9)	(5.6)
Underlying operating cash flow	59.2	48.6
Net interest paid	(7.7)	(5.0)
Tax payments	(12.5)	(9.0)
Legacy pension scheme funding	(2.0)	(1.6)
Free cash flow	37.0	33.0

ROCE / ROTCE

ROCE and ROTCE are calculated as follows:

	2024 £m	2023 £m
Net assets	301.6	303.6
Less: Deferred consideration in relation to disposed businesses	(6.3)	(6.0)
Net debt	104.0	42.7
IAS 19 pension asset	(0.3)	(2.3)
Assets held for sale	(6.7)	-
Adjusted net assets	392.3	338.0
Less: Goodwill	(231.7)	(188.1)
Acquired intangible assets	(96.2)	(82.7)
Deferred tax assets and liabilities	13.1	9.9
Current tax assets and liabilities	7.0	9.1
Long term liabilities	20.1	18.8

Lease liabilities	20.1	10.0
Provisions	8.8	5.9
Tangible Capital	113.4	110.9
Underlying operating profit	57.2	51.8
Add: Annualisation of acquired businesses	4.2	1.8
Annualised operating profit	61.4	53.6
ROCE	15.7%	15.9%
ROTCE	54.1%	48.3%

Organic and CER revenue growth

Organic and CER revenue growth are calculated as follows:

	2024 £m	2023 £m
Revenue	437.0	448.9
FX translation impact	-	(12.7)
One-off increase in semiconductor pass-through cost	-	(5.0)
Underlying (CER) revenue	437.0	431.2
Acquisitions and disposals	(32.6)	(23.1)
Organic revenue	404.4	408.1

Organic growth for the Group compared with last year is calculated at constant exchange rates ("CER") and is shown excluding the first 12 months of acquisitions post completion (CDT in June 2022, Magnasphere in January 2023, Silvertel in September 2023, 2J in September 2023, Shape in January 2024, DTI in March 2024 and IKN in March 2024) and the results of the Santon solar business unit.

Gearing ratio

Gearing ratio is calculated as follows:

	2024 £m	2023 £m
Net debt	104.0	42.7
Underlying EBITDA	73.1	66.4
Lease payments	(6.8)	(5.8)
Annualisation of acquired businesses	4.2	2.0
Adjusted EBITDA	70.5	62.6
Gearing ratio	1.5	0.7

7. Operating profit

	2024 £m	2023 £m
Revenue	437.0	448.9
Direct materials/direct labour	(255.0)	(274.9)
Other cost of goods sold	(5.0)	(4.8)
Selling and distribution costs	(41.0)	(45.4)
Administrative expenses ¹	(104.8)	(89.2)
Operating profit	31.2	34.6

1) Administrative expenses includes acquisition and disposal related costs (amortisation of acquired intangible assets of £16.2m and acquisition and disposal expenses of £9.8m) totalling £26.0m (2023: £17.2m).

8. Business combinations

Acquisitions in the year ended 31 March 2024

Acquisition of Silvertel

On 30 August 2023, the Group completed the acquisition of Silver Telecom Limited ("Silvertel"), a company incorporated in the United Kingdom by acquiring 100% of the shares of its parent company SLV Holdings Limited. Silvertel is a designer and manufacturer of differentiated, high-performance Power-over-Ethernet ("PoE") modules and complementary products for global industrial electronic connectivity markets.

Silvertel was acquired for an initial cash consideration of £23.0m before expenses, funded from the Group's existing debt facilities. In addition, contingent payments of up to £23.0m will be payable subject to Silvertel's EBIT performance over the next four years. This includes up to £4.0m payable subject to continuous employment during the performance period.

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

	Provisional fair value recognised at acquisition £m
Intangible assets - other (incl. customer relationships)	9.3
Property, plant and equipment	0.1
Right of use assets	0.2
Inventories	2.6
Trade and other receivables	1.4
Net cash	1.6

Trade and other payables	(0.9)
Current tax liabilities	(0.4)
Deferred tax liabilities	(2.4)
Lease liabilities	(0.2)
Total identifiable net assets	11.3
Provisional goodwill arising on acquisition	14.5
Total investment	25.8

<i>Discharged by</i>	
Initial cash consideration	23.0
Contingent consideration	2.8
	25.8

Net cash outflows in respect of the acquisition comprise:

	Total £m
Cash consideration	23.0
Transaction costs (included in operating cash flows) ¹	0.6
Net cash acquired	(1.6)
	22.0

1) Acquisition costs of £0.6m were expensed as incurred in the period ended 31 March 2024. These were included within operating costs. Included in cash flow from investing activities is the cash consideration of £23.0m and the pre-acquisition tax settled of £0.3m, offset by the net cash acquired of £1.6m.

