



ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2023 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	996 755 193
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	TRAFO HOLDING AS
Forretningsadresse:	Elektroveien 7 3300 HOKKSUND

Regnskapsår

Årsregnskapets periode:	01.04.2022 - 31.03.2023
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Konsern

Morselskap i konsern:	Ja
Konsernregnskap lagt ved:	Ja

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler
Benyttet ved utarbeidelsen av årsregnskapet til konsernet:	-

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Simon Mark Gibbins
Dato for fastsettelse av årsregnskapet:	30.05.2023

Grunnlag for avgivelse

År 2023: Årsregnskapet er elektronisk innlevert
År 2022: Tall er hentet fra elektronisk innlevert årsregnskap fra 2023

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 04.02.2025



Resultatregnskap

Beløp i: NOK	Note	2023	2022
RESULTATREGNSKAP			
Kostnader			
Lønnskostnad	1		
Annen driftskostnad	1	69 253	58 685
Sum kostnader		69 253	58 685
Driftsresultat		-69 253	-58 685
Finansinntekter og finanskostnader			
Inntekt på investering i datterselskap	2	123 800 000	115 000 000
Renteinntekt fra foretak i samme konsern	2		
Annen renteinntekt		1 438 062	171 607
Sum finansinntekter		125 238 062	115 171 607
Rentekostnad til foretak i samme konsern	2	4 926 450	3 373 333
Annen rentekostnad		6 704	
Sum finanskostnader		4 933 154	3 373 333
Netto finans		120 304 908	111 798 274
Ordinært resultat før skattekostnad		120 235 655	111 739 589
Skattekostnad på resultat	3	53 319	2 582 710
Ordinært resultat etter skattekostnad		120 182 336	109 156 879
Årsresultat	4	120 182 336	109 156 879
Årsresultat etter minoritetsinteresser		120 182 336	109 156 879
Totalresultat		120 182 336	109 156 879
Overføringer og disponeringer			
Ordinært utbytte		109 000 000	72 500 000
Overført fra annen egenkapital		11 182 336	36 656 879
Sum overføringer og disponeringer		120 182 336	109 156 879



Balanse

Beløp i: NOK	Note	2023	2022
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Utsatt skattefordel	3		
Finansielle anleggsmidler			
Investering i datterselskap	5	353 692 501	353 692 501
Investering i annet foretak i samme konsern	5		
Lån til foretak i samme konsern	2		
Sum finansielle anleggsmidler		353 692 501	353 692 501
Sum anleggsmidler		353 692 501	353 692 501
Omløpsmidler			
Varer			
Fordringer			
Andre kortsiktige fordringer		3 801 250	15 001 250
Sum fordringer		3 801 250	15 001 250
Investeringer			
Aksjer og andeler i foretak i samme konsern	5		
Bankinnskudd, kontanter og lignende			
Bankinnskudd, kontanter o.l.		70 934 787	51 420 506
Sum bankinnskudd, kontanter og lignende		70 934 787	51 420 506
Sum omløpsmidler		74 736 037	66 421 756
SUM EIENDELER		428 428 538	420 114 257

BALANSE - EGENKAPITAL OG GJELD

Egenkapital

Innskutt egenkapital



Balanse

Beløp i: NOK	Note	2023	2022
Aksjekapital	6	215 545 458	215 545 458
Beholdning av egne aksjer	6	-11 908	-11 908
Overkurs		72 513 835	72 513 835
Sum innskutt egenkapital		288 047 385	288 047 385
Opptjent egenkapital			
Annen egenkapital		47 839 215	36 656 879
Sum opptjent egenkapital		47 839 215	36 656 879
Sum egenkapital	4	335 886 600	324 704 264
Gjeld			
Langsiktig gjeld			
Utsatt skatt	3		
Annen langsiktig gjeld			
Langsiktig konserngjeld	2	91 409 343	90 000 000
Sum annen langsiktig gjeld		91 409 343	90 000 000
Sum langsiktig gjeld		91 409 343	90 000 000
Kortsiktig gjeld			
Leverandørgjeld		6 250	6 250
Betalbar skatt	3	1 104 057	5 379 833
Annen kortsiktig gjeld		22 288	23 910
Sum kortsiktig gjeld		1 132 595	5 409 993
Sum gjeld		92 541 939	95 409 993
SUM EGENKAPITAL OG GJELD		428 428 538	420 114 257



Til generalforsamlingen i Trafo Holding AS

Uavhengig revisors beretning

Konklusjon

Vi har revidert årsregnskapet for Trafo Holding AS som består av balanse per 31. mars 2023, resultatregnskap og kontantstrømoppstilling for regnskapsåret avsluttet per denne datoen og noter til årsregnskapet, herunder et sammendrag av viktige regnskapsprinsipper.

Etter vår mening

- oppfyller årsregnskapet gjeldende lovkrav, og
- gir årsregnskapet et rettviseende bilde av selskapets finansielle stilling per 31. mars 2023, og av dets resultater og kontantstrømmer for regnskapsåret avsluttet per denne datoen i samsvar med regnskapslovens regler og god regnskapsskikk i Norge.

Grunnlag for konklusjonen

Vi har gjennomført revisjonen i samsvar med International Standards on Auditing (ISA-ene). Våre oppgaver og plikter i henhold til disse standardene er beskrevet nedenfor under *Revisors oppgaver og plikter ved revisjonen av årsregnskapet*. Vi er uavhengige av selskapet i samsvar med kravene i relevante lover og forskrifter i Norge og International Code of Ethics for Professional Accountants (inkludert internasjonale uavhengighetsstandarder) utstedt av International Ethics Standards Board for Accountants (IESBA-reglene), og vi har overholdt våre øvrige etiske forpliktelser i samsvar med disse kravene. Innhentet revisjonsbevis er etter vår vurdering tilstrekkelig og hensiktsmessig som grunnlag for vår konklusjon.

Øvrig informasjon

Styret (ledelsen) er ansvarlig for informasjonen i årsberetningen. Øvrig informasjon omfatter informasjon i årsrapporten bortsett fra årsregnskapet og den tilhørende revisjonsberetningen. Vår konklusjon om årsregnskapet ovenfor dekker ikke informasjonen i årsberetningen.

I forbindelse med revisjonen av årsregnskapet er det vår oppgave å lese årsberetningen. Formålet er å vurdere hvorvidt det foreligger vesentlig inkonsistens mellom årsberetningen og årsregnskapet og den kunnskap vi har opparbeidet oss under revisjonen av årsregnskapet, eller hvorvidt informasjon i årsberetningen ellers fremstår som vesentlig feil. Vi har plikt til å rapportere dersom årsberetningen fremstår som vesentlig feil. Vi har ingenting å rapportere i så henseende.

Basert på kunnskapen vi har opparbeidet oss i revisjonen, mener vi at årsberetningen

- er konsistent med årsregnskapet og
- inneholder de opplysninger som skal gis i henhold til gjeldende lovkrav.

Ledelsens ansvar for årsregnskapet

Ledelsen er ansvarlig for å utarbeide årsregnskapet og for at det gir et rettviseende bilde i samsvar med regnskapslovens regler og god regnskapsskikk i Norge. Ledelsen er også ansvarlig for slik



internkontroll som den finner nødvendig for å kunne utarbeide et årsregnskap som ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil.

Ved utarbeidelsen av årsregnskapet må ledelsen ta standpunkt til selskapets evne til fortsatt drift og opplyse om forhold av betydning for fortsatt drift. Forutsetningen om fortsatt drift skal legges til grunn for årsregnskapet så lenge det ikke er sannsynlig at virksomheten vil bli avviklet.

Revisors oppgaver og plikter ved revisjonen av årsregnskapet

Vårt mål er å oppnå betryggende sikkerhet for at årsregnskapet som helhet ikke inneholder vesentlig feilinformasjon, verken som følge av misligheter eller utilsiktede feil, og å avgi en revisjonsberetning som inneholder vår konklusjon. Betryggende sikkerhet er en høy grad av sikkerhet, men ingen garanti for at en revisjon utført i samsvar med ISA-ene, alltid vil avdekke vesentlig feilinformasjon. Feilinformasjon kan oppstå som følge av misligheter eller utilsiktede feil. Feilinformasjon er å anse som vesentlig dersom den enkeltvis eller samlet med rimelighet kan forventes å påvirke de økonomiske beslutningene som brukerne foretar på grunnlag av årsregnskapet.

For videre beskrivelse av revisors oppgaver og plikter vises det til:
<https://revisorforeningen.no/revisjonsberetninger>

Drammen, 21. juni 2023
PricewaterhouseCoopers AS

Paal Ødegård
Statsautorisert revisor
(elektronisk signert)



Revisjonsberetning

Signers:

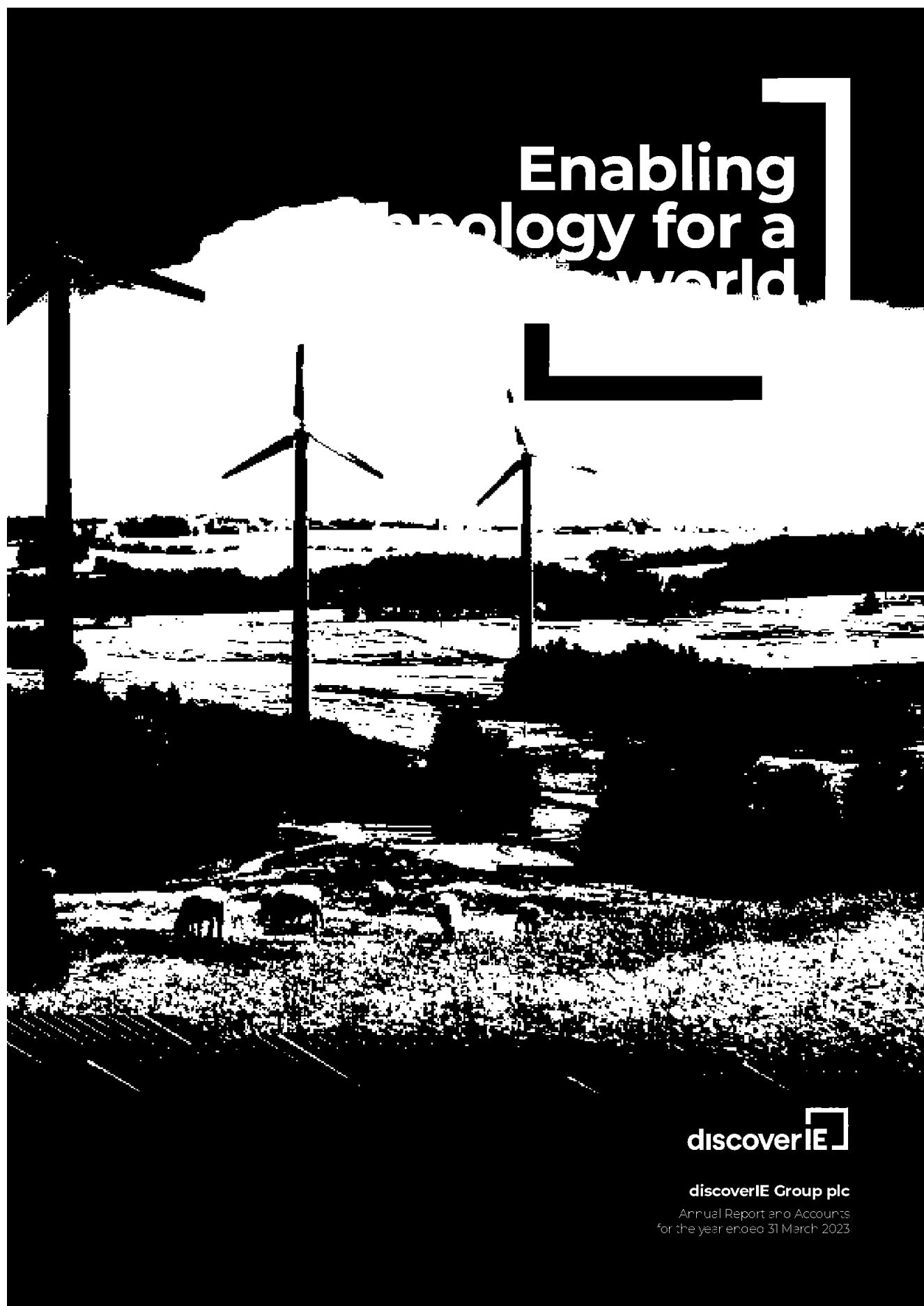
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WELCOME TO THE 2023 **ANNUAL REPORT**

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

Our Vision is to be a leading innovator in electronics, internationally.



Visit our corporate website
www.discoverIEplc.com

It contains a wide range of information of interest to institutional and private investors, including:

- Latest news and press releases
- Reports and presentations



Financial highlights

GROUP REVENUE

£448.9m

(FY22: £379.2m)

+18%

UNDERLYING EPS¹

35.2p

(FY22: 29.4p)

+20%

REPORTED FULLY DILUTED EPS

21.7p

(FY22: 10.1p)

+115%

UNDERLYING OPERATING PROFIT¹

£51.8m

(FY22: £41.4m)

+25%

REPORTED OPERATING PROFIT

£34.6m

(FY22: £20.9m)

+66%

FULL YEAR DIVIDEND PER SHARE

11.45p

(FY22: 10.8p)

+6%

Operational highlights

UNDERLYING OPERATING MARGIN¹ INCREASED TO

11.5%

SALES BEYOND EUROPE

40%

➔ Read more on Our Strategy on pages 26 to 30

TARGET MARKET SALES²

77%

CARBON EMISSIONS REDUCTION³

66%

➔ Read more on Sustainability on pages 50 to 86

➔ Read more on our Stakeholders on pages 46 to 47

Notes:

¹ 'Underlying operating profit', 'Underlying operating margin' and 'Underlying EPS', are non-IFRS financial measures used by the Directors to assess the underlying performance of the Group. These measures exclude acquisition-related costs (amortisation of acquired intangible assets of £15.8m and acquisition and disposal expenses of £1.4m) totalling £17.2m. Equivalent underlying adjustments within the FY 2021/22 underlying results totalled £20.5m. For further information, see note 6 on pages 174 to 178.

² Target markets are renewable energy, medical, transportation, industrial & connectivity.

³ CY2022 Scope 1 & 2 like-for-like emission intensity reduction against CY2019 baseline. Emission intensity is defined as tCO₂e / £m revenue.

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OUR PURPOSE FRAMEWORK

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

Our Purpose

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

Our Vision

To be a leading **global innovator** in electronics

Our Mission

To design and manufacture **innovative electronics** that help our customers create ever better technical solutions around the world

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

Our Values

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



Integrity

We act with honesty and openness, treating our partners and stakeholders fairly.



Quality

We strive for excellence and make constant improvements that deliver superior value to our customers.



Empowerment

We inspire growth and innovation by providing an entrepreneurial environment.



Collaboration

We work together, trust and respect each other.



Positive impact

We care about the environment and societies we live in and commit to making a positive impact.



Our Culture

Our culture is built on a foundation of respect, fairness and equality.

A strong culture is key to achieving our mission and supporting our values. It helps guide our decision making and behaviour, ensuring that we all work towards the same goals. Our culture supports our mission to provide our customers with the highest quality products and services and drives our commitment to excellence in everything we do.



“A strong culture is essential for a decentralised company like discoverIE. We are committed to creating an inclusive workplace where everyone feels valued and empowered to contribute their best work.”

Nick Jefferies
Group Chief Executive

- We are customer-centric; decisions are made in close cooperation with our customers.
- We treat colleagues with respect, fairness and courtesy.
- We are straightforward, with open and constructive communication and a willingness to listen.
- We value diversity and strive to create an open and inclusive environment in which everyone has an equal opportunity to flourish.
- We are go-getters, high performing and target driven.

Our sustainable mindset

Guided by our Purpose, sustainability is integrated into our business model, strategy and risk management. This focus on sustainability helps ensure the long-term success of the Group and all its stakeholders.

➔ Read more about sustainability on pages 50 to 86

Our sustainability programme has three pillars:



Our Planet – Creating a positive impact on the environment



Our People – Keeping our people safe and happy



Our Products – Ensuring product reliability and sustainability

➔ Read more on our three pillars on page 56



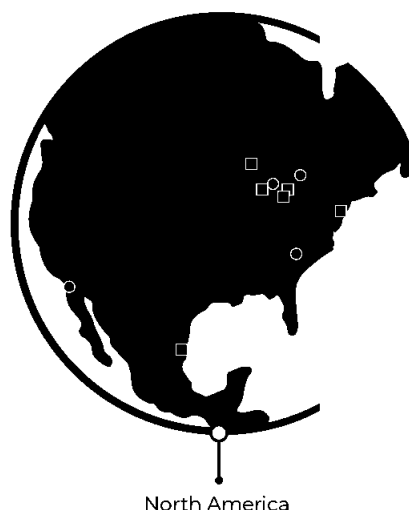


GROUP AT A GLANCE

discoverIE is an international group of businesses designing and manufacturing innovative electronic components for industrial applications.

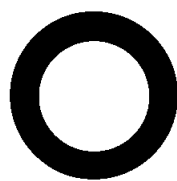
We offer customers differentiated products in key growth markets on a global scale. We have transformed the Group over the past 12 years, from a European distribution business into an electronic engineering group, with our own product development and a global manufacturing footprint.

Our locations



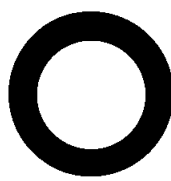
North America

Revenue



- M&C £280.8m
- S&C £168.1m

Underlying operating profit



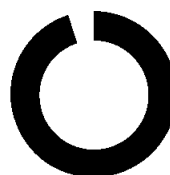
- M&C £38.4m
- S&C £25.6m

Our divisions

Magnetics & Controls

Comprises the magnetic components, embedded computing and human-machine interface businesses. It consists of eight businesses, across 17 countries with 20 manufacturing sites. The division produces electronics for signal conditioning, power conversion and switching, monitoring and remote control, communication and interface control.