The goodwill is attributable to the workforce and the high profitability of the acquired business. It will not be deductible for tax purposes. Included in the £14.5m of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured, due to their nature. These include the value of expected operational benefits. All the acquired receivables are expected to be collected.

Acquisition of 2J Antennas

On 12 September 2023, the Group completed the acquisition of 2J Antennas Group ("2J"), by acquiring 100% equity and voting rights of 2J Antennas, s.r.o. (Slovakia), 2J Antennas UK Limited and 2J Antennas USA Corp.

2J is a leading designer and manufacturer of high-performance antennas for industrial electronic connectivity applications. 2J was acquired for an initial cash consideration of £44.9m (€52.4m), before expenses, funded from the Group's existing debt facilities.

The provisional fair value of the identifiable assets and liabilities of 2J at the date of acquisition was:

	Provisional fair value recognised at acquisition £m
Intangible assets - other (<i>incl. customer relationships</i>)	16.2
Property, plant and equipment	0.5
Right of use assets	0.2
Inventories	2.8
Trade and other receivables	1.9
Cash and cash equivalents	1.3
Overdraft	(0.4)
Trade and other payables	(1.1)
Current tax	(1.6)
Deferred tax liabilities	(3.4)
Lease liabilities	(0.2)
Total identifiable net assets	16.2
Provisional goodwill arising on acquisition	28.7
Total investment	44.9

<i>Discharged by</i>	
Cash	44.9

Net cash outflows in respect of the acquisition comprise:

	Total £m
Cash consideration	44.9

Cash consideration	44.9
Transaction costs (included in operating cash flows) ¹	1.0
Net cash acquired	(0.9)
	45.0

1) Acquisition costs of £1.0m were expensed as incurred in the period ended 31 March 2024. These were included within operating costs. Included in cash flow from investing activities is the cash consideration of £44.9m and settlement of pre-acquisition tax liabilities of £0.1m, offset by the net cash acquired of £0.9m.

The goodwill is attributable to the workforce and the high profitability of the acquired business. It will not be deductible for tax purposes. Included in the £28.7m of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured, due to their nature. These include the value of expected operational benefits. All the acquired receivables are expected to be collected.

Other acquisitions

Shape

On 24 January 2024, the Group completed the acquisition of Shape LLC ("Shape"), a company incorporated in the US, by acquiring 100% of the membership interests of Shape LLC.

Shape is a US-based designer and manufacturer of specialty transformer equipment. Shape was acquired for an initial cash consideration of £7.9m (\$10.0m), before expenses, funded from the Group's existing debt facilities.

DTI

On 6 March 2024, the Group completed the acquisition of Diamond Technologies, Inc. ("DTI"), a company incorporated in the US, by acquiring 100% of DTI shares.

DTI specialises in customised data collection products geared primarily to original equipment manufacturers ("OEM"), including OEM focused embedded barcode, RFID, vision and embedded gateway and controller solutions. DTI was acquired for an initial cash consideration of £6.6m (\$8.4m), before expenses, funded from the Group's existing debt facilities. In addition, a contingent payment of up to £3.2m will be payable subject to DTI's financial performance over the next three years, subject to the seller's continuous employment during the performance period.

IKN

On 16 March 2024, the Group completed the acquisition of IKN AS ("IKN"), a company incorporated in Norway, by acquiring 100% of IKN AS shares.

IKN specialises in products and services for data centres, networking and cabling systems. IKN was acquired for an initial cash consideration of £2.5m (NOK 33.6m), before expenses, funded from the Group's existing debt facilities. In addition, a contingent payment of up to £0.3m (NOK 3.4m) will be payable subject to IKN's revenue performance over the period ending 31 December 2024 and subject to IKN achieving certain integration targets.

The combined provisional fair value of the identifiable assets and liabilities of the three acquisitions above, at the date of acquisition was:

	Provisional fair value recognised at acquisition £m
Intangible assets - other (incl. customer relationships)	7.3
Property, plant and equipment	0.1
Right of use assets	1.1
Inventories	2.8
Trade and other receivables	2.4
Net cash	0.8
Trade and other payables	(2.1)
Current tax liabilities	(0.1)
Deferred tax liabilities	(0.2)
Lease liabilities	(1.1)
Total identifiable net assets	11.0
Provisional goodwill arising on acquisition	6.1
Total investment	17.1
<i>Discharged by</i>	
Initial cash consideration	17.0
Contingent consideration	0.1
	17.1

Net cash outflows in respect of the acquisition comprise:

	Total £m
Cash consideration	17.0
Transaction related bonuses	0.8

Transaction costs (included in operating cash flows) ¹	0.9
Net cash acquired	(0.8)
	17.9

1) Acquisition costs of £0.9m were expensed as incurred in the period ended 31 March 2024. These were included within operating costs.

Included in cash flow from investing activities is the cash consideration of £17.0m and the transaction bonus of £0.8m, offset by the net cash acquired of £0.8m.

The goodwill is attributable to the workforce and the high profitability of the acquired businesses. It will not be deductible for tax purposes. Included in the £6.1m of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured, due to their nature. These include the value of expected operational benefits. All the acquired receivables are expected to be collected.

9. Assets held for sale

In December 2023, the Group agreed to sell certain assets of its Santon solar business unit (the "disposal group") based in the Netherlands. The consideration for the disposal comprises £2.6m plus up to £3.4m in relation to inventory transferred to the buyer. Completion of the sale is subject to the transfer of production lines, inventory and other related assets to the buyer's location. In conjunction with this disposal, the Group also intends to sell its manufacturing facility in the Netherlands with the retained business moving to a smaller facility. The disposals of both the solar business unit and the manufacturing facility are expected to complete in the financial year ending 31 March 2025 and expected to generate net cash inflow of c.£7m after costs.

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

The disposal group is not considered to be a major line of operation and does not represent one of the Group's cash generating units. Accordingly its results are not presented as a discontinued operation for the years ended 31 March 2024 and 31 March 2023.

In accordance with IFRS 5, a plan to dispose of an asset is considered to be an impairment indicator. Therefore, the assets of the disposal group and the manufacturing facility have been tested for impairment and measured at the lower of their carrying amount and fair value less cost to sell at the time of the reclassification. This has resulted in the recognition of a write-down of £2.7m relating to the goodwill and other intangible assets of the disposal group during the year ended 31 March 2024. There was no impact on the carrying value of the manufacturing facility.

The assets included as held for sale and that are presented within total assets of the Sensing & Connectivity segment (note 5), are the following:

	2024 £m
Disposal group held for sale	
Non-current assets	
Property, plant and equipment	2.1
Intangible assets - other	0.2
Current assets	
Inventory	1.9
	4.2
Non-current assets held for sale	
Property, plant and equipment	2.5
Total assets classified as held for sale	6.7

10. Dividends

	2024 £m	2023 £m
Dividends recognised in equity as distributions to equity holders in the year:		
Equity dividends on ordinary shares:		
Final dividend for the year ended 31 March 2023 of 7.90p (2022: 7.45p)	7.6	7.1
Interim dividend for the year ended 31 March 2024 of 3.75p (2023: 3.55p)	3.6	3.4
Total amounts recognised as equity distributions during the year	11.2	10.5
	2024 £m	2023 £m
Proposed for approval at AGM:		
Equity dividends on ordinary shares:		
Final dividend for the year ended 31 March 2024 of 8.25p (2023: 7.90p)	7.9	7.6
Summary		
Dividends per share declared in respect of the year	12.00p	11.45p
Dividends per share paid in the year	11.65p	11.00p
Dividends paid in the year	£11.2m	£10.5m

11. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share is the basic earnings per share after allowing for the dilutive effect of the conversion into ordinary shares of the weighted average number of options outstanding during the year.

The following reflects the income and share data used in the basic and diluted earnings per share calculations.

	2024 £m	2023 £m
Profit after tax for the year	15.5	21.3
	Number	Number
Weighted average number of shares for basic earnings per share	95,835,775	95,426,255
Effect of dilution - share options	2,450,593	2,917,061
Adjusted weighted average number of shares for diluted earnings per share	98,286,368	98,343,316
Basic earnings per share	16.2p	22.3p
Diluted earnings per share	15.8p	21.7p

At the year-end, there were 2,713,941 ordinary share options in issue that could potentially dilute underlying earnings per share in the future, of which 2,450,593 are currently dilutive (2023: 3,025,959 in issue and 2,917,061 dilutive).

12. Intangible assets - goodwill

	£m
Cost	
At 1 April 2022	175.7
Business acquired	11.5
Exchange adjustments	0.9
At 31 March 2023	188.1
Business acquired (note 7)	49.3
Exchange adjustments	(4.0)
At 31 March 2024	233.4
Impairment	£m
At 31 March 2023	-
Impairment charge ¹	(1.7)
At 31 March 2024	(1.7)
Net book value at 31 March 2024	231.7
Net book value at 31 March 2023	188.1

1) Write-down of intangible assets related to the disposal group (note 9).

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

The Group's operations are organised into two distinct divisions, Magnetix & Controls ("M&C") and Sensing & Connectivity ("S&C"). Within each division are aggregated business units which generate largely independent cash inflows and are considered to be individual CGUs from an impairment testing perspective.

The carrying value of goodwill is analysed as follows:

	2024 £m	2023 £m
Magnetix & Controls	106.4	89.0
Sensing & Connectivity	125.3	99.1
	231.7	188.1

The movement in goodwill compared to prior year relates mainly to the movement in foreign exchange rates and to Silvertel, 2J, Shape, DTI and IKN which were acquired in the year (note 7).