Revenue breakdown

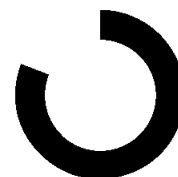


- Europe – 51%
- North America – 21%
- Asia & ROW – 22%
- UK – 6%

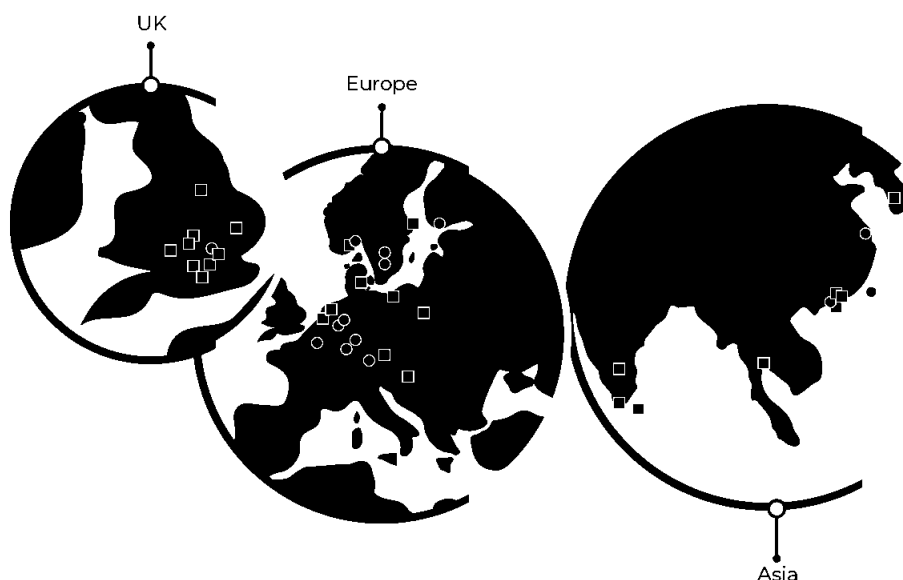
Sensing & Connectivity

Comprises a cluster of six sensing component businesses and eight communication and connectivity businesses, across 9 countries with 12 manufacturing sites. The division produces electronics for x-ray detection, wireless transmission, fibre optic and cable connection, electromagnetic shielding and sensing components for measuring movement, temperature, pressure, position, force and load.

Revenue breakdown



- Europe – 46%
- North America – 16%
- Asia & ROW – 18%
- UK – 20%



M&C manufacturing site ■ M&C sales representative ●
S&C manufacturing site ■ S&C sales representative ●

Our divisions

Revenue growth



Revenue growth



Magnetics



Controls



Vertec

Sensing



Connectivity



CHAIRMAN'S STATEMENT



“The Group’s compounding growth strategy, targeting sustainability aligned markets, has helped deliver another year of strong results and provides a platform for continued future success.”

Bruce Thompson
Chairman

With these being my first results as Chair of the Group, I would like to start by thanking my predecessor, Malcolm Diamond, for his sound leadership of the discoverIE Board, during which time the Group has developed and grown substantially, navigated a global pandemic and disposed of the non-core distribution division. Having seen the implementation of the strategy develop over the last few years, I am confident that we are on the right track and have a long runway for profitable growth.

This year, the Group continued its strong performances of recent years, delivering another excellent set of results with further good growth in sales, underlying operating profits and underlying earnings per share. Cash generation has again been strong, reflecting both the quality of earnings generated and the efficient, capital-light nature of the Group’s operating model. Gearing remains low with good funding headroom for further acquisitions.

The Group is committed to reducing the impact of its business operations on the environment. Along with its focus on selling into markets that are aligned with a sustainable future, the Group has made excellent progress towards its target of reducing its carbon emissions and has set a net zero plan to reduce Scope 1 & 2 emissions to zero by 2030 and Scope 3 emissions to zero by 2040. Since 2021, absolute emissions have already been reduced by 35%.

Strategy

discoverIE Group operates an international, decentralised business model, focusing on structurally growing, sustainable markets driven by increasing electronic content and where there is an essential need for its products. The Group’s product range is highly differentiated, being niche and customised electronics for specific applications.

The Group’s target markets are renewable energy, transportation, medical, and industrial & connectivity and are all aligned with the UN Sustainable Development Goals (“UN SDGs”). With these being worldwide markets and with major customers operating internationally, the business is expanding both within and beyond Europe, building an international electronics group supplying complex, value-added solutions for customers.

Alongside organic growth, carefully selected, value-enhancing acquisitions are a key factor in the Group’s compounding growth strategy. Since 2011, the Group has acquired 21 specialist, high margin design and manufacturing businesses, which have been integrated successfully and have accelerated growth. discoverIE has a disciplined approach to acquisitions and continues to see significant scope for further expansion with several opportunities in development.

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



Sustainability and Positive Impact

The Group has undertaken an assessment of the resilience of its business model and strategy, and potential impact of climate change over the short and medium term. It concludes that, while the Group may be exposed to certain risks during the transition to a low carbon economy, such risks are considered to be low and more than outweighed by the commercial opportunities presented to the Group from the energy transition.

The Group's business model is well established. By aligning its purpose with the UN SDGs, and by focusing on our four SDG-aligned target markets, the Group is helping to achieve the transition to a cleaner, healthier and more sustainable world.

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

A Sustainability Committee of the Board was established last year with responsibility for setting the Group's sustainability strategy and overseeing its implementation. During the year, the Group Management Committee ("GMC") was established to include a wider Group of senior management, reflecting the larger operating scale of the Group. Reporting to the Board, the GMC also has responsibility for Environmental, Social and Governance ("ESG") implementation and each member has the achievement of ESG objectives included in their annual incentive plans.

Recognising the Group's achievements and focus on sustainable development, MSCI awarded the Group an "A" rating in its 2022 ESG Rating assessment, and more recently, the Group was awarded 'Regional Top rated' by Sustainalytics. Both acknowledged the Group's strong performance against industry peers in various areas, including opportunities in clean technology and corporate governance.

Acquisitions

The Group made two acquisitions during the year for a total consideration of £23m on a cash free, debt free basis. CDT, a UK-based designer and manufacturer of customised plastic enclosures for electronic componentry was acquired in June 2022 and Magnasphere, a US-based designer and manufacturer of magnetic sensors and switches for industrial electronic applications was acquired in January 2023. Both businesses now operate within the Sensing & Connectivity division with CDT part of the Stortech connectivity cluster and Magnasphere part of the Variohm sensing cluster.

Each business has retained its distinct identity and high-quality management teams, and both have been integrated into the Group. Their complementary product ranges and wider access to customers is expected over time to create cross-selling opportunities in the Group's target markets and drive further growth.

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

Group Results Summary

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

After underlying adjustments for acquisition-related costs, profit before tax for the year on a reported basis increased by 70% to £29.1m (FY 2021/22: £17.1m) with fully diluted earnings per share on a continuing basis increasing by 115% to 21.7p (FY 2021/22: 10.1p). Fully diluted earnings per share for FY 2021/22 (including profits from the sale of discontinued businesses) was 26.3p.

Strong free cash flow of £33.0m, up 51% on last year represented 95% of underlying earnings, well ahead of the Group's 85% target despite strong organic sales growth requiring investment in working capital.

GROUP REVENUE

£448.9m

UNDERLYING OPERATING PROFIT

£51.8m

Net debt at 31 March 2023 was £42.7m (31 March 2022: £30.2m) and a gearing ratio of 0.7x, well below our target range of 1.5x to 2.0x, leaves considerable headroom for further earnings-accretive acquisitions.

Increased Dividend

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

The Board aims to maintain a progressive dividend policy along with a long-term dividend cover of over three times on an underlying basis. With continued growth of the Group, this is expected to enable funding of both sustainable dividend growth and a higher level of investment in acquisitions from internally generated resources.

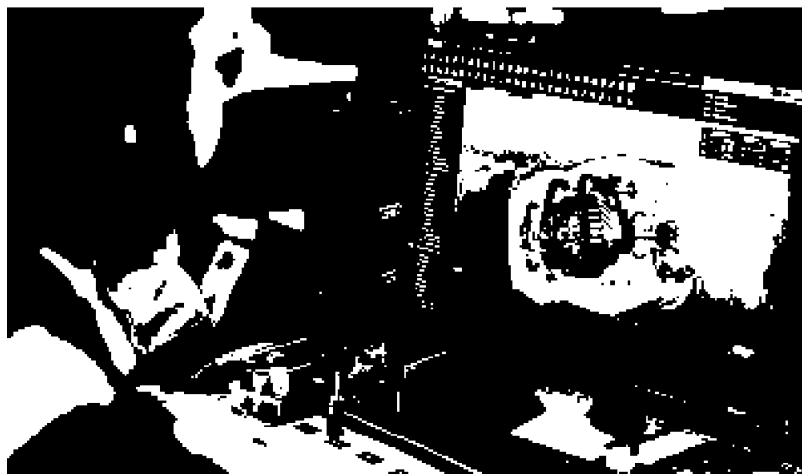
The final dividend is payable on 1 August 2023 to shareholders registered on 23 June 2023.

Employees and Culture

On behalf of the Board, I would like to thank everybody at discoverIE for their commitment, hard work, initiative and support. Throughout this year, they have continued to demonstrate their quality, capability and dedication.

The Group comprises approximately 4,700 employees in 20 countries around the world and, by adopting an entrepreneurial and decentralised operating environment, together with rigorous planning, controls and investment, the Group has created an ambitious and successful culture, with a commitment to increasing diversity across the organisation.

CHAIRMAN'S STATEMENT



**FULL YEAR DIVIDEND
PER SHARE**

11.45p

**10 YEAR TOTAL
SHAREHOLDER RETURN**

462%

We aim to achieve a culture across the Group that:

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

Board of Directors

On 1 November 2022, I was pleased to become Chair of the Group with Malcolm Diamond retiring from the Board after seven years. We extend our sincere thanks to Malcolm for his guidance and support in leading the Group through to the next stage of its development and wish him a very happy retirement.

Tracey Graham, a member of the Board since November 2015 and Chair of the Remuneration Committee, succeeds me as Senior Independent Director from the same date. Many thanks to Tracey for taking on this enlarged role within the discoverIE Group.

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

Summary

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

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

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

Bruce Thompson
Chairman

7 June 2023



Our ambition: to create innovative electronics that make a positive difference, contributing to a better future



Our aim is to have a positive impact...

Incorporating proven technology

Our products are based on proven technologies, which is the key to creating successful and reliable products. The challenging task is applying such technology to meet the requirements of a specific application. This requires deep understanding of the application itself as well as the technology. Our team of

electronics, mechanical, and software engineers have in-depth knowledge of the technologies and a wealth of experience in applying them. They work hand-in-hand with our customers' engineering or R&D team to find the best solution for the application.



Working with customers to maximise our impact

Application 1: we worked with wind systems OEMs across the globe. Our liquid-cooled transformers measure and control the generator system, filtering the converted power before it is fed into the grid. Each year we supply over 13,000 of these units for over 4,000 wind turbines, which can generate up to 18 Gigawatts of green energy a year.



Application 2: building charging infrastructure to support the increasing number of electric vehicles plays an important part in the transition to a low carbon economy. We design the magnetic components for rapid charging solutions or hypercharging. Based on well proven electromagnetic technology, a hypercharger is more than three times faster than normal chargers and its DC-to-DC charging allows the removal of the inverter from the vehicle, which reduces its weight and cost.



Turn the page to see how we are:
Delivering highly customised products





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

➔ Read more about how we contribute to the UN Sustainable Development Goals on pages 54 to 55

Our specialist products are customised to ensure optimal operational efficiency for the end user

Magnetic components for power supply



Application

Nebuliser for administering medication directly into the airway and lungs.

Benefits

We design the magnetic components for mini internal power supplies in this nebuliser, enabling patients to inhale up to six times more medication in the same timeframe. It results in faster symptom control and fewer hospital admissions.

Target market



Medical

Sensors for temperature control



Application

Temperature control in cell incubators.

Benefits

We design and produce fully customised ring terminal temperature probes for cultured cell incubators. The temperature sensors are designed to ensure a homogenic temperature environment. The improved temperature control on the device allows best results in efficiency and yield for the incubator's end user.

Target market



Medical



Industrial & Connectivity

Pressure transmitter



Application

Hydrogen-based power train for zero emission buses.

Benefits

We design and supply pressure transmitters for this application, which allow the use of hydrogen-fuelled buses instead of those run on traditional fuels. This enables buses to operate with zero emissions, contributing to the reduction of greenhouse gas emissions and the UK government's target to be net zero by 2050.

Target market



Renewable energy



Transportation

Our product range is expanding as we continue to acquire businesses that are leading in their field of niche applications

We are also looking for new technology platforms that will complement our existing businesses while bringing products, technical and geographic strengths to the Group.

- We have acquired 21 businesses since 2011. They all share the discoverIE DNA, but are based on different technology platforms.
- They can be grouped into four technology areas: magnetics, embedded computer & interface controls, sensing, cable & wireless connectivity.
- Based on these technologies, we customise and develop new applications to meet specific requirements.

Turn the page to see how we are serving vital markets



13



...
**vital markets
contributing**

**Sustainable
world.**

Big power
transformer
for regulating
the energy
generated by
wind turbines



We focus on four target markets with structural growth, driven by mega trends

Growth in our target markets is driven by mega trends, such as decarbonisation, electrification, and digitalisation. Read more about these mega trends on pages 20 to 22

Renewable Energy



Why is it important

In order to orchestrate a global shift towards electricity as a main source of power, and transition to a low carbon economy, the majority of new electricity capacity must come from sustainable sources, such as wind and solar.

The role we play

We play an important part in the transition to renewable energy by creating components that enable the transmission of wind and solar power, minimising energy loss during transit.

Our components also go directly into products that are used to generate electricity from renewable sources.

Medical



Why is it important

The use of electronic devices is on the rise in healthcare to provide enhanced patient care, diagnostics and non-invasive surgeries. This is driven by the rise in chronic diseases, an ageing population and improved access to healthcare.

The role we play

Our products are often critical parts in medical equipment and devices, such as a processing system for x-ray scanners and the fully sealed control panel for ultrasound machines. We create electronics that enhance the quality of life for people and improve the quality of care delivered by healthcare providers.



Transportation



Why is it important

Transportation is one of the largest sources of CO₂ emissions. Driven by decarbonisation and urbanisation, there is a growing demand for electrifying transportation. This includes both personal vehicles and mass transportation, such as trains and buses, as well as specialist and commercial vehicles.

The role we play

We help our customers create products that assist with the electrification of transportation. From magnetic components for rail control to pressure sensors for hydrogen buses, our products touch on different aspects of many transportation means, and they are designed to be long-lasting and energy efficient. We also retrofit trains and ships with the latest and more efficient power systems.

Industrial & Connectivity



Why is it important

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

The role we play

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



Read more about our target markets on pages 20 to 25



INVESTMENT CASE

01

growth markets

Increasing electronic content and electrification of products and processes drive demand for electrical and electronic components. We prioritise four markets that are driven by megatrends and are aligned with UN Sustainable Development Goals.

Predicted growth in our target markets

Target markets:

Renewable energy, Transportation, Medical, and Industrial & Connectivity

02

product offering

Niche and customised electronic solutions for applications based on proven technologies, designed to meet customers' unique requirements. We manufacture and supply the engineered components throughout the life of the end products.

Longest customer relationship

Key facts:

Long-lasting customer relationships and stable, repeat revenue

03

strategy for growth

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

Revenue growth¹ of

CAGR FY2018-FY2023

04

financials

Sustainable, profitable growth and excellent cash generation. The strong balance sheet with a gearing of well below our 1.5x-2x target allows ample headroom for further acquisitions.

Underlying operating profit growth¹ of

CAGR FY2018-FY2023

Free cash flow conversion² of

on average over the five years to FY2023

05

shareholder return

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

Dividend growth of

CAGR FY2013-FY2023

Total shareholder return of

FY2013-FY2023

Continuing operations only (excluding Vertec SA and Acal BFI, which were sold in January 2022 and March 2022, respectively)

¹ Free cash flow conversion is defined as net cash flow before dividend payments, net proceeds from equity fund raising, acquisition costs and business disposal proceeds divided by underlying profit after tax.

➔ Read more about our financial performance on pages 30 to 31





BUSINESS MODEL

Our business model is simple. We design and manufacture niche electronic components for industrial original equipment manufacturers, operating in growth industrial markets

In a large global market, we focus on applications where our niche and customised products help customers create ever better technical solutions.

Our resources and key enablers

Our people

We employ c. 4,700 colleagues worldwide. Many of them are long-serving and have a high level of technical knowledge and experience in their fields. We encourage local employment and talent development so that our colleagues understand the market where they operate.

Our expertise

We have been active in the electronics market for over three decades and have accumulated a vast amount of expertise and knowledge. Our team of electronics, mechanical and software engineers have in-depth knowledge of our core technologies and experience of different applications. This allows us to quickly develop new products in response to changing requirements.

Our intellectual property

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

Our manufacturing capability

We have 32 manufacturing facilities in 20 countries, including China, India, Mexico, Poland, Sri Lanka, Thailand, the Netherlands, the UK and the USA, producing high-quality products consistently and reliably in locations close to our customers.

Our financial strength

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

Our sustainable mindset

Our purpose and values provide a clear framework for decision making. We strive for the highest performance and ethical standards, while making a positive difference to the world and people's lives.

What we do

Our main activity is designing and manufacturing specialised electronic components for industrial applications. Core to our value proposition is the understanding of our customers' design challenges, the design and manufacture of engineered products to meet their needs, and ensuring reliable supply throughout the life cycle of the end system.

Our core activities



Design and customise products

We work closely with our customers, original equipment manufacturers, to develop better solutions to solve their technical challenges. This often requires adaptations of standard products or completely new ones.



Manufacture customised products

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



Deliver globally

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

Our Values



Integrity



Quality



Empowerment



Collaboration



Positive impact

→ Read more in Our Purpose and Values on page 2



How we do it differently



Bespoke product design

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



Strong customer relationships

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



Sustainable approach

We are committed to sustainability in all aspect of our operations. We design products that are energy efficient and/or performance enhancing. They are designed to be long-lasting and do not require regular service or replacement. We are constantly improving our operational efficiency. We target sustainable markets that are aligned with UN SDGs. We recognise that sustainability is a shared responsibility. We work with our customers to help them achieve their sustainability goals while working to achieve our own.

The value we create

Customers

Quality, reliability and efficiency

100%

On time, in full delivery target

Employees

Empowering and collaborative culture and a clean, healthy and safe environment

90%

employee retention

Shareholders

Attractive returns and growth opportunities

462%

ten-year total shareholder return

Our financial model

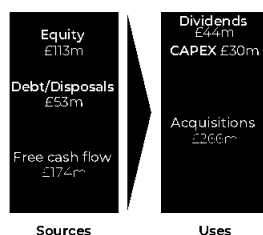
Low capital requirements and carbon emissions

Customised and niche products require a high mix production model, in turn requiring a manual or semi-automated production system. The capital investment requirements for this are relatively low, as is the carbon footprint.

Combined with disciplined capital allocation

£174m of free cash flow (before CAPEX) over the last six years, which has been fully deployed in support of the Group's growth strategy.

Total capital allocation FY2018 – FY2023



Communities

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

£20m

tax and social security contribution

Suppliers

Reliable partnership and shared knowledge

Our sustainability focus areas

Our Planet



Our People



Our Products



➔ Read more on Our Sustainability Strategy on pages 56 to 57



MARKET OVERVIEW

Mega trend: Decarbonisation

Decarbonisation

Many countries have set ambitious targets and implemented comprehensive strategies to transition to low-carbon and sustainable pathways. The European Commission introduced the EU Green Deal in 2019 to make the bloc climate-neutral by 2050. The United States launched its own version of the "green deal", the Inflation Reduction Act of 2022. It is estimated that around US\$275 trillion of cumulative spending on physical assets will be needed globally over the next three decades to meet the 2050 net zero goal, and most of the increase will be in the next 10-15 years¹. This is equivalent to US\$9.2 trillion in total annual spending. The global decarbonisation efforts will drive the demand for sustainable solutions across various industries.

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

How we are responding

Global decarbonisation offers significant opportunities to discoverIE. We are leveraging our expertise and product portfolio to meet the growing demand for products that enable renewable energy generation, energy efficiency, electric mobility and smart infrastructure, meanwhile continuing to expand our product offerings in line with the requirement for decarbonisation. This involves investing in both new product development and acquisitions to broaden our range of sustainable solutions, as well as increasing our manufacturing capacity. In the last two years, we have added capacity in the Netherlands, India and Mexico for the growing demand for solar and wind components.

Apart from developing products that cater for the demand of sustainable electrical and electronic components, we also proactively work with our suppliers to ensure they meet sustainability criteria, such as responsible sourcing and ethical practices. This will strengthen our competitive advantage and further differentiate ourselves from our competitors. Additionally, by actively participating in global decarbonisation efforts and emphasising our commitment to sustainability, we aim to be a leading player in the transition towards a low carbon future.

Key statistics

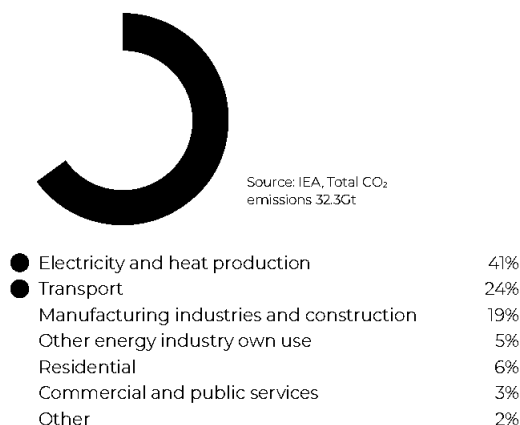
62%

of the EU's electricity is expected to be from wind and solar by 2030²

9% CAGR

growth in renewable power generation between 2023 and 2025³

Global fossil fuel emissions by source



Applicable markets

- Renewable energy
- Transportation
- Industrial & Connectivity



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

² McKinsey & Co: How the European Union could achieve net-zero emissions at net-zero cost, December 2020

³ International Energy Agency: Electricity Market Report 2023 <https://iea.blob.core.windows.net/assets/255e9c8a-da84-4681-8c1f-458ca1a3d9ca/ElectricityMarketReport2023.pdf>

Mega trend: Electrification

Electrification

Electrification is not only required for achieving net-zero emissions, but also for improving efficiency and productivity. Through 2030, nearly two-thirds of emissions reduction in the European Union could be achieved with energy efficiency and electrification⁴. In addition to electrifying personal vehicles, other markets will benefit from this mega trend:

- **Smart grid and energy management** – technologies optimise energy distribution, improve grid reliability and facilitate the efficient utilisation of electricity
- **Industrial electrification** – includes electrifying equipment and processes, which enable automation, heating and cooling systems
- **Transportation electrification** – for mass transportation, such as railways, overhead cables would need to be installed on high-use routes, and the remaining lines would use fuel cells or electric trains with battery extenders. In 2020, just over half of the EU's railway systems were electrified. Ships would require retrofitting to be powered by electricity
- **Building and home automation** – includes smart appliances, connected devices and automation solutions that enhance energy efficiency, comfort and sustainability
- **Agriculture** – includes electrified irrigation systems, farm equipment and other agriculture processes. Electric-powered machinery and electrified systems in agriculture contribute to efficiency gains and sustainability improvements

How we are responding

Mass electrification presents significant opportunities for us. The successful implementation of electrification initiatives across different sectors relies on effective power management and electronic components to provide efficient and reliable control over electrical power and enable the integration of electrified equipment and processes.

Of these various markets, we see three that are particularly relevant to our current capabilities – industrial electrification, transportation, and energy management. Our electronic components, such as power control, sensors, actuators, switches and circuit protection devices, play a crucial role in electrification by enabling the control, monitoring, and communication of electrical systems. They are used in various applications, ranging from power electronics and motor control to energy management and automation.

Additionally, as electrification expands, there is a growing need for advanced electromagnetic-based power electronics, such as inverters, converters, and DC-DC converters, which facilitate the conversion and management of electrical power between different systems and devices. Our magnetics products are vital in niche applications, such as renewable energy systems, EV charging infrastructure, grid integration and energy storage.

Key statistics

45%

industrial process electrification by 2035 target set by US manufacturers⁴

8.9% CAGR

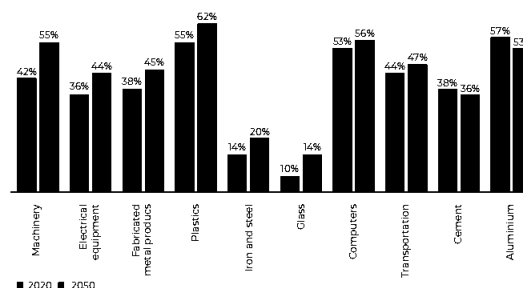
growth in the global electrification market between 2023 and 2032⁵

Applicable markets

- Renewable energy
- Transportation
- Industrial & Connectivity



Change in electricity adoption by sector



Source: US Energy Information Administration.

⁴ Deloitte: Electrification in industrials, 2020

⁵ Precedence Research: Electrification Market 2022

MARKET OVERVIEW

Mega trend: Digitalisation

Digitalisation

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

- **Telecommunications and connectivity** – digitalisation relies on robust telecommunications infrastructure and connectivity. This involves high-speed internet services, mobile networks, fibre optic infrastructure and wireless technologies, which stand to benefit from the increasing demand for connectivity and data transmission.
- **Industrial digitalisation or Industry 4.0** – this is the integration of digital technologies and advanced analytics into industrial processes, manufacturing, and supply chains. It involves connecting machines, equipment and sensors to collect real-time data, enabling better monitoring, analysis and optimisation of operations. Key aspects of industrial digitalisation include the Internet of Things (IoT) and connectivity, artificial intelligence (AI) and data analytics, cloud computing, robotics and automation, and digital twins.
- **Healthcare technology** – advancements in technology, increasing healthcare needs, a growing ageing population, and the rising prevalence of chronic diseases have all contributed to the growth of health tech. This includes wearable devices, remote patient monitoring solutions, smart implants, smart inhalers and portable diagnostic devices. The adoption of these devices is driven by the demand for personalised healthcare, patient empowerment, and the integration of healthcare with digital platforms and systems.

How we are responding

Electronic components, including power control, sensors, transceivers, switches, fibre optics and wireless modules, are vital for establishing and maintaining connectivity in digital ecosystems. These components enable signal processing, data acquisition, control, network infrastructure and IoT connectivity, supporting the integration and interoperability of digital devices and systems. Moreover, digital systems require a stable and reliable power supply. Power electronics, such as voltage regulators and power distribution units, ensure that digital devices and equipment receive the appropriate voltage and current levels for optimal performance.

In the last couple of years, we have grown our capabilities in connectivity and control through the acquisitions of Antenova and Beacon EmbeddedWorks. Antenova is a designer and manufacturer of antennas for industrial IoT applications, whereas Beacon is a full service provider of embedded System-on-Modules (SOMs) solutions with a primary focus on the medical sector. Additionally, the acquisition of Magnasphere in January 2023 has provided the Group with secure sensing and switching products.

Applicable markets

- **Medical**
- **Transportation**
- **Industrial & Connectivity**



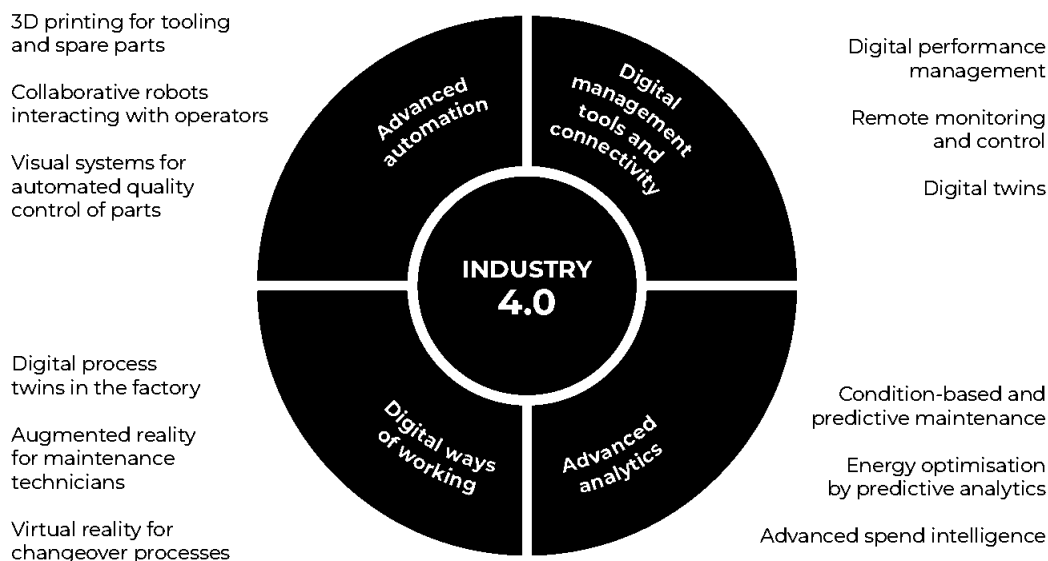
Key statistics

**US\$460 –
1,290 billion**
estimated economic value of IoT in
manufacturing by 2030⁶

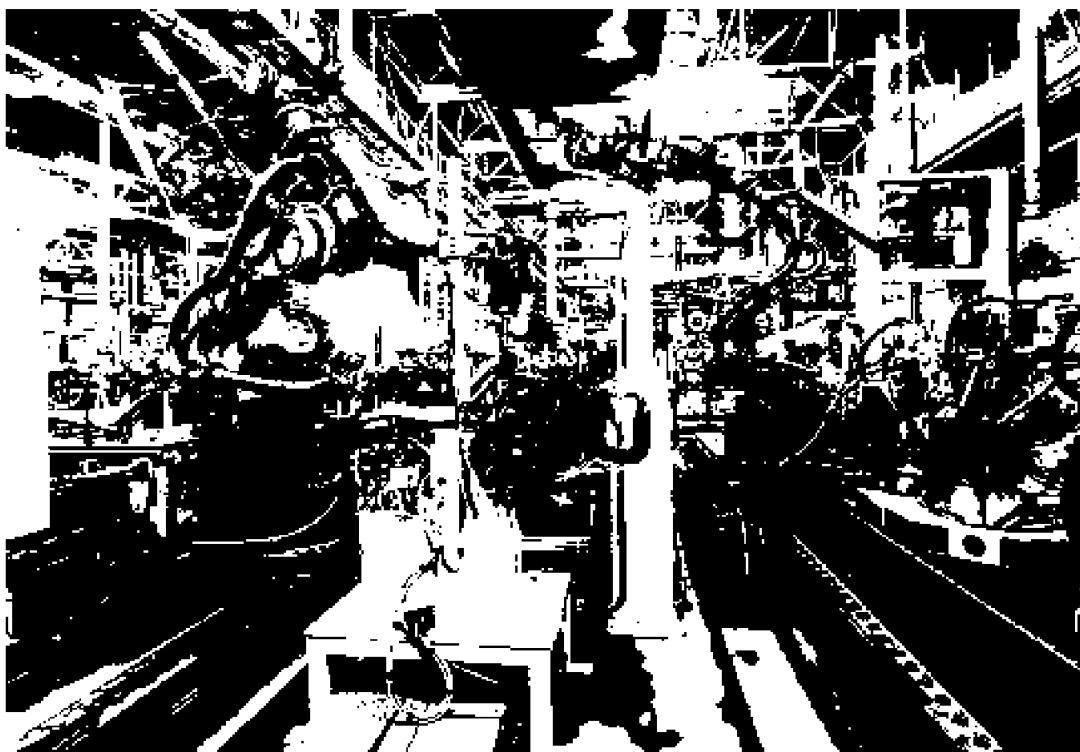
⁶ McKinsey & Co: The Internet of Things – Catching up to an accelerating opportunity November 2021



Core Industry 4.0 technologies already enable a multitude of use cases across industries



Source: McKinsey analysis



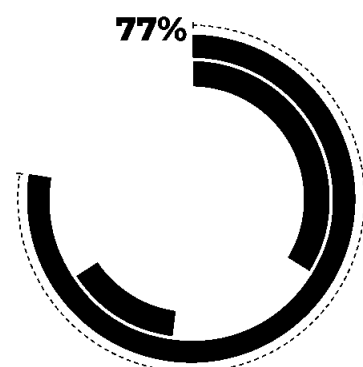


MARKET OVERVIEW

Our target markets

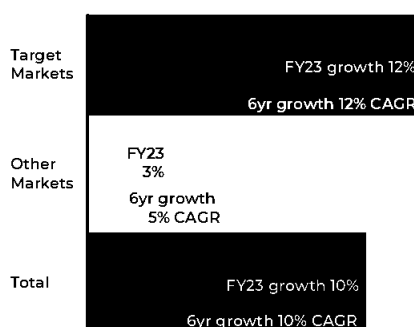
We focus on four target markets, which account for 77% of Group revenue: renewable energy, transportation, medical and industrial & connectivity. These are expected to drive the Group's organic revenue well ahead of GDP over the economic cycle. Growth in these markets is driven by global macro trends, such as the need for renewable sources of energy, electrification of transportation systems, an ageing affluent population and expanding infrastructure.

Revenue from target markets
% of total revenue



- Industrial & Connectivity
- Medical
- Renewable energy
- Transport
- Other

Organic growth by market



Trend	Technological applications	Our solutions
Decarbonisation ■ Renewable energy 9.0% CAGR growth in renewable power regeneration between 2023-2025⁷ ■ Transportation 10.2% CAGR growth in smart transportation market between 2021-2030⁸ ■ Industrial & Connectivity 8.6% CAGR growth in industrial automation market between 2022-2030⁹	■ Increasing scale of wind turbines ■ Smart grid and energy efficient technology ■ Sensing technology ■ Solar technology	■ Power & Magnetics ■ Liquid-cooled power reactors and transformers for wind power systems ■ Control systems and displays ■ Systems to monitor and control power transmission ■ Smart control panels for indoor climate control ■ Sensing & Detection ■ Encoders in solar trackers to obtain reliable positioning of tilt and azimuth angles ■ Encoders for harsh environments in wind energy ■ Connectors & Communications ■ DC isolators and DC/AC power inverters for solar power ■ Safety switches for railways

⁷ International Energy Agency: Electricity Market Report 2023 <https://iea.blob.core.windows.net/assets/255e9c3a-da84-4681-8c1f-458ca1a3d9ca/ElectricityMarketReport2023.pdf>

⁸ Allied Market Research: Smart transportation market <https://www.alliedmarketresearch.com/smart-transportation-market>

⁹ Precedence Research: Industrial automation market <https://www.precedenceresearch.com/industrial-automation-market#:~:text=The%20global%20industrial%20automation%20market,USD%2058.7%20billion%20in%202022.>



Trend	Technological applications	Our solutions
Electrification ■ Renewable energy 14.7% CAGR growth in smart grid market between 2022-2030¹⁰ ■ Transportation 8.3% CAGR growth in transportation electrification market between 2022-2029¹¹ ■ Industrial & Connectivity 10.6% CAGR growth in global industrial electrification 2022-2030¹²	■ Sensing technology ■ Smart charging ■ High speed rail ■ Electrification of mass transportation ■ Retrofitting electric systems	Power & Magnetics ■ E-Mobility charging infrastructure (EV, eBus, marine and commercial vehicles) ■ Retrofitting electric systems for ships and manufacturing equipment ■ Traction transformers for railway rolling stock applications Control Systems & Displays ■ Ruggedised CPU modules and carrier boards for automatic guided vehicles ■ Master controllers for trains Sensing & Detection ■ Pressure sensors for hydrogen-fuelled e-Bus ■ Temperature sensors for monitoring industrial heat processes Connectors & Communications ■ Circuit breakers and services for ships ■ Battery isolation switches for trains
Digitalisation ■ Medical 15.4% CAGR growth in smart medical devices market 2022-2031¹³ ■ Transportation 10.2% CAGR growth in smart transportation market between 2021-2030¹⁴ ■ Industrial & Connectivity 16.3% CAGR growth in Industry 4.0 market 2022-2029¹⁵	■ Artificial intelligence and machine learning ■ 5G technology ■ Big data and analytics ■ Sensing technology ■ Automation and robotics	Power & Magnetics ■ Built-in transformers and inductors for MRI scanners Control Systems & Displays ■ Single board computers for electrocardiographs ■ Optical implants for restoring vision to the visually impaired ■ Wireless hand-held emergency defibrillator Sensing & Detection ■ Light detectors for harmful gas emissions ■ Linear and rotary potentiometers for steering systems and throttle position in engines of agricultural vehicles ■ X-ray detectors for bone density measuring x-ray scans Connectors & Communications ■ Wireless antennas for robotic control ■ Signal transmitters for crop monitors

¹⁰ Market Research Future: Smart Grid Market Report <https://www.globenewswire.com/en/news-release/2022/09/28/2524402/0/en/Smart-Grid-Market-Worth-USD-108-92-Billion-at-a-14-7-CAGR-by-2030-Report-by-Market-Research-Future-MRFR.html>

¹¹ Maximize Market Research: Transportation Electrification Market <https://www.maximizemarketresearch.com/market-report/global-transportation-electrification-market/96601/>

¹² Custom Market Insights: Global Industrial Electrification Market <https://www.custommarketinsights.com/report/industrial-electrification-market/>

¹³ Allied Market Research: Smart Medical Devices Market Research 2031 <https://www.alliedmarketresearch.com/smart-medical-devices-market-A17644>

¹⁴ Allied Market Research: Smart transportation market <https://www.alliedmarketresearch.com/smart-transportation-market>

¹⁵ Fortune Business Insights: Industry 4.0 Market Size <https://www.fortunebusinessinsights.com/industry-4-0-market-102375>

OUR STRATEGY



“With a proven business model and a clear strategy focused on long-term, high quality, and structural growth markets, we are well positioned in a changing world.”

Nick Jefferies
Group Chief Executive

Our strategic aim

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

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

Our strategic priorities

Over the years, we have pursued a clear strategy, investing in initiatives that enhance design opportunities for customised products and targeting niche, structural growth markets. The sale of the Custom Supply distribution business in 2022 completed the Group's transition to a specialist electronics engineering business, focusing wholly on the design and manufacture of niche electronics.

Impact of climate change

Climate change presents a different set of challenges and opportunities to our business. Based on our initial assessment in 2021, we concluded that our business model and strategy remained resilient in the face of climate change. To understand the financial impact of climate-related risks and opportunities on the Group, we conducted further analysis in 2022.

The results have reaffirmed our previous finding, that is, the net financial impact of the climate-related risks and opportunities to the Group is immaterial as the costs incurred in mitigating such risks are more or less offset by the benefits arising from the opportunities.

However, we also recognise that climate change remains a threat to the Group's assets in the long term and that there are growing expectations amongst

our stakeholders that we, as a responsible corporate citizen, address climate risks in our business operations. Therefore, we have prioritised climate-related risks as a principal risk and manage it as such. Climate change is now considered in many aspects of how we manage our business, from strategic and financial planning to capital investment and acquisitions to remuneration. It is fully embedded in our operations.

Our net zero plan and SBTi-aligned targets announced in November 2022 demonstrate our long-term commitment to tackle this issue, and we are already making good progress. More details on the scenario analysis and our progress can be found in the TCFD Report on pages 69 to 80 and 84.



Our strategy has four strategic priorities:

Strategic priorities	Progress to date	Link to key strategic indicators	Link to risks
 Grow sales well ahead of GDP through the economic cycle by focusing on structural growth markets, namely renewable energy, transportation, medical, and industrial & connectivity. Each of these markets is predicted to grow faster than global GDP. Read more about our target markets on pages 15 and 16 and 20 to 25.	The Group has delivered on average 10% annual organic growth per annum over the last five years. Target markets have grown well ahead of wider markets, even during the pandemic. Sales into the target markets as a proportion of the Group sales have increased from 56% in FY2017 when it was first measured to 77% in FY2023. We aim to achieve 85% sales from the target markets by FY2025.	B C	1 4 5 7 8
 Move up the value chain where operating margins are higher. We aim to achieve this by improving efficiency and leveraging synergies amongst our operating businesses, as well as through acquisitions.	The Group's underlying operating margin has more than tripled since FY2014 to 11.5% in FY2023. In March 2022, the sale of the lower margin Custom Supply distribution business was completed.	A	2 4 5 6 7
 Acquire high quality businesses with attractive growth prospects and strong, sustainable margins. In a fragmented market, opportunities exist to acquire certain manufacturers of customised products for the Group's common customer base. We have a clear approach to acquisitions, and the target businesses must have discoverIE DNA.	The Group has acquired 21 design and manufacturing businesses over the past 11 years, investing a total of £375m. The businesses that have been part of the Group for more than two years have delivered an average EBIT return on investment of 21% in FY2023.	A B C D	1 2
 Further internationalise the business by expanding in North America and Asia. Having started as a British business, the Group has established a strong footprint in Europe over the years. While we continue to strengthen our position in Europe, we are also expanding our operations in North America and Asia where demands for our products are fastest growing. Further diversification of the Group's portfolio helps to increase the Group's resilience.	We have grown sales outside Europe from 5% of total Group sales in FY2014 to 40% in FY2023 through a combination of organic expansion and acquisitions.	B	1 2 7

Key strategic indicators

- | | | | |
|---|------------------------------------|------------------------------|------------------------------------|
| A Increase underlying operating margin | B Build sales beyond Europe | C Target market sales | D Carbon emission reduction |
|---|------------------------------------|------------------------------|------------------------------------|

Risks

- | | | | |
|--|---|----------------------------------|----------------------------------|
| 1 Instability in the economic environment | 2 Business acquisitions underperformance | 4 Loss of major customers | 5 Loss of major suppliers |
| 6 Technological changes | 7 Major business disruption | 8 Cyber security | |

STRATEGY IN ACTION

Case Study

Contributing to a sustainable future

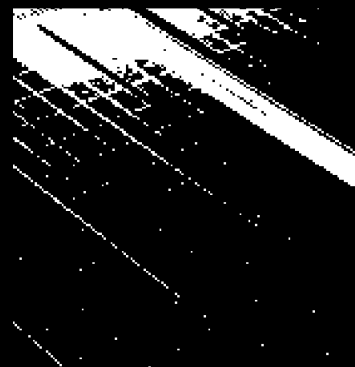
Greenhouse gas emissions are a global challenge, and transitioning to a low carbon economy has become urgent. At discoverIE, we contribute through our products by helping others to reduce their emissions and through our operations by reducing our own.

In November 2022, we announced our commitment to reach net zero emissions by 2040 and published a plan to achieve the medium-term goal – net zero emissions for Scope 1 & 2 by 2030. Further details of the plan can be found in the Sustainability Report.

Purchased electricity emissions make up over three-quarters of the Group's total Scope 1 & 2 emissions. Tackling this, therefore, is our top priority. In addition to switching to renewable or clean energy sources, we are also installing solar panels where feasible and economically attractive. One such project is the solar rooftop system

at the Flux Thailand facility, which houses c.300 employees. The project will generate 380kWh of power a year, enough to cover the site's electricity needs. The solar system is now completed and fully operational. The payback period for this project is less than four years.

In addition to saving electricity and reducing peak demand charges, the solar system also lowers roof temperature, which, in turn, reduces electricity demand in air-conditioned areas and makes the working environment in non-airconditioned areas (such as warehouses) more comfortable for employees. This was an additional benefit that was difficult to measure financially but provided a valuable contribution to the well-being of our workforce.



Solar rooftop system installed at the Flux Thailand factory

As part of our net zero plan, we have also installed solar panel systems in our largest facility – the Sri Lankan factory. Furthermore, two more sites in Hungary and The Netherlands are currently undertaking feasibility studies.

Case Study

Investing in organic growth

Growing well ahead of GDP is one of our strategic priorities. Growing organically is as fundamental and important to our strategy as growing through acquisitions. We drive organic growth by investing in engineering and manufacturing capabilities and capacities.

Each year, we invest around 2% of the Group's revenue in our manufacturing capabilities, of which approximately half are expansionary, and another c.2% in product development. These investments have supported the Group's strong organic growth. In the last five years, we delivered 19% revenue growth each year, 10% of which was achieved organically.

One of the most recent examples is the new manufacturing facility at Cursor Controls. Cursor is a leading designer and manufacturer of high-performance human machine interface solutions

designed for operating in harsh environments. Since joining discoverIE in October 2018, Cursor Controls has experienced rapid growth, doubling its revenue in the last five years. To support the next phase of Cursor Controls' ambitious development strategy, we invested in additional manufacturing facilities and a new, fully automated PCB line during the year. These have significantly increased Cursor Controls' PCB assembly capability and manufacturing capacity, which the Group's other operating businesses could leverage.

Since 2019, we have also invested heavily in digital transformation across our operating businesses, implementing cloud-based Enterprise Resource Planning ("ERP") solutions that enable operational optimisation and provide a platform for future growth. By the end of FY2023, three operating businesses,



New PCB line at Cursor Controls' new manufacturing facilities

including a cluster, have migrated to various new ERP systems, and a further one is underway. To assist our operating businesses' digital transformation, we established the Global Technology Services team during the year, with increased resources for system implementation, network infrastructure and project management.

Case Study

Growth through acquisitions

Acquisition is an essential part of our growth strategy.

Since the acquisition of our first design and manufacturing business in 2011, we have invested a total of c.£375m in acquisitions, of which c.£250m was in the last five years alone. All of the 21 businesses we have acquired are still with the Group today. The 17 businesses¹ that have been with the Group for over two years, have delivered an average EBIT return on investment² of 21% in FY2023, well above our target of 15%.

Acquisition FY2023 EBIT ROI²



Return on investment of acquisitions with ownership longer than two years

¹ All businesses excluding those acquired after FY2022, i.e. Beacon, Antenova, CDT and Magnasphere

² Return on investment (ROI) is defined as annualised operating profit attributable to the business in the year over total acquisition cost, including upfront consideration, acquisition expenses, earn-out and integration costs

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

We add value by supporting them through growth and optimising operating efficiency. Noratel is an excellent example of how we add value. Noratel is a global designer and manufacturer of electromagnetic components, specialising in medium and high power transformers and reactors. Since joining the Group in July 2014, Noratel has nearly doubled its sales while increasing its operating margin from 10% to 15%. It is more efficient, with the return on capital employed doubling and working capital halved in the same period.



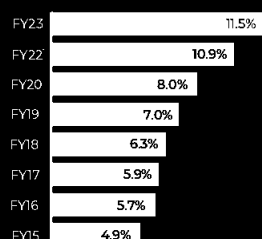
All these were the result of the Group's development initiatives, such as developing a long-term strategic plan, upscaling production facilities (including a new facility in India) to support growth,

rationalising the manufacturing footprint, optimising working capital and upscaling the management team, including the transition to a new CEO in 2019.

KEY STRATEGIC INDICATORS

A Increase underlying operating margin

Medium Term Target

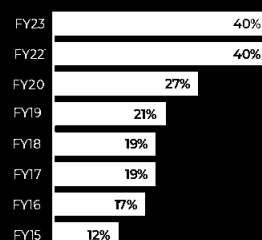


Underlying operating profits as a percentage of sales

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

B Build sales beyond Europe²

FY25 Target

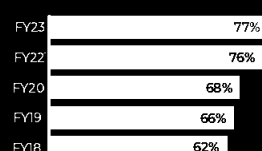


Sales in the Americas, Asia and Africa. Excludes the UK and the rest of Europe

Sales beyond Europe for the year remained at 40% of Group revenue with strong organic growth in the US of 18% being offset by a 6% organic reduction in Asian demand. This is expected to increase next year with the annualisation effect of the acquisition of the US-based Magnasphere in January 2023.

C Increase target market sales²

FY25 Target



The proportion of Group revenue that is derived from sales into our target markets

Target market sales in the year increased by 1ppt to 77% of Group revenue (FY 2021/22: 76%). The target is 85%, which includes the effect of incoming acquisitions, which tend to have a lower proportion at the outset. The FY 2024/25 target remains as 85% of sales from target markets.

D Reduce carbon emissions³

CY25 Target



The absolute reduction in carbon emissions from the Group's operations from the CY2021 base year

In CY2022, we achieved a like-for-like reduction of 66% in Scope 1 & 2 intensity against the CY2019 levels, two years ahead of the 50% intensity reduction by CY2025. As a result, in November 2022, we upgraded our carbon reduction target for CY 2025 to an absolute reduction of 65% from a base in CY 2021. This is on the path to achieving net zero by CY 2030 for Scope 1 & 2 (SBTi aligned) and by CY 2040 for Scope 3. For CY 2022, carbon emissions had reduced by 35% on an absolute basis since 2021, and by 55% on a like-for-like basis since CY 2019.

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

² As a percentage of Group revenue

³ The reported figure was 19.23% reduction in 2020. It was reduced to 6% after adjusting for the effects of Covid to provide an underlying measure

KEY PERFORMANCE INDICATORS

1 Sales growth

Target **Well Ahead of GDP**

CER

FY23	15%
FY22 ¹	27%
FY20	8%
FY19	14%
FY18	11%
FY17	6%
FY16	14%
FY15	36%

Continuing Organic

FY23	10%
FY22 ¹	14%
FY20	5%
FY19	10%
FY18	11%
FY17	(1)%
FY16	3%
FY15	9%

Commentary

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

2 Underlying EPS growth

Target **>10%**

FY23	20%
FY22 ¹	20%
FY20	11%
FY19	22%
FY18	16%
FY17	13%
FY16	10%
FY15	31%

Commentary

Underlying EPS increased by 20% from 29.4p last year to 35.2p this year and by 25% CAGR since FY2017/18, excluding the Covid year.

3 Dividend Growth

Target **Progressive**

FY23	6%
FY22 ¹	6%
FY20	6% ²
FY19	6%
FY18	6%
FY17	6%
FY16	6%
FY15	11%

Commentary

The proposed final dividend is being increased by 6%, continuing our progressive policy whilst providing for a higher proportion of investment in acquisitions from internally generated resources. This progressive policy has seen a more than doubling of the dividend per share since 2010, whilst dividend cover on an underlying basis increased to 3.1x for the year.

4 ROCE³

Target **>15%**

FY23	15.9%
FY22 ¹	14.7%
FY20	16.0%
FY19	15.4%
FY18	13.7%
FY17	13.0%
FY16	11.6%
FY15	12.0%

Commentary

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

5 Operating profit conversion³

Target **>85% of underlying operating profit**

FY23	94%
FY22 ¹	101%
FY20	106%
FY19	93%
FY18	85%
FY17	136%
FY16	100%
FY15	104%

Commentary

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

6 Free cash conversion³

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

FY23	95%
FY22 ¹	102%
FY20	104%
FY19	94%

Commentary

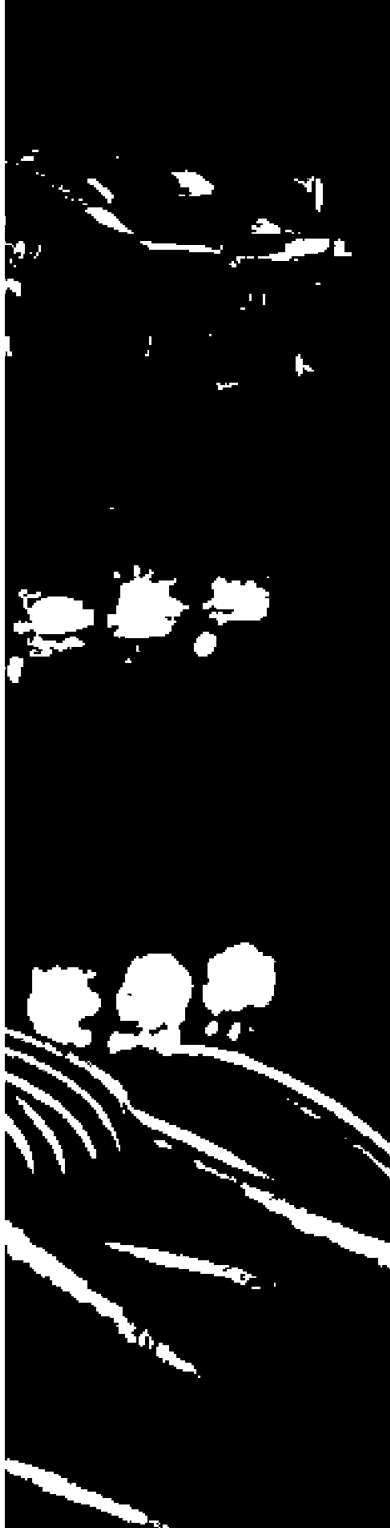
Free cash conversion has also been very strong at 95% of underlying net profit, ahead of our 85% target.

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

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

³ Defined in note 6 of the Group financial statements

STRATEGIC AND OPERATIONAL REVIEW



“We have made good progress towards our medium-term goals, with excellent sales growth and significant efficiencies resulting in 20% growth in underlying EPS.”

Nick Jefferies
Group Chief Executive

A year of further strong progress

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

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

Group sales increased by 18% overall in the year, driven by organic growth of 12% in our target markets (which now account for 77% of Group sales). Organic sales growth in the year was widespread across businesses and countries, with the UK increasing by 11%, Germany by 23%, the Nordic region by 12%, other European countries by 11% and the US by 20%. Following several years of strong growth, China reduced by 11% with Asia reducing by 6% overall. Expansion of production

capacity commenced during the year in India, Germany and the UK, all of which are expected to be operational in FY 2023/24. Production in California and Arizona is in the process of being transferred to Mexico.

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

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

Positioned well in a changing world

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

- **Essential products:** the Group's products are designed-in and essential for customers' applications whilst amounting to a small proportion of their overall system cost, thereby driving resilient gross margins.
- **Broad footprint:** a decentralised model with 32 manufacturing sites and operations around the world, able to support a diverse base of international and global customers and respond quickly to production requirements and movements.
- **Efficient supply chains:** our manufacturing uses a low proportion of bought-in components, the majority being manufactured in-house from raw materials and base components, reducing our exposure to external supply chain disruptions.
- **Low energy intensity operations:** the large majority of the Group's energy exposure is electricity and with operations mainly being manual or semi-automated, energy costs represent less than 1% of Group revenues, limiting the Group's exposure to energy price rises and operational disruptions.

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

Continued Progress with Sustainability and Social Responsibility

The Group provides innovative electronics that help customers create new technologies for a sustainable world. Applications which use our products help to, for example, produce clean power, reduce power consumption and increase efficiency, such as wind turbines for renewable energy, control units for rail systems and wireless and fibre optic communications. This focus on sustainability forms the core of our target markets which are aligned with the UN Sustainable Development Goals and where, through focused

initiatives, we aim to grow our revenues organically. These trends are reported in our key strategic indicators as target market sales. Additionally, the Group has reduced its focus on markets that are inconsistent with a long-term sustainability agenda.

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

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

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

i) Environmental

- Announced an SBTi aligned plan to achieve net zero for Scope 1 & 2 carbon emissions by 2030 and for Scope 3 by 2040;
- Further adoption of zero emissions electricity sources resulted in carbon emissions reducing on a like-for-like intensity basis by 66% since CY 2019 and on an absolute basis by 35% since CY 2021;
- Accelerated Sri Lanka solar panel installation project, with the remaining phases now complete, and fully operational, reducing Scope 1 & 2 Group emissions by 15%;
- Installation of solar panels at the manufacturing facility in Thailand completed and the systems are now fully operational;
- The number of sites that completed an energy audit increased from 53% to 63%;
- The percentage of electric vehicles in the Company fleet increased from 26% to 33%;

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

ii) Social

- Six more sites achieved ISO 45001 certification, including the Group's two largest sites by headcount, meaning that 48% of Group workforce now works in operations with ISO 45001 certification;
- Health & safety representatives increased by 79% to 229, giving a representative to employee ratio of 1:21 vs target of 1:50;
- Completed 16,250 hours of health & safety training (CY 2021: 5,500);
- The percentage of Group revenue covered by ISO 9001 increased from 87% to 92%;
- Provided assistance and cost of living support to employees at our Sri Lanka site during the political crisis.

iii) Governance

- Established Sustainability Committee of the Board, effective 1 April 2022;
- Introduced ESG-related objectives and targets into bonus schemes for executive management and operating businesses;
- Updated the Board Diversity Policy in June 2022 and issued a Sustainability Policy in May 2023;
- Adopted a new Sustainability Policy setting out the Group's sustainability commitments;
- Completed a detailed scenario analysis, and quantified the potential financial impact of climate change as required by TCFD reporting;
- Disclosed environmental data through the Carbon Disclosure Project for the first time, improving data transparency and benchmarking progress against global standards.

STRATEGIC AND OPERATIONAL REVIEW

A Proven Growth Strategy

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

The Group has been built through a focus on organic growth together with operational efficiency, alongside 21 carefully selected and integrated acquisitions over the past 12 years to create a focused, growth-oriented, higher margin design and manufacturing business. We have a well-developed approach to acquisitions and capital allocation, and see significant scope for further expansion with a number of opportunities in development.

The Group's strategy comprises four elements:

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

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

Focused on UN SDG-aligned Target Markets

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

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

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

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

Continued progress on Key Strategic and Performance Indicators

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

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

Key Strategic Indicators

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

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

² As a percentage of Group revenue.

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



The Group made further significant progress with its KSI's during the year:

- Underlying operating margin was 11.5% (H1: 11.5%, H2: 11.6%), an increase of 0.6ppts on last year (FY 2021/22: 10.9%). The Group benefited from strong organic sales growth during the year with operating leverage through efficiency gains and robust gross margins, and remains on track to achieve 13.5% in FY 2024/25. This target has now been raised to 15% in the medium term.
- Sales beyond Europe for the year remained at 40% of Group revenue with strong organic growth in the US of 20% being offset by a 6% organic reduction in Asian demand. This is expected to increase next year reflecting a full year's results of the US-based Magnasphere (acquired in January 2023).
- Target market sales for the year increased by 1ppt to 77% of Group revenue (FY 2021/22: 76%). The target is 85%, which includes the effect of incoming acquisitions which tend to have a lower proportion at the outset.
- In November 2022, we upgraded our carbon emissions target for CY 2025 from a reduction of 50% compared with a base in CY 2019 (on a like-for-like intensity basis) to an absolute reduction of 65% from a base in CY 2021. This is on the path to achieving net zero by CY 2030 for Scope 1 & 2 (SBTi aligned) and by CY 2040 for Scope 3. For CY 2022, carbon emissions had reduced by 35% on an absolute basis since 2021, and by 66% on a like-for-like intensity basis since CY 2019.

Key Performance Indicators

	FY14	FY18	FY19	FY20	FY22 ¹	FY23	Annual Target
1. Sales growth							
CER	17%	11%	14%	8%	27%	15%	Well ahead of GDP
Organic	3%	11%	10%	5%	14%	10%	
2. Underlying EPS growth	20%	16%	22%	11%	20%	20%	>10%
3. Dividend growth	10%	6%	6%	6% ²	6%	6%	Progressive
4. ROCE³	15.2%	13.7%	15.4%	16.0%	14.7%	15.9%	>15%
5. Operating profit conversion³	100%	85%	93%	106%	101%	94%	>85% of underlying operating profit
6. Free cash conversion³			94%	104%	102%	95%	>85% of underlying net profit

¹ FY 2021/22 shown as growth over the pre-Covid year FY 2019/20 as this reflects the actual ongoing growth of the business

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

³ Defined in note 6 of the financial statements

The Group also made further significant progress towards its KPIs during the year:

- Organic sales increased by 10% this year of which approximately 5% was related to volume and mix effects, 4% to price and 1% to a one-off increase in semiconductor pass-through costs. Since FY 2017/18, organic sales have grown by c.10% per annum on average, illustrating the strong through-cycle organic growth of the business.
- Underlying EPS increased by 20% from 29.4p last year to 35.2p this year and by 25% CAGR since FY2017/18, excluding the Covid year.

- The proposed final dividend is being increased by 6%, continuing our progressive policy whilst providing for a higher proportion of investment in acquisitions from internally generated resources. This progressive policy has seen a more than doubling of the dividend per share since 2010, whilst dividend cover on an underlying basis increased to 3.1x for the year.
- ROCE for the year was 15.9%, 1.2ppts higher than last year (FY 2021/22: 14.7%). The increase follows strong growth in profitability during the year and the delivery of operational efficiencies.

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

STRATEGIC AND OPERATIONAL REVIEW

Divisional Results

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

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

¹ Underlying operating profit excludes acquisition-related costs

Magnetics & Controls Division ("M&C")

The M&C division designs, manufactures and supplies highly differentiated magnetic and power components, embedded computing and interface controls, all for industrial applications, through eight businesses operating across 17 countries. Most products are manufactured in-house at one of the division's 20 manufacturing facilities, with its principal ones being in China, India, Mexico, Poland, Sri Lanka and Thailand. Geographically, 6% of sales are in the UK by destination, 51% in the rest of Europe, 21% in North America and 22% in Asia.

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

Orders remained at a high level, albeit 9% CER lower year-on-year at £263.9m versus a very strong prior year comparator, with a book-to-bill ratio of 0.96:1 (being orders divided by sales). This, together with a strong order book at the outset of this year, resulted in sales growing by 11% organically, with good levels of organic growth across all regions except China. Sales in the UK grew organically by 22%, with Europe growing by 10% and North America by 21%, whilst Asia reduced by 12% due to a 25% organic reduction in China as a result of renewable wind energy demand slowdown, supply chain bottlenecks and customer production movements. Sales in India grew by 2% for the year, with a very strong first half being offset by a slower second half. 2% of organic growth was as a result of one-off increase in semiconductor costs passed through to customers that have been categorised for reporting purposes as sales (H1: £2.9m; H2: £2.1m).

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

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

Sensing & Connectivity Division ("S&C")

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

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



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

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

Design Wins Driving Future Recurring Revenues

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

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

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

Earnings-Accretive Acquisitions

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

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

Strategy, sales and products:

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

People management:

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

Investment:

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

Controls and support:

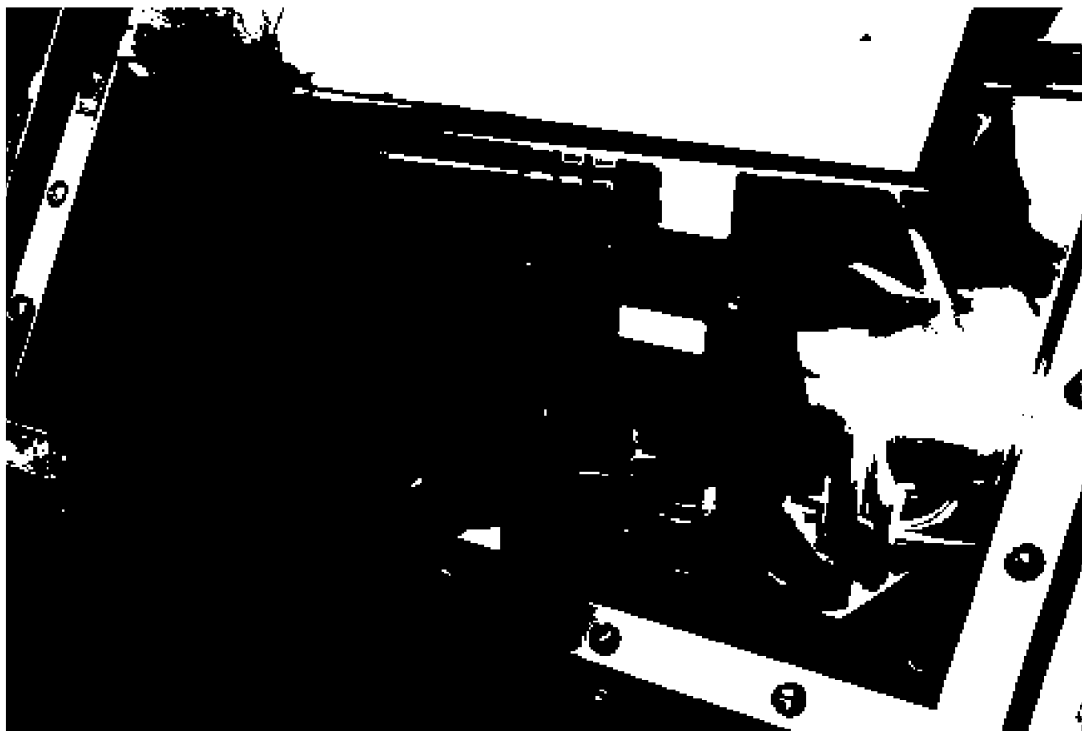
- Implementing robust financial controls;
- Finance and related support, such as treasury, banking, legal, tax and insurance;
- Risk management and internal audit;
- Sustainability initiatives such as energy audits, carbon emission reductions and ISO standards accreditation.

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

- i. Magnasphere, a US-based designer and manufacturer of magnetic sensors and switches for industrial electronic applications, for a cash consideration of \$22m (£18.1m) on a debt free, cash free basis.
- ii. CDT, a UK-based designer and manufacturer of customised plastic enclosures for electronic componentry, for a cash consideration of £5.0m on a debt free, cash free basis.

Acquisition spend was lower this year than previous years, reflecting the Group's disciplined pricing criteria in an environment of elevated vendor price expectations. As company valuations are becoming more realistic, we expect transaction activity to increase.

STRATEGIC AND OPERATIONAL REVIEW



The Group looks to acquire high quality businesses with long-term growth prospects and to pay a price that reflects this quality, whilst generating good returns for shareholders.

The Group's operating model is well established and has facilitated the smooth integration of acquired businesses. Through a combination of investment in efficiency and leveraging of the broader Group's commercial infrastructure, the 17 businesses acquired since 2011 and owned for at least two years delivered a return on investment ("EBIT ROI") of 21.4% this year, an increase of 3ppts over last year.

Summary and Outlook

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

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

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

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

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

Nick Jefferies
Group Chief Executive

7 June 2023



FINANCIAL REVIEW



“Underlying operating profit increased 25% to £51.8m, with strong free cash flow up 51%.”

Simon Gibbins
Group Finance Director

Revenue and Orders

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

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

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

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

Group Operating Profit and Margin

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

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



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

Underlying operating profit growth has been achieved through a combination of organic growth, efficient operational execution and acquisitions.

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

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

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

Sterling weakened during the year by 12% compared to the US Dollar and by 2% compared to the Euro while strengthening by 2% against the three Nordic currencies. This gave rise to an increase in underlying operating profits on translation of £1.6m.

Underlying Adjustments

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

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

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

Financing Costs

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

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

FINANCIAL REVIEW

Underlying Tax Rate

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

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

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

Group Profit Before Tax and EPS

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

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

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

Last Year's Disposals

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

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

Working Capital

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

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

ROCE for the year (return on capital employed, as defined in note 6 to the financial statements) was 15.9%, up 1.2ppts on last year driven by increased profitability and operating efficiency. This is ahead of our target to achieve a ROCE of at least 15%.



Cash Flow

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

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

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

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

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

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

£m	FY 2022/23	FY 2021/22
Underlying profit before tax	46.3	37.6
Net finance costs	5.5	3.8
Non-cash items	14.6	12.5
Underlying EBITDA	66.4	53.9
Lease payments	(5.8)	(5.1)
EBITDA (incl. lease payments)	60.6	48.8
Changes in working capital	(6.4)	(10.2)
Capital expenditure	(5.6)	(5.5)
Underlying operating cash flow	48.6	33.1
Finance costs	(5.0)	(3.2)
Taxation	(9.0)	(6.2)
Legacy pensions	(1.6)	(1.9)
Free cash flow	33.0	21.8

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

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

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

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

FINANCIAL REVIEW

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

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

Banking Facilities

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

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

Balance Sheet

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

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

Defined Benefit Pension Scheme

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

Risks and Uncertainties

The principal risks faced by the Group are covered in more detail in the Group's Annual Report, which will be published shortly. These risks comprise: the economic environment, particularly linked to the geo-political issues arising from the ongoing Ukraine conflict; inflationary headwinds and rising interest rates; the performance of acquired companies; climate-related risks; loss of major customers or suppliers; technological changes; major business disruption; cyber security; loss of key personnel; inventory obsolescence; product liability; liquidity and debt covenants; exposure to adverse foreign currency movements; and non-compliance with legal and regulatory requirements.

The Board reviewed the Group's principal risks and the mitigating actions and processes in place during the financial year, giving specific consideration to the impact of the Ukraine conflict and inflationary headwinds. The Board view that risks associated with the macroeconomic environment and supply chain for existing and acquired businesses has increased during the financial year with no material change to the relative importance or quantum of the Group's other principal risks.

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

Simon Gibbins

Group Finance Director

7 June 2023





OUR ENGAGEMENT WITH STAKEHOLDERS

The Group considers it important to engage with our various stakeholder groups in a proactive and constructive manner and the below provides a summary of the ways in which we do so.

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



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

The Group promotes policies and procedures across the Group that consider the interests of the Group's employees, the need to foster reasonable business relationships with suppliers, customers and others, the impact of the Group's operations on its workforce, the community and the environment, and the maintenance of high standards of business conduct. Our policies and procedures include the following:

- Sustainability Policy
- Anti-bribery and corruption
- Business ethics
- Health and safety
- Whistleblowing
- Board Diversity Policy
- Supplier Code of Conduct
- Conflict Minerals Policy
- Environmental Policy
- Human Rights Policy
- Group Tax Strategy

Day-to-day responsibility for implementation of these policies (other than the Board Diversity Policy) is delegated to the management of discoverIE's operating companies, under the supervision of the Group Management Committee. Where appropriate, the Group policies and procedures are supported by the local operating companies' policies, all within a framework established by the Board and Group Management Committee, intended to ensure that we operate as a Group to the highest standards.

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

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

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

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

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

Stakeholder engagement remains vital to building a sustainable business and we interact with many stakeholders at different levels of the Group. Engagement is carried out by those most relevant to the stakeholder group or issue. The table on pages 46 and 47 identifies some of our stakeholders and how discoverIE engages with them.

SECTION 172 STATEMENT

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

Section 172

Duty to promote the success of the company

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

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

The information below describes how the Directors have had regard to the matters referred to in Section 172 of the Act in performing their duties and constitutes the Board's Section 172 Statement for the year ended 31 March 2023. This section is incorporated by reference into the Strategic Report.

Section 172 of the Companies Act 2006 (the “Act”)	The discoverIE Board's response
Long-term decision-making (s.172(a)) The Board delegates day-to-day management and decision-making to its senior management team, but it maintains oversight of the Company's performance, and reserves to itself specific matters for approval, including the strategic direction of the Group, acquisitions and disposals and entering into material contracts above set thresholds. The Board monitors performance against strategy and that decision-making is appropriate by receiving regular updates, both in Board and Committee meetings and at other intervals, as appropriate. Processes are in place to ensure that the Board receives all relevant information to enable it to make well-judged decisions for the long-term success of the Company and its various stakeholders.	In FY 2022/23, the Board: Established a new Sustainability Committee with effect from the start of FY 2022/23. This new Committee has dedicated responsibility for considering the Group's response to ESG matters and to sustainability in general. Considered a number of acquisition proposals. The Board only approves such a transaction if it is satisfied, after full consideration, that it meets the Section 172(l) requirement that it is most likely to promote the success of the Company for the benefit of its members as a whole, and it considers the value forecasted to be added to the Group by an acquisition, over a defined future period. This judgement is recorded. During the year, the Board approved the acquisitions of CDT (July 2022) and Magnasphere (January 2023). Received presentations on specific business areas and, through ongoing discussion with business leaders, determined strategic priorities for a three-year period, and the development of robust supporting operating plans. Agreed the Group's principal risks, considered emerging risks and received regular risk management and internal control reviews throughout the year. Set annual budgets and capital allocation and oversaw business performance against targets, enabling the Board to confirm the Company's outlook for the year ahead, the going concern statement and its longer-term viability.



Section 172 of the Companies Act 2006 (the "Act")

The disclosure Board's response

Employee interests (s. 172(b))

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

In FY 2022/23, the Board:

Received updates on the impact on staff of global inflation and specific local issues affecting their livelihoods (such as the economic situation in Sri Lanka).

Continued to operate a Workforce Advisory Panel, to ensure that the communications between the Board, Group Management Committee, individual operating companies and Group staff were optimised. Board members and representatives from the Group Management Committee also visited a number of sites to meet with staff.

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

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

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

In FY 2022/23, the Board:

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

Community and environment (s. 172(d))

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

In FY 2022/23, the Board:

Continued its focus on environmental, social and governance matters and, in particular, established a new Sustainability Committee, further details of which can be found in the Sustainability Report on pages 67 to 68.

Continued its support for the Community Foundation for Surrey.

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

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

In FY 2022/23, the Board:

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

Approved the Company's Modern Slavery Act Statement.

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

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

In order to do this, the Board:

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

Approved value-enhancing acquisitions, CDT in July 2022 and Magnasphere in January 2023.

Receives Investor Relations updates at every Board meeting and direct feedback from investors during specific consultation exercises and on publication of trading results and updates.

Other key activities

- The Board met regularly throughout the year and, in the year ended 31 March 2023, held six meetings. The Board's agenda considers all relevant matters at scheduled meetings.
- As part of its regular programme of Board activities, the Board also receives reports from the Group Chief Executive, the Group Finance Director and the Group General Counsel & Company Secretary, keeping them informed as to financial and commercial performance and regulatory and legal affairs.

SUSTAINABILITY REPORT



“We create a positive impact on the world and people’s lives, through our operations, and by developing innovative electronics that contribute to the UN Sustainable Development Goals.”

Rosalind Kainyah, MBE
Chair of the Sustainability Committee

Dear Shareholder,

Throughout the year, our sustainability initiatives have continued to evolve, guided by our overarching vision of creating a positive impact on the environment, society, and the economy. We have made substantial strides in addressing key environmental and social challenges, while fostering sustainable growth in line with our stakeholders’ expectations. As we reflect on the past year’s achievements and challenges, I am delighted to share with you some key highlights of the progress we have made in the past year:

- We successfully reduced our Scope 1 & 2 carbon emission intensity by 66%¹ on a like-for-like basis against the CY2019 baseline, well ahead of our target of achieving a 50% reduction by 2025.
- We announced our net zero plan and targets in November 2022, which will supplant the intensity reduction target mentioned above. We have already made good progress this year, with overall Scope 1 & 2 emissions for continuing operations 35% lower than the CY2021 baseline.
- Energy intensity for continuing operations decreased by 18%, despite two acquisitions. Now 58% of our electricity is from renewable or clean sources.
- We completed the initial screening of our Scope 3 emissions and from that have been able to identify those areas that are most material to the Group.

- Significant progress was made on ISO 45001 certification, with six more sites gaining accreditation. 48% of our workforce now work in operations covered by this health and safety standard, up from 5% last year.

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

- We will intensify our efforts to reduce our Scope 1 & 2 emissions further, while refining our processes for the collection of Scope 3 emissions data. During 2024, we aim to develop a clear plan which is aligned with the Science Based Targets initiative (SBTi) to reduce our Scope 3 emissions towards our target of being fully net zero by 2040.
- We will continue to work towards ISO 45001 and ISO 14001 accreditations at a number of our sites, thereby increasing the proportion of our workforce and operations covered by these standards.
- We will also continue to monitor new and upcoming regulatory developments, to ensure that we are prepared for future requirements.

¹ Throughout this Sustainability Report, references to like-for-like emissions exclude Acal BFI and Vertec SA (both sold in 2022) and exclude all acquisitions since 1 January 2020. References to continuing operations exclude Acal BFI and Vertec SA but include such acquisitions.

I want to bring your attention to the Taskforce for Climate-related Financial Disclosures ("TCFD") report this year. A detailed scenario analysis of climate-related risks and opportunities, and their potential financial impact, was carried out during the year. The outcome has reaffirmed our previous view, which is that climate-related risks are immaterial to the Group and are likely to be outweighed by the opportunities that climate change presents in our target markets. However, we recognise that the situation can change and that this will need to be monitored, and possibly reassessed, in the future. Read more about this in the TCFD Report on pages 66 to 86.

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

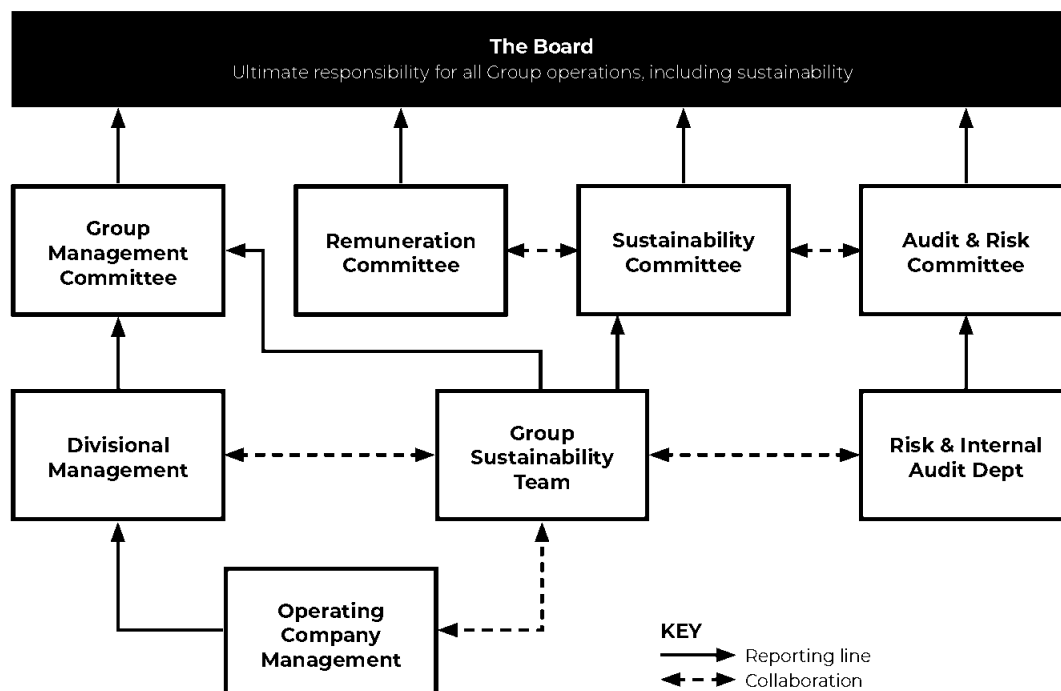
- As noted above, we are only starting to understand the carbon emissions in our wider value chain (Scope 3) and so this will be an area of focus in coming years.
- Similarly, while a number of our businesses are trying to increase the level of recycled materials used in operations, especially for items such as packaging, our products still typically require virgin raw materials in their manufacture. This usually derives from customer concerns related to product safety and performance requirements. This is a classic example of potentially conflicting ESG drivers – with resource use on the one hand, and safety and performance on the other. We cannot solve this dilemma alone and look forward to working with our customers and suppliers to try to improve our collective performance in this area.

- Finally, as we build on existing data collection processes, we will look to increase the level of independent verification and assurance provided on that data.

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

Sustainability Governance Framework

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





SUSTAINABILITY REPORT

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

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



HOW WE CREATE POSITIVE IMPACTS

Sustainability is an integral part of our business. We create a positive impact on the world around us and people's lives through both our products and our operations. By creating innovative electronics and focusing on four target markets – renewable energy, transportation, medical, and industrial & connectivity - we contribute to the UN Sustainable Development Goals ("SDGs"). In FY2023, 77% of the Group's revenue was from the four UN SDG aligned target markets.



SUSTAINABLE DEVELOPMENT GOALS

3 GOOD HEALTH AND WELL-BEING



Ensure healthy lives and promote well-being for all ages

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

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

Applicable markets:



It is our responsibility to ensure that our employees operate in a safe and healthy working environment. Each of our operating businesses conducts health and safety refresher training every year. See page 65 for health and safety performance.

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



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

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

Applicable markets:



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

Where possible, we invest in renewable energy self-generation, such as installing rooftop solar panels. The solar systems installed in our plants in Sri Lanka and Thailand in the last two years have contributed to our overall renewable energy generation capacity.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



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

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

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

Applicable markets:



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

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

11 SUSTAINABLE CITIES AND COMMUNITIES



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

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

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

Applicable markets:



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

13 CLIMATE ACTION



Take urgent action to combat climate change and its impacts

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

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

Applicable markets:



We play our part in tackling climate change by reducing carbon emissions. Our net zero plans set out our commitment to reduce emissions to net zero within our operations (Scope 1 & 2) by 2030, and within our value chain (Scope 3) by 2040. See our carbon reduction performance on pages 64 and 84.

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



OUR SUSTAINABILITY STRATEGY

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

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

Our planet

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

Our focus areas

We focus on reducing greenhouse gas emissions and energy intensity. We aim to achieve SBTi-aligned net zero emissions for Scope 1 & 2 by 2030 and for Scope 3 by 2040. A summary of the action plan to achieve Scope 1 & 2 net zero emissions is as follows:

- Reduce energy intensity across the Group
- Replace high carbon energy sources with low or zero carbon options
- Invest in removing emissions that cannot be replaced or reduced

Plans to reduce our Scope 3 emissions will be further developed in the next 12-18 months.

Our people

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

Our focus areas

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

Our products

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

Our focus areas

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

Product sustainability is becoming increasingly important for our customers. We encourage our operating businesses to design, produce and distribute products in a way that minimises their impact on the environment and society, while meeting customer needs and expectations.



Highlights of the year

35%*

REDUCTION IN SCOPE 1 & 2 EMISSIONS VS CY2021

58%

ELECTRICITY FROM RENEWABLE OR CLEAN SOURCES

66%**

REDUCTION IN SCOPE 1 & 2 EMISSIONS INTENSITY VS CY2019

48%

OF GLOBAL WORKFORCE NOW WORKING AT SITES WITH ISO 45001 CERTIFICATION

92%

OF GROUP PRODUCTS MANUFACTURED UNDER ISO 9001

* continuing operations

** like-for-like emissions

Our progress

In CY2022, we reduced Scope 1 & 2 like-for-like emission intensity by 66% against our original target of 50% reduction by CY2025, two years ahead of schedule. This was equivalent to a 35% reduction in absolute terms for continuing operations against the CY2021 levels, a new baseline set in our net zero plan. Energy intensity for continuing operations was 18% lower than the prior year. 58% of the Group's electricity is now sourced from renewable or clean sources.

Since our journey to tackle carbon emissions began in 2020, we have reduced overall Scope 1 & 2 emissions for continuing operations by 46%, despite adding seven new businesses to the Group.

Targets

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

Our progress

In CY2022, we significantly stepped up our health and safety training, with over 16,000 hours of training being provided across the Group. The ratio of health and safety representatives to employees increased to 1:21.

Six more sites achieved ISO 45001 certification, including two of the Group's largest sites by headcount. As a result, the percentage of our workforce working in operations with ISO 45001 increased to 48% from 5% last year.

The diversity of our management team and the Board has improved. Female representatives in the senior management team and the Board have now increased to 28% and 43%, respectively.

Targets

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

Our progress

In CY2022, 92% of the Group's products, measured by revenue, were manufactured under ISO 9001 Quality Management Systems (CY2021: 87%).¹

Targets

- 80% of Group products manufactured under ISO 9001

¹ Last year's reported figure of 95% has been rebased to include businesses acquired since 1 January 2020, namely Phoenix America, Limitor, CPL, Antenova and Beacon.

SUSTAINABILITY IN ACTION

Our Planet

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

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

Greenhouse gas emissions

Since our journey to tackle carbon emissions began in 2020, we have reduced our Scope 1 & 2 carbon emission intensity by 50% against the 2019 baseline. This was achieved two years ahead of our original target to achieve that reduction within five years.

In FY2023, to better understand the potential financial impact of climate-related risks on the Group's financial position and future cash flows, we conducted further analysis and detailed financial modelling for the climate-related risks and opportunities identified in our risk management processes. The outcome reaffirmed our previous finding, which was that the net financial impact of climate change was expected to be immaterial to the Group in the near term (up to 2030). However, we also recognise that climate change remains a threat to the Group's assets in the long term and that there are growing expectations among our stakeholders that we, as a responsible corporate citizen, address climate risks in our business operations. As such, we have incorporated climate-related risks into our principal risks and uncertainties and managed them as such. Further details about how we assess and manage climate-related risks and opportunities can be found in our TCFD Report on pages 74 to 80.

In November 2022, we announced our commitment to achieve net zero emissions and set science-based targets for the medium and long term. The net zero commitment was a significant step up from our previous target. We will report progress on our net zero short-term targets against the 2021 baseline going forward.

We aim to achieve net zero emissions for Scope 1 & 2 by 2030 and for Scope 3 by 2040 and have published a transition plan for net zero Scope 1 & 2 emissions by 2030. Further details about our net zero plan can be found at:

https://s201.q4cdn.com/793451358/files/doc_financials/2023/q2/discoverIE-Net-Zero-Report-2022.pdf in our Road to Net Zero Emissions report at www.discoverieplc.com.

Our net zero plan for Scope 1 & 2 focuses primarily on addressing four of the Group's largest emission sources: electricity, natural gas, company cars and refrigerants, and aims to achieve an absolute reduction of 65% by 2025 against the 2021 baseline. Further details of how we performed last year can be found in the TCFD report on pages 81 to 84.

This year we completed our first Group-wide exercise intended to capture data on all of our CY2022 Scope 3 emissions. As this was the first time this exercise was conducted, there were certain limitations to the methodology used, as described below. However, the exercise sought to cover the entire Group (100% of all Group companies) and include as many of the sub-categories within Scope 3 of the Greenhouse Gas Protocol methodology as possible. More information about our Scope 3 screening can be found in the TCFD report on pages 85 to 86.

Use of resources Energy usage

Energy consumption during 2022 was 4% lower, despite acquisitions and strong manufacturing output. As a result, energy intensity for continuing operations fell by 18% year-on-year, well ahead of our 10% reduction target by 2030. Most sites have implemented energy saving measures, such as replacing lighting with energy efficient

LED or fluorescent alternatives and by installing motion sensors.

We continue to find ways to reduce energy consumption, with 63% of our 56 sites having now conducted an energy audit. The audits provide energy saving recommendations, which are considered and prioritised as appropriate.

Water usage

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

Waste management

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

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

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

- Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment Regulations 2004 ("RoHS")

- Waste Electrical and Electronic Equipment Regulations 2006 ("WEEE")
- Producer Responsibility Obligations (Packaging Waste) Regulations 2005
- Waste Batteries and Accumulators Regulations 2009

While plastic packaging is often necessary for protecting sensitive electronic components, discoverIE is committed to managing its use of plastics in a responsible and sustainable manner. One way that many of our businesses do this is by using recycled and recyclable plastics, where appropriate. Additionally, we are actively working to replace foam packaging with more environmentally friendly and recyclable options. By taking steps to reduce our use of non-recyclable materials, we are helping to reduce our environmental footprint and promote more sustainable business practices.

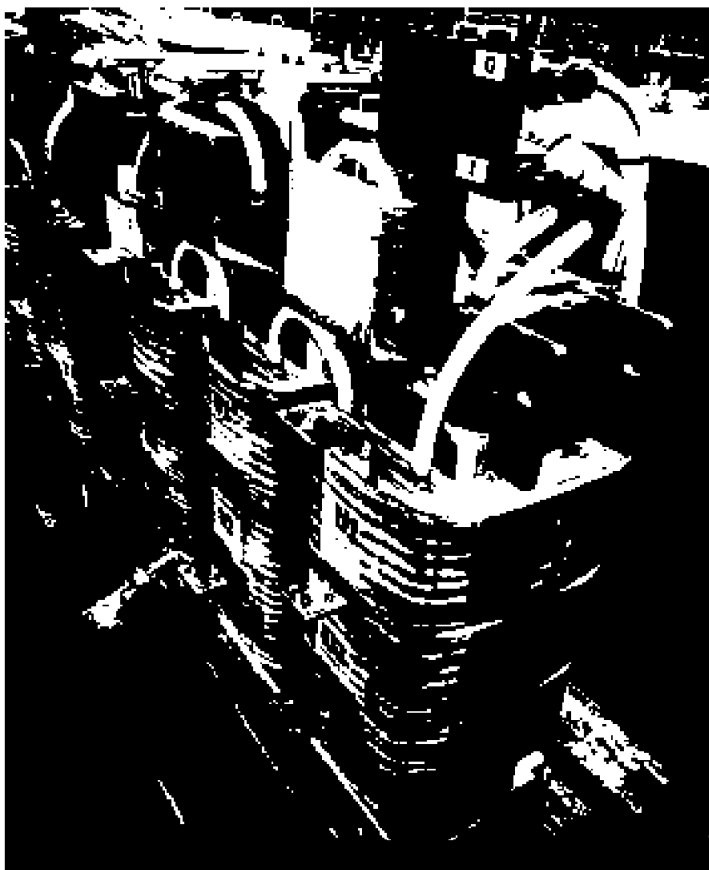
ISO 14001 accreditation

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

Two more sites achieved ISO 14001 accreditation in CY2022, which means that sites generating over 59% of Group revenue are now ISO 14001 certified (CY2021: 61%¹). The percentage of revenue covered by ISO 14001 was lower than the prior year because of the relative growth in revenues between those businesses with ISO 14001 and those without. This certification is becoming more important as customers place increasing focus on the environmental credentials of their value chain. Our aim is to achieve certification at sites generating at least 80% of Group revenue by 2025.

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

¹ Last year's reported figure was 63%; this has been rebased to include all acquisitions since 1 January 2020



Case Study

Working towards more sustainable packaging

Plastic packaging is typically used for the transportation and storage of electronic products to protect against damage and contamination.

As a Group, we encourage the use of recyclable and other environmentally friendly packaging, both internally and within our value chain. Examples include:

MTC and Sens-Tech replacing foam fillers used to protect products in transit with shredded recycled cardboard.

Cursor Controls using recycled materials in cardboard packaging and replacing plastic sealing tape with paper alternatives.

Work with customers and suppliers includes:

Noratel engaging with a key customer to replace wooden pallets with steel crates, which are more durable.

Cursor Controls hosting monthly environmental meetings with key suppliers to encourage the use of sustainable packaging, for example removing plastic bags for non-critical parts and returning bubble bags for re-use.

SUSTAINABILITY IN ACTION

Our People

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

Our culture

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

Our culture is characterised by:

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

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

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

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

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

High performance and target-driven: We are go-getters, driven by a desire to achieve excellence in everything we do.

 Read more about Our Culture on page 03.

Diversity and inclusion

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

Our employment policies are fair, equitable, and consistent with the skills and abilities of our employees and the needs of our businesses. Our policies aim to ensure that everyone is accorded equal opportunity for recruitment, training and promotion. We do not tolerate any form of discrimination, harassment, or bias in the workplace, whether it be sexual, physical or mental.

We recognise that diverse perspectives and backgrounds are essential to driving innovation, creativity and growth in our business. Therefore, we are committed to improving the diversity of our workforce and management team by promoting within and proactively managing our recruitment process. We have expanded the Group's senior management team to form a new Group Management Committee, reflecting the increased diversity we have in our Head Office leadership team.

Our Board Diversity Policy sets out our aim to achieve a Board that is diverse, not only in gender and race,

but also in cultural background, experience and expertise. With the appointment of Celia Baxter as a Non-Executive Director on 1 June 2023, female members now represent 43% of the Board. Tracey Graham is Senior Independent Director and the Chair of the Remuneration Committee and I am Rosalind Kainyah, Chair of the Sustainability Committee. Our Board Diversity Policy can be found on our website: www.discoverIEplc.com. See page 65 for further details of our gender diversity.

Health and safety

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

During CY2022, the number of health & safety representatives we have as a Group increased by c. 79% to 229 (CY2021: 128), across our c.4,700 employees. This gave a health and safety representative to employee ratio of 1:21, a significant improvement on CY2021 and well ahead of our target of maintaining a ratio of at least 1:50. We also significantly stepped up our health and safety training, conducting over 16,000 hours of training across the Group, equivalent to more than three hours per employee. The number of work-related incidents resulting in the loss of five or more work days decreased despite new acquisitions.

Furthermore, six sites achieved ISO 45001 (Occupational Health and Safety Management System) accreditation in the year. This means that 48% of the Group's workforce now work in operations with the accreditation, up from 5% previously.

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

Learning and development

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

Some of our operating businesses have structured apprenticeship and graduate schemes. Employees are actively encouraged to undertake further learning, such as National Vocational Qualifications or similar level courses, as well as continual professional development to maintain any relevant professional accreditations.

The vast majority of employees receive annual performance appraisals, which also include identifying their development needs.

Recruitment and retention

Clear, fair and competitive terms of employment are in place. It is Group policy to communicate with

employees on major matters to encourage them to take an interest in the affairs of their employing company and the Group. Each operating business is encouraged to maintain effective employee engagement arrangements, including keeping employees aware of the financial and economic factors affecting their employing company's performance. Please see pages 105 to 107 for further details of our engagement.

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

We are committed to retaining our talented and skilled workforce. We achieve this by offering clear and fair terms of employment, a competitive remuneration policy, and regular communication with our employees on major matters. Our employee turnover in FY2023 reduced to 10%.

Community engagement

We value community engagement and strive to be an active participant in the local communities where we operate. We support local good causes through charitable donations and offer opportunities for employees to volunteer. Our commitment to community engagement is highlighted by the Group's support of the Community Foundation for Surrey and other employee volunteering opportunities.

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

Case Study

Supporting local community

Initiated by one of its employees, the Newark-on-Trent-based Cursor Controls team started to volunteer at a local food bank in September 2022. The volunteering highlighted how many people in their area need support. In response, the business set up an office food donation box, which collected nearly 25kg of food and sustenance within a few weeks.



Colleagues from Cursor Controls volunteering at the local food bank



Beacon EmbeddedWorks fundraising for ICA Food Shelf

Similarly, Minnesota-based Beacon EmbeddedWorks launched a month-long campaign to raise money for their local ICA Food Shelf. The company raised nearly \$1,200, equivalent to 717 meals for the people in need. In addition, Beacon's employees also donated hundreds of personal hygiene items and recycled grocery bags to the Food Shelf.



SUSTAINABILITY IN ACTION

Our Products

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

Product responsibility

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

Product sustainability

The sustainability of our products is also one of our priorities. We ensure raw materials used are from responsible sources, which are procured in accordance with the principles in our Supplier Code of Conduct, Modern Slavery Statement and Conflict Minerals Policy (all are available at www.discoverIE plc.com). These are verified and monitored through regular local checks and supplier audits. In the event of non-compliance, we would engage with the supplier to seek measures to rectify the non-compliance. During the year, we completed the second phase of the Group-wide supplier audit programme, focusing on the Group's largest suppliers during the year.

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

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

Case Study

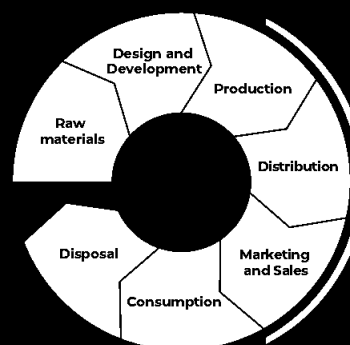
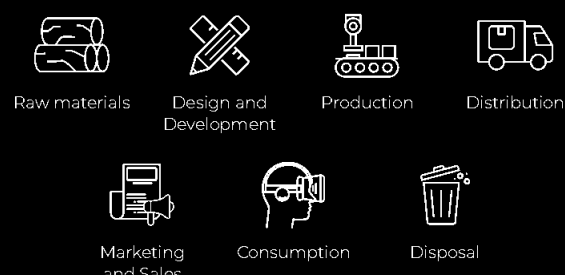
Moving towards a circular value chain

Norway-based FOSS, one of our operating businesses, is at the forefront of product sustainability. It takes pride in its commitment to environmental sustainability, as evidenced by its integration of environmental considerations into the entire product design process. The business is committed to moving from a linear to

a circular value chain by considering the choice of raw materials, such as using aluminium, which is one of the most recyclable materials available and is lightweight, thus resulting in lower transportation loads. The business also aims to reduce the consumption of raw materials and other resources. Its fibre optic solutions are created

by using fibre that uses between 5-10% less copper. Furthermore, the company ensures that its products are designed for a long life and can be easily disposed of in an environmentally friendly manner, as reflected in its environmental declarations.

FOSS: moving from a linear to a circular value chain





SUSTAINABILITY IN ACTION

Key metrics

Carbon emissions

The "Total Emissions" columns include all companies owned by the Group as at the end of each calendar year. The "Like-for-like Emissions" columns represent continuing operations only (i.e. excluding Acal BFi and Vertec SA, which are treated as discontinued operations). The like-for-like figures also exclude acquisitions completed since 1 January 2020.

Location-based	Total Emissions (tonnes)			Like-for-like Emissions (tonnes)		
	2020	2021	2022	2020	2021	2022
Scope 1	1,644.70	2,106.43	1,295.09	1,133.58	1,331.35	997.62
Scope 2	6,600.54	7,628.40	7,709.57	6,380.30	7,202.17	7,186.24
Total Scope 1 & 2 ²	8,245.24	9,734.83	9,004.67	7,513.88	8,533.52	8,183.86
Scope 3 ²	604.08	741.97	925.74	588.28	711.38	892.18
Total emissions	8,849.32	10,476.80	9,930.41	8,102.16	9,244.90	9,076.04
Intensity – tCO ₂ e / £m revenue (Scope 1 & 2)	18.25	17.67	20.41	25.26	25.85	20.94

Market-based	Total Emissions (tonnes)			Like-for-like Emissions (tonnes)		
	2020	2021 ⁴	2022	2020	2021	2022
Scope 1	1,644.70	2,134.87	1,295.09	1,133.58	1,331.35	997.62
Scope 2	6,732.61	6,375.04	3,753.09	6,450.74	5,640.12	3,239.95
Total Scope 1 & 2 ²	8,377.31	8,509.91	5,048.19	7,584.32	6,971.47	4,237.57
Scope 3 ²	590.17	601.65	510.50	575.38	578.34	476.93
Total emissions	8,967.48	9,111.56	5,558.68	8,159.70	7,549.81	4,714.51
UK based emissions %	4.46	6.84	9.95	n/a	n/a	n/a
Intensity – tCO ₂ e / £m revenue (Scope 1 & 2)	18.54	15.45	11.44	25.40	21.12	10.84
Scope 1 & 2 intensity reduction vs 2019 (%)	19.57%	35.48%	50.36%	19.23%¹	33.12%	65.66%

	Total Energy Consumption			Like-for-like Energy Consumption		
	2020	2021 ⁴	2022	2020	2021	2022
Energy consumption (kWh)	22,687,513	27,727,342	23,729,688	19,465,803	21,791,630	20,560,866
Energy intensity (kWh/£m revenue)	50,210	65,308	53,780	65,444	66,005	52,598
UK based energy consumption	12.70	9.92	8.88	n/a	n/a	n/a

¹ The reported figure of a 19.23% reduction in 2020 was reduced to 6% after adjusting for the effects of Covid to provide a like-for-like measure. Carbon intensity figures are calculated by dividing Scope 1 & 2 emissions by Group revenue in the calendar year. Like-for-like revenues for CY2019 to CY2022 were £297.4m, £298.6m, £330.1m and £390.9m, respectively.

² Scope 1 & 2 emissions are generated directly from the Group's operations (Scope 1) and indirectly through the energy consumed by the Group (Scope 2). Scope 3 emissions are related to the Group's operations only and exclude emissions from the Group's supply chain. Scope 3 market-based emissions have been calculated for the first time this year and total 67,632 tCO₂e (location-based: 67,981 tCO₂e).

³ Emissions data is reported in accordance with the UK Government's "Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance", and the GHG Protocol Corporate Reporting Standard, using the 2020 emission conversion factors published by the Department for Environment, Food and Rural Affairs (Defra) and the Department for Business, Energy & Industrial Strategy (BEIS). The assessment follows the dual reporting approach for assessing Scope 2 emissions from electricity usage. The operational control approach has been used.

⁴ CY2021 market based total emissions and energy consumption have been restated to include Phoenix America (not included in last year's reported figures due to lack of data).

⁵ All of the data in the above table has been independently assessed by Carbon Footprint Ltd, a leading carbon and energy management company. This data has not been subject to independent verification and assurance. As noted on page 51, the Group is considering its future approach to assurance over ESG reporting generally.



Health and safety

Lost time incident frequency rate (LTIFR) information

	FY20	FY21	FY22	FY23
Lost time incidents (LTIs) ¹	18	15	19	19
Average headcount ²	4,394	4,269	4,522	4,863
LTIFR ³	0.22	0.19	0.23	0.21

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

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

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

⁴ There were no fatalities among the Group's employees or contractors during any of the four years stated above.

Gender Diversity

	Group Management Committee			Senior Management ¹			Operational Management ²			All Employees		
	FY23 (No.)	FY23 (%)	FY22 (%)	FY23 (No.)	FY23 (%)	FY22 (%)	FY23 (No.)	FY23 (%)	FY22 (%)	FY23 (No.)	FY23 (%)	FY22 (%)
Total	13	–	–	43	–	–	67	–	–	4,691	–	–
Male	9	69	100%	31	72	80	47	70	64	2,486	53	53
Female	4	31	0%	12	28	20	20	30	36	2,205	47	47

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

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

Other ESG KPIs

	CY2022	CY2023	2025 Target
Our Planet			
ISO 14001 accreditation ¹	61%	59%	80%
Energy audits ²	53%	63%	80%
Company cars (EV/hybrid) ³	26%	33%	50%
Our People			
ISO 45001 accreditation ⁴	5%	48%	80%
H&S Representatives ⁵	1:38	1:21	1:50
Staff Turnover	13%	10%	<15%
Our Products			
ISO 9001 accreditation ⁶	87% ⁷	92%	80%

¹ Measured as a % of Group revenue generated by operations with a ISO 14001 accreditation. CY22 reported figure of 63% has been restated to include all acquisitions since 1 January 2020.

² Measured as a % of the number of Group sites that have had an energy audit since 2018.

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

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

⁵ Measured as the proportion of health and safety representatives to the overall number of employees. CY22 reported figure of 95% has been restated to include all acquisitions since 1 January 2020.

⁶ Measured as a % of Group revenue generated by operations with ISO 9001 accreditation.

⁷ Last year's reported figure of 95% has been rebased to include businesses acquired since 1 January 2020, namely Phoenix America, Limitor, CPI, Antenova and Beacon.

Rosalind Kainyah

Chair of the Sustainability Committee

7 June 2023

TCFD REPORT

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

Climate-related risks and opportunities are routinely considered in our strategic and financial planning, operational management, M&A and capital allocation decisions. In this report, we outline how we identify, assess, and manage these risks and opportunities, as well as our plan for transitioning to a low carbon economy.

This report is prepared in accordance with UK Listing Rules 9.8.6 and is consistent with the recommended disclosures of the Taskforce for Climate-Related Financial Disclosures ("TCFD"). Being in the electrical and electronic components sector, the Group follows the TCFD's All Sector Guidance in preparation of this report.

What's in the TCFD report:

1**Governance****Page 67****2****Strategy****Page 69****3****Risk
Management****Page 79****4****Metrics
& Targets****Page 81**

1

GOVERNANCE

While the Board has responsibility for overseeing our approach to sustainability, the Sustainability Committee (the “Committee”), on behalf of the Board, reviews the Group’s sustainability strategies and policies, and oversees and monitors practices and performance against commitments and targets.

The Sustainability Committee was established in April 2022 and currently encompasses all Board members. As all members of the Board are present at Committee meetings, the full Board is aware of the matters discussed, including climate-related issues.

The Group Chief Executive, supported by the Group Management Committee (“GMC”), is responsible for setting the Group’s sustainability strategies and targets. The GMC oversees implementation and reviews progress against our sustainability commitment and targets. All papers and updates prepared for the Sustainability Committee, including those relating to climate change, are reviewed and discussed by the GMC before submission to the Sustainability

Committee, allowing GMC members to develop their understanding of sustainability matters and provide input.

The Group Sustainability Team (“GST”), comprises members with sustainability, finance, legal and operations experience, and is responsible for monitoring, reviewing, consolidating and reporting the Group’s operating businesses’ progress on sustainability implementation. It reports to the Sustainability Committee and the GMC. The GST drives sustainability initiatives throughout the Group, and works closely with divisional management and individual operating businesses on implementing the Group’s sustainability strategy.

Together with the Group Risk and Internal Audit and Group Finance teams, the GST identifies and assesses climate-related risks and opportunities, which are then reviewed and discussed by the GMC. Action plans to mitigate such risks are drawn up and agreed upon by the GMC, and investment required to implement these plans are factored into the annual budgets.

Our sustainability governance framework describes our approach to managing sustainability, including climate-related issues.

TCFD recommended disclosures

- describe the board’s oversight of climate-related risks and opportunities
- describe management’s role in assessing and managing climate related risks and opportunities

Sustainability Governance Framework

During FY2023, the Sustainability Committee met three times and climate change-related matters were discussed by the Committee at all of these meetings. The Sustainability Committee reviewed each key action of the Group’s three sustainability pillars and progress against our targets. Further details of our sustainability performance can be found on pages 64 to 65 and 84 of this Annual Report and Accounts.

During the year, the Sustainability Committee reviewed and approved the Group’s net zero commitment and associated plans. Alongside this, the Sustainability Committee also spent time considering the climate change-related risks and opportunities facing the Group in the context of the TCFD pillars. Each of the risks and opportunities was reviewed, and those identified as the most potentially impactful to the Group were discussed in detail. The Sustainability Committee acknowledges that this is an evolving

Further information

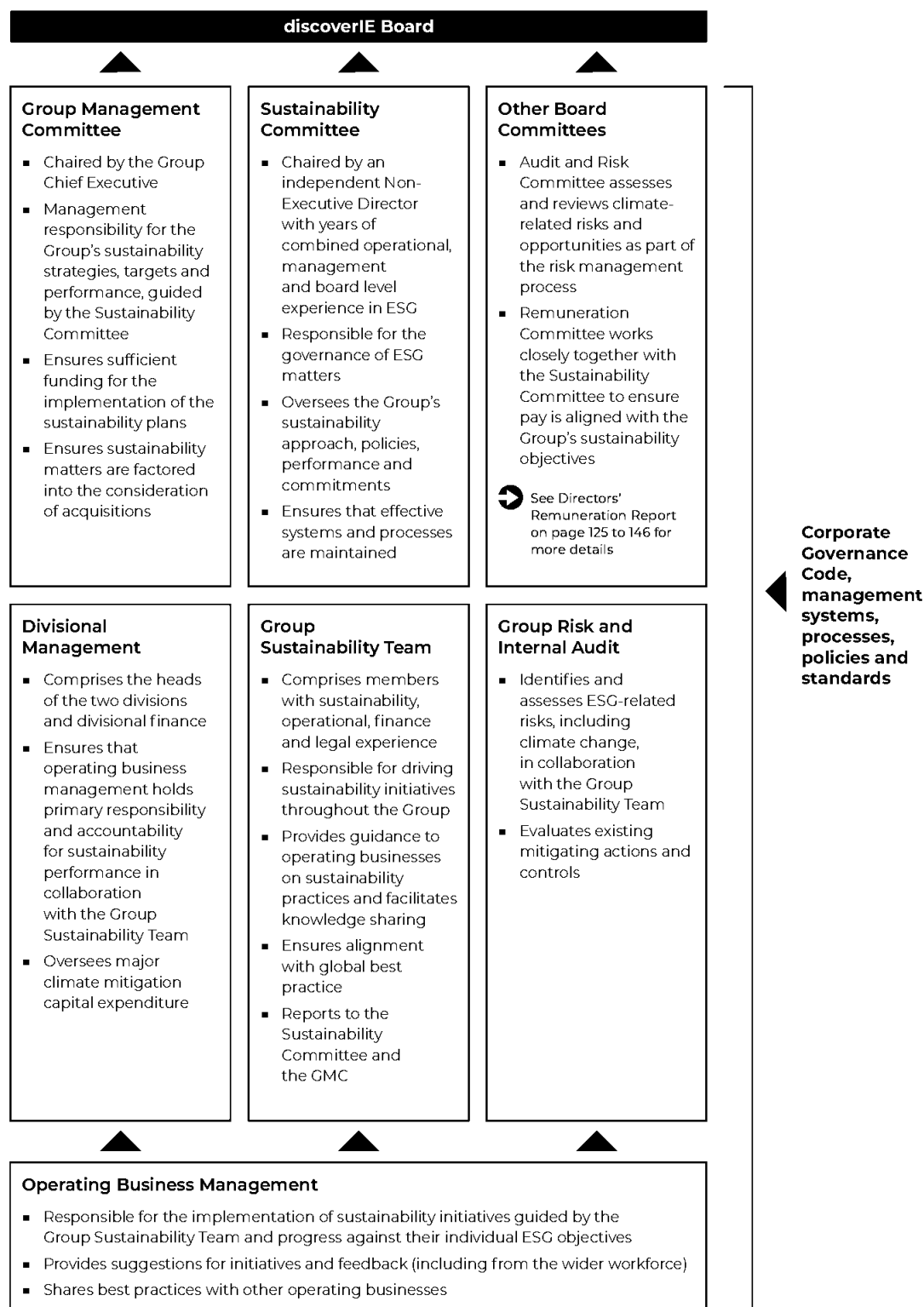
- Corporate Governance Report Pages 102 to 113
- Risk management pages 87 to 90

process, with the methodologies applied being continually refined, and that the discussions support the development of the Committee’s understanding of these risks and opportunities and provide context for our net zero plans.

➡ Details of our net zero plans can be found on pages 81 to 86 of this report



TCFD REPORT



2

STRATEGY

In 2021, we undertook an initial qualitative and quantitative analysis of the resilience of our business model and strategy under two climate scenarios – RCP2.6 and RCP8.5, being the best- and worst-case scenarios projected by the Intergovernmental Panel on Climate Change (“IPCC”). The analysis showed that the Group’s business model and strategy were not expected to be materially affected by climate-related risks and opportunities, and that the net financial impact of climate change was considered to be immaterial.

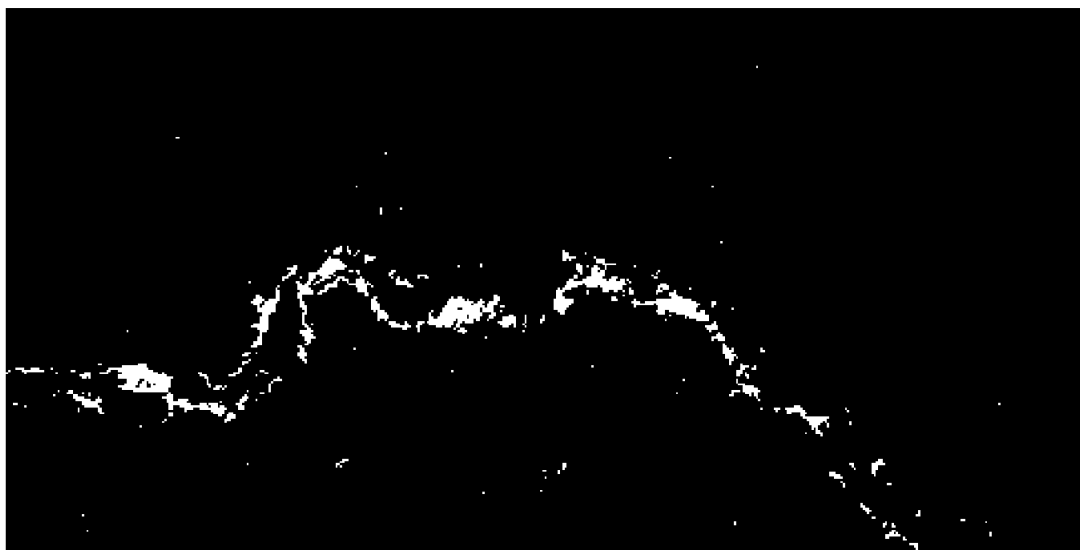
➔ See pages 47 to 50 of our 2022 Annual Report for more details

TCFD recommended disclosures

- describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term
- describe the impact of climate-related risks and opportunities on the organisation’s businesses, strategy, and financial planning
- describe the resilience of the organisation’s strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Further information

- Principal risks and uncertainties, pages 91 to 96

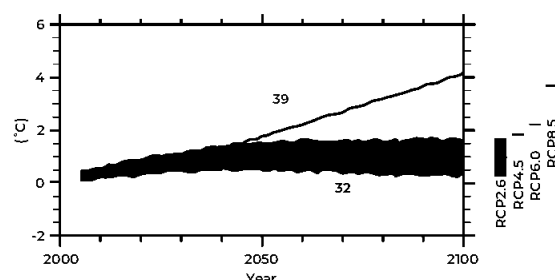


TCFD REPORT

In order to better understand the potential financial impact of climate-related risks on the Group's Statement of Financial Position and future cash flows, during the year we conducted further analysis and detailed financial modelling for the identified risks and opportunities. The financial impact is considered in the estimates of future cash flows used in the Group's goodwill impairment and viability assessment, as detailed on pages 97 and 98 of our 2023 Annual Report.

We assess and report the climate change-related transition risks and opportunities on short (up to 3 years), medium (3-7 years) and long (more than 7 years) term bases. For physical risks, we define short term as the period up to 2030, medium term up to 2050 and long term up to 2100. Given the fast-changing and unpredictable nature of economic and environmental conditions, the potential financial impact was modelled up to 2030 only.

Global average surface temperature change (relative to 1986–2005)



During the process, we identified and assessed 12 climate change-related risks, of which eight were transition risks and four physical. Following this, we then prioritised four transition risks and two physical risks, being those with the highest risk scores, based on a combination of impact magnitude and likelihood.

We also identified three climate-related opportunities. We modelled the financial impact of these six risks and three opportunities. Assessment of the 12 climate-related risks, and their potential financial impact, can be found on page 72.

Climate-related risks and opportunities

		Estimated financial impact	Timeframe			Scenario sensitivity	
			Short	Medium	Long	2DS	BAU
Transition risks	1 Capital markets shifting investment to low carbon activities	Unquantifiable			●	■■■■	
	2 Changing customer preferences	£5-9m			●	■■■	
	3 Substitution of existing customer products and services			●		■■■	
	4 Commodity and raw material price increases	£4-8m		●		■■■■	■■■
Physical risks	5 Acute risks, e.g. extreme weather events	£7-9m			●		■■■■
	6 Chronic risks, e.g. rising sea levels and temperature				●		■■■■
Climate related opportunities	7 Acceleration of renewable energy market	£9-17m	●			■■■■	■■■
	8 Electrification of transportation	£1-2m		●		■■■■	■■■
	9 Electrification and automation of plant and machinery	£4-9m			●	■■■	

— Anticipated onset of risks and opportunities
 ● Estimated full impact of risks and opportunities

■■■■ High likelihood
 ■■■ Medium likelihood
 ■ Low likelihood

The highest ranked risk was the risk of capital markets shifting investment to low carbon activities, which may impede the Group's acquisition-fuelled growth strategy.

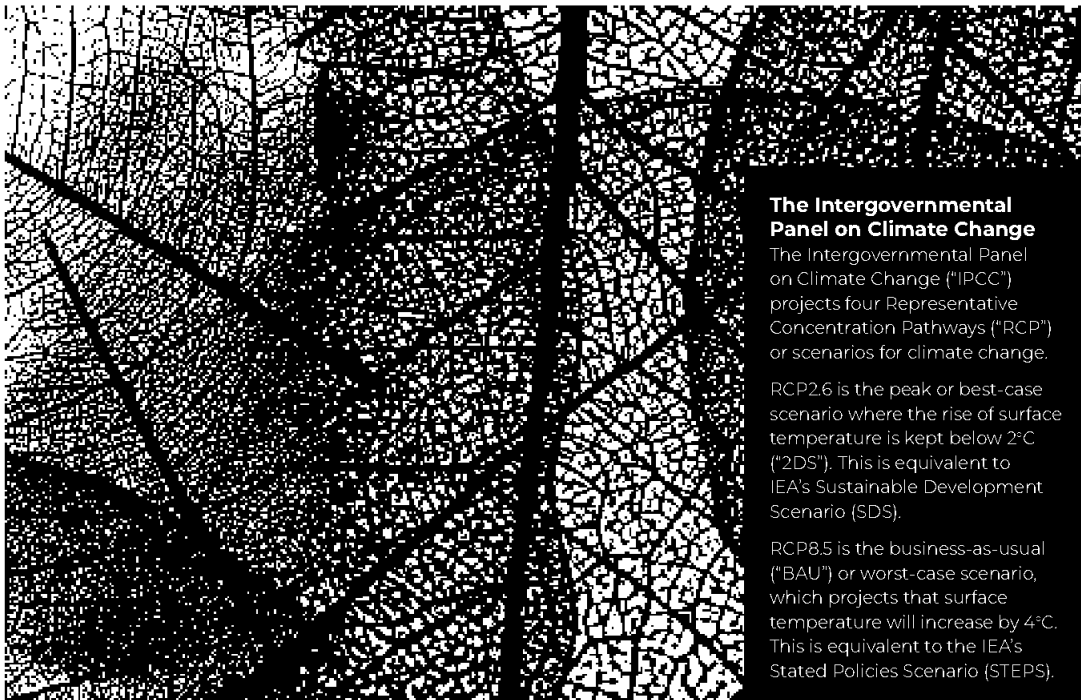
The other key risks include customers shifting to low carbon substitutes, and raw material price increases. The financial impact of these risks was modelled by applying appropriate assumptions of attrition rate to affected revenues for the 2DS and BAU scenarios, respectively.

For the physical risks, we took full mitigation costs into account. In the case of possible site relocations due to changes of climate pattern, we

factored in relocation costs such as fit-out, staff relocation, recruitment and training, and certification, as well as insurance coverage. Because the risk profiles were similar for both scenarios, the same mitigation approach was applied to both scenarios.

For the climate-related opportunities, we applied an estimated excess growth rate to each of the opportunities in the 2DS scenario and halved the rate in the BAU scenario on the assumption that growth in renewable energy, electrification of transportation, and automation would accelerate under the more aggressive reduction scenario.

We considered materiality both in terms of potential financial impact on the Group and the importance of climate change to our internal and external stakeholders. The outcome of the assessment showed that under both 2DS and BAU scenarios the net financial impact over the seven year period to 2030 is immaterial and represents c.1-2% of the Group's operating cash flows. The net financial impact considered both the increased operational costs of quantifiable climate-related risks and mitigation costs, offset by the benefits arising from the climate-related opportunities.



The Intergovernmental Panel on Climate Change

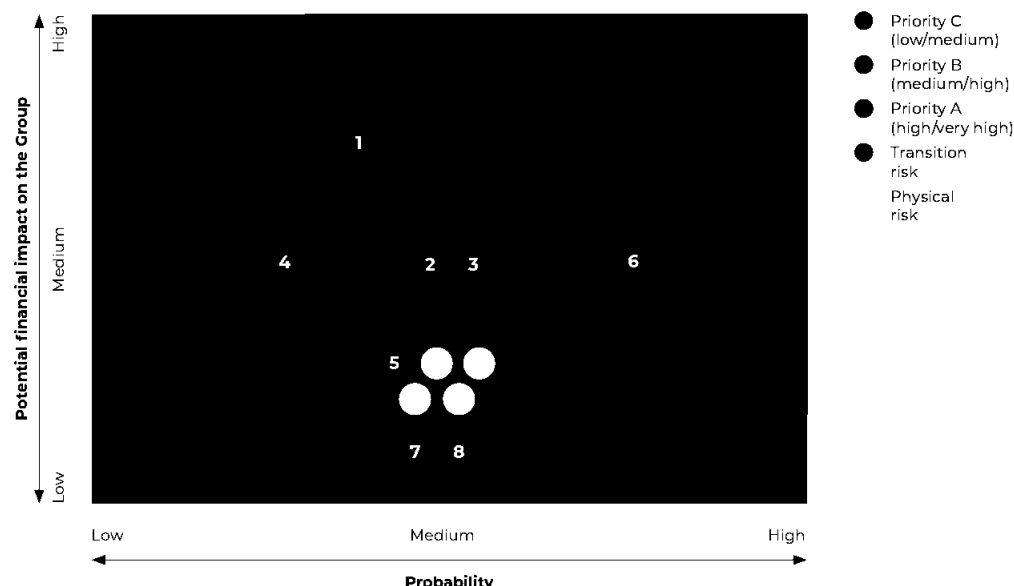
The Intergovernmental Panel on Climate Change ("IPCC") projects four Representative Concentration Pathways ("RCP") or scenarios for climate change.

RCP2.6 is the peak or best-case scenario where the rise of surface temperature is kept below 2°C ("2DS"). This is equivalent to IEA's Sustainable Development Scenario (SDS).

RCP8.5 is the business-as-usual ("BAU") or worst-case scenario, which projects that surface temperature will increase by 4°C. This is equivalent to the IEA's Stated Policies Scenario (STEPS).

TCFD REPORT

Climate-related risk matrix



- 1 Capital markets shift investment to low carbon activities
- 2 Customers and suppliers preference shifts to low carbon products
- 3 Substitution of existing customer products and services with lower emissions options
- 4 Increased stakeholder concern or negative stakeholder feedback from lack of climate action plan
- 5 Increased energy costs due to increasing carbon taxes and alternative low emission energy sources
- 6 Increase in commodity and raw material prices due to high market demand and supply shortages
- 7 Increased borrowing costs
- 8 Mandatory environmental standards or requirements for existing products and services

Increased severity of extreme weather events

Changes in precipitation patterns and extreme variability in weather patterns

Rising average temperature

Rising sea levels

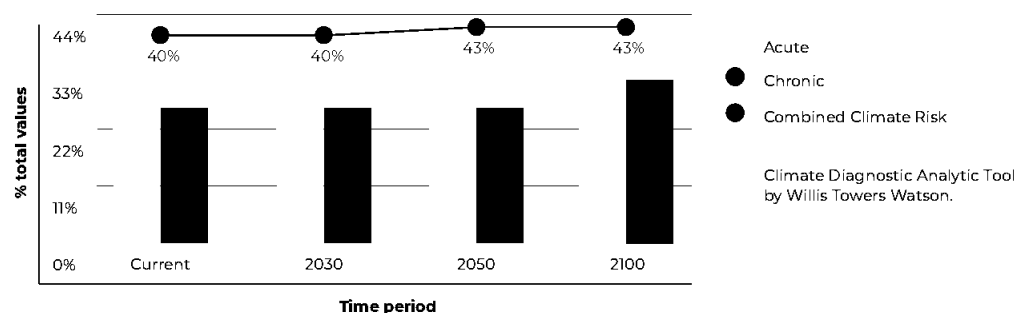
Aided by the WTW Climate Diagnostic Analytical Tool, we also assessed the emerging trends affecting the exposure of our physical assets to climate-related risks in the medium (up to 2050) and long term (up to 2100) under two scenarios: RCP 4.5 and the BAU. We chose RCP 4.5 instead of the 2DS scenario for assessing physical risks because it is assumed that our assets would not be at risk if long-term temperature rise maintains at 2°C or below. RCP 4.5 is the current climate development trajectory, which we have chosen for physical risk assessment for prudence. It is estimated that 35% of the Group's 82 facilities would be exposed to some sorts of physical risks, such as heat stress, precipitation and river flood. A handful of sites were more vulnerable, the costs of which were also factored into the financial impact model.

Sites exposed to significant climate risks in 2050*:



The graph below shows the estimated total values that were considered to be at risk to the evolving climate trends over the short, medium and long term. The estimated values of exposure were defined as the total property value and insurable gross profit of the affected sites.

Climate-related risk matrix



In summary, the estimated net financial impact of climate-related risks and opportunities is considered immaterial to the Group in the short term (up to 2030). However, we also recognise that climate change remains a threat to the Group's assets in the long term and that there are growing expectations amongst our stakeholders that we, as a responsible corporate citizen, address climate risks in our business operations. As such, we have incorporated climate-related risks into our principal risks and uncertainties and managed them as such.

TCFD REPORT

Climate-related risks: transition risks

1

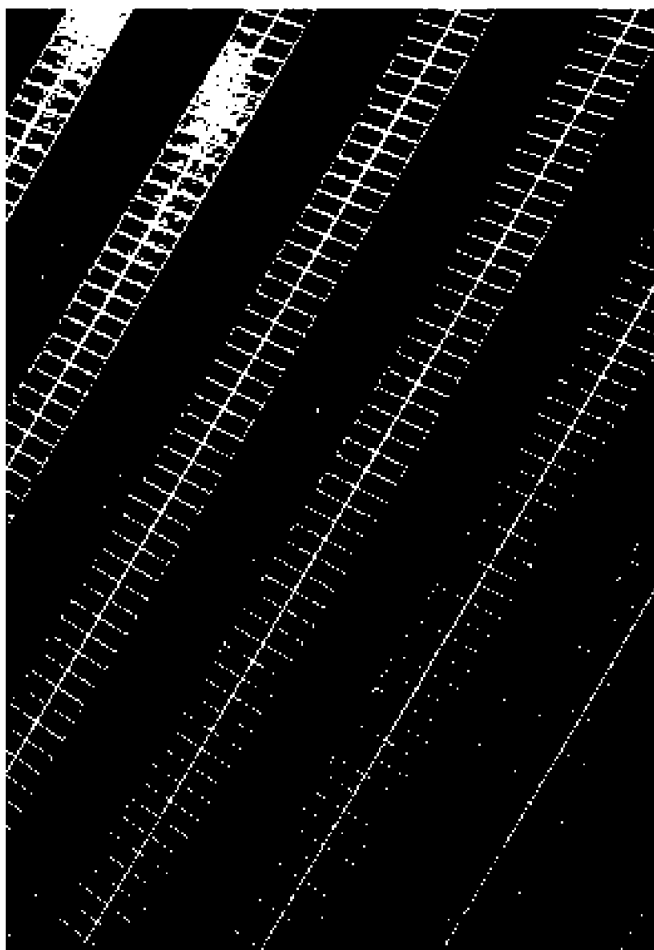
Risk	Risk description	Our response
Capital markets shifting investment to low carbon activities Timeframe Medium - long term	Our growth strategy relies on both organic sales generation and acquisitions. Both require capital investment. We may need to raise additional funding in the capital markets. The shifting of investment to low carbon or green activities may impact our ability to raise capital or increase our cost of capital, in turn reducing our ability to invest in the existing business or acquire new businesses.	Our strategy focuses on markets with structural, sustainable growth, such as renewable energy, electrification of transportation, industrial automation and connectivity, all of which support the transition to a low carbon economy. Operationally, we constantly work to improve market perceptions by providing timely and transparent disclosures. FY2023 progress - Target market revenue increased from 76% to 77% - Announced SBTi-aligned net zero commitment and Scope 1 & 2 reductions plan - Made disclosures on the Carbon Disclosure Project (CDP) for the first time - Rated A by MSCI ESG Research and Regional Top Rated Company (Europe) by Sustainalytics. Linked to strategy     See Our Strategy on pages 26 to 30



Climate-related risks: transition risks

2

Risk	Risk description	Our response
Changing customers preference to low emissions alternatives Timeframe Medium - long term	The majority of our customers are industrial OEMs. They may adopt an aggressive approach to reduce emissions in their value chain. They may switch to low emission versions of products or suppliers.	We have long-lasting relationships with our customers. Our business model of designing and manufacturing customised electronics means that we work closely and collaboratively with our customers, which allows us to understand their needs and requirements well. Our engineers design products with customers' requirements in mind, ensuring technical compatibility as well as environmental compliance. We have set emission reduction targets and made good progress against these. This helps our customers reduce their Scope 3 emissions. In addition, we aim to have 80% of our sales covered by ISO 14001 Environmental Management System certification, which will give our customers further confidence. We also work closely with our customers and suppliers to find better solutions to reduce carbon emissions where possible, such as replacing plastic packaging with sustainable options.



FY2023 progress

- Reduced Group Scope 1 & 2 emissions for continuing operations by 35% against the CY2021 baseline, despite acquisitions
- Two more sites achieved ISO 14001 environmental management system certification.

Linked to strategy



See Our Strategy on pages 26 to 30

TCFD REPORT

Climate-related risks: transition risks

3

Risk	Risk description	Our response
New and emerging technologies substitute our customers' existing products and services Timeframe Short - long term	We supply to industrial OEMs. If our customers' existing products and services become obsolete, our ability to achieve growth well above GDP may be impacted.	Our products are designed and built on well established technologies that are adaptable. They are applicable to many industrial applications. Our product and technologies portfolio and customer base are broad. We do not rely heavily on single customers or end markets. Our customer concentration is considered low, with the top 10 customers representing around a quarter of Group revenue. In addition, we continue to diversify our product and customer base organically and through acquisitions, reducing our risk exposure. FY2023 progress Completed two more acquisitions during the year, Magnasphere and CDT. The acquisitions give the Group exposure to new verticals, such as the security sector. Linked to strategy  ➔ See Our Strategy on pages 26 to 30

4

Risk	Risk description	Our response
Increasing costs of commodity and raw materials Timeframe Short - long term	Some of our products use raw materials, such as copper and aluminium, which are also used in electric vehicles and electrification projects. Prices of such materials are expected to continue to rise as supply cannot meet rapid increases in demand. Significant price rises may cause customers to switch to low cost suppliers. The raw material shortage may impact our ability to continue to supply certain products.	Our products are designed and customised for specific applications and are priced according to project specifications and material costs at the point in time, which to some extent protects the Group from price fluctuation. Furthermore, our products are designed in applications and are often protected by our design IP. Our technical knowhow and reliable delivery engender long-lasting customer relationships. Our supply chain is resilient, as tested and proven during the pandemic. We source materials and components from multiple suppliers where possible, except for those specified by customers. Copper and aluminium have similar conductivity and can be interchangeable in some cases. Linked to strategy  ➔ See Our Strategy on pages 26 to 30



Climate-related risks: physical risks

5

Risk	Risk description	Our response
Acute risks Extreme weather events such as cyclones or floods Timeframe Short - long term	Increased severity of extreme weather events, such as cyclones and floods, may disrupt production activities and incur higher operating costs.	The Group has 82 sites globally, including 32 manufacturing facilities across Asia, Europe and North America. Some production activities can be transferred to other locations to ensure business continuity, if necessary. We have experience in moving manufacturing between sites where circumstances require us to do so. FY2023 progress - Identified the manufacturing sites that are most vulnerable to extreme weather and assessed alternative options should situations require - Assessed the costs for relocating the site that may be affected by climate hazards.

6

Risk	Risk description	Our response
Chronic risks Gradual changes in key climate variables such as temperature, humidity and precipitation Timeframe Medium - long term	Rising average temperature causes heat stress, drought, wildfires and changes in rainfall patterns. Some of the Group's manufacturing sites are in areas exposed to heat stress and precipitation, and some are at risk of rising sea levels. Our workforce may be affected if the average temperature continues to rise. Our supply chain may also be disrupted, causing delays and cancellations.	Using the WTW Climate Diagnostic Analytical Tool, we have identified a number of sites that may be affected by changing climate patterns in the next 30 and 80 years. The analysis showed rising temperatures and precipitation were likely to impact a number of our businesses. Based on the insured asset value of each site and the predicted future impact, we have prioritised six sites for further analysis and investigation. We are now working on plans that aim to mitigate the key risks within the next ten years. For leased properties at high-risk sites, relocation may also be considered when the lease is up for renewal. FY2023 progress - External assessments were carried out at two of the six sites regarding energy usage and the work environment. Measures to mitigate heat stress were evaluated - Assessed the costs of relocating the site that may be affected by rising sea levels.



TCFD REPORT

Climate-related opportunities

7

Opportunity	Opportunity description	Our response
Acceleration of renewable energy Timeframe Short - long term	Driven by decarbonisation and increasing regulations, the renewable energy market will continue to grow in the BAU scenario and accelerate in the 2DS scenario. The International Energy Agency has estimated over half of energy generated will be from renewable sources by 2050.	Renewable energy is one of our target markets, and we are leading in the fields we serve, such as transformers for wind turbines and DC isolator switches for solar systems. Our products can also be applied to other types of renewable energy, such as hydro, which will be an addition to our existing renewable energy exposure. Our broad range of technologies is applicable to many parts of the renewable energy value chain. From generation to transportation and distribution, we will be able to take advantage of these opportunities. Linked to strategy  ➔ See Our Strategy on pages 26 to 30

8

Opportunity	Opportunity description	Our response
Acceleration of electrification of transportation Timeframe Short - long term	Decarbonisation and the recent energy crisis have driven the acceleration of the electrification of transportation. This is reflected both in personal vehicles and mass transportation infrastructure. It is estimated that around USD 1 trillion will be invested in transportation by 2050 to meet global net zero goals.	Transportation is one of the major sources of carbon emissions globally. Switching to cleaner methods of transportation is crucial for meeting the net zero goals of many governments. Being one of the Group's target markets, we focus on mass transportation, such as rail, buses, and