13. Movements in cash and net debt

	1 April 2023 £m	Cash flow £m	Non-cash changes £m	31 March 2024 £m
Year to 31 March 2024				
Cash and cash equivalents	83.9	29.2	(2.3)	110.8
Bank overdrafts	(40.5)	(38.6)	(0.2)	(79.3)
Net cash	43.4	(9.4)	(2.5)	31.5
Bank loans over one year	(88.1)	(51.1)	1.7	(137.5)
Capitalised debt costs	2.0	0.6	(0.6)	2.0
Total loan capital	(86.1)	(50.5)	1.1	(135.5)
Net debt	(42.7)	(59.9)	(1.4)	(104.0)
Lease liability	(18.8)	6.8	(8.1)	(20.1)
Net debt (incl. lease liability)	(61.5)	(53.1)	(9.5)	(124.1)

Bank loans over one year above include £137.4m (2023: £88.1m) drawn down against the Group's revolving credit facility.

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

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

14. Reconciliation of cash flows from operating activities

	2024 £m	2023 £m
Profit for the year	15.5	21.3
Tax expense	6.7	7.8
Net finance costs	9.0	5.5
Depreciation of property, plant and equipment	4.7	4.6
Depreciation of right of use assets	6.6	5.8
Amortisation of intangible assets - other	16.5	16.5
Write-down of assets related to disposal group - other intangible assets	1.0	-
Write-down of asset related to disposal group - goodwill	1.7	-
Loss on disposal of property, plant and equipment	0.2	-
Loss on disposal of intangible assets	-	0.6
Change in provisions	2.6	(0.2)
Pension scheme funding	(2.0)	(1.6)
IAS 19 pension charge	0.8	0.7
Contingent consideration related to business acquisitions	-	(4.0)
Business disposal costs	-	(1.2)
Associated taxes on LTIPs	(0.3)	(0.6)
Impact of equity-settled share-based payment expense and associated taxes	2.6	2.2
Operating cash flows before changes in working capital	65.6	57.4
Decrease/(Increase) in inventories	14.5	(8.6)
(Increase)/Decrease in trade and other receivables	(3.0)	5.0
Decrease in trade and other payables	(11.1)	(1.7)
Decrease/(Increase) in working capital	0.4	(5.3)
Cash generated from operations	66.0	52.1
Interest paid	(11.6)	(6.2)
Interest paid on lease liabilities	(0.7)	(0.6)
Income taxes paid	(12.5)	(9.0)
Net cash flow from operating activities	41.2	36.3

15. Share capital

	2024 Number	2024 £m	2023 Number	2023 £m
Allotted, called up and fully paid				
Ordinary shares of 5p each	96,356,109	4.8	96,356,109	4.8

During the year to 31 March 2024, no shares were issued to the Group's Employee Benefit Trust (2023: 900,000). At 31 March 2024 the Trust held 414,600 shares (2023: 690,092). During the year to 31 March 2024, employees exercised 275,492 share options under the terms of the various share option schemes (2023: 378,333).

16. 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 subsequent contributions of £1.9m p.a. increasing by 3% each April payable over the period to 30 April 2024. After the valuation, in December 2022, it was agreed with the Trustees that, with effect from January 2023, these contributions could be paid into an escrow account to the benefit of the Trustees unless and until such time as pension benefits are fully secured with an insurer and the scheme wound up. For the year ended 31 March 2024, a total of £2.0m (2023: £0.2m) was paid into the escrow account and is reported under trade and other receivables.

The IAS 19 defined benefit pension scheme asset at 31 March 2024 was £0.3m (31 March 2023: £2.3m). The key drivers in the

movement from prior year were the reduction in value of fund assets and the cost of scheme administration.

17. Exchange rates

The profit and loss accounts of overseas subsidiaries are translated into Sterling at average rates of exchange for the year and consolidated Statements of Financial Position are translated at year-end rates. The main currencies are the US Dollar, the Euro and the Norwegian Krone. Details of the exchange rates used are as follows:

	Year to 31 March 2024 Closing rate	Average rate	Year to 31 March 2023 Closing Rate	Average rate
US Dollar	1.2643	1.2566	1.2369	1.2058
Euro	1.1695	1.1585	1.1374	1.1576
Norwegian Krone	13.6814	13.3524	12.9595	11.9778

18. Events after the reporting date

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

Dividends

A final dividend of 8.25p per share (2023: 7.90p), amounting to a dividend of £7.9m (2023: £7.6m) and bringing the total dividend for the year to 12.00p (2023: 11.45p), was declared by the Board on 4 June 2024. The Group Financial Statements do not reflect this dividend.

[1] Further information on the consolidated Statement of Cash Flows is provided in notes 13 and 14.

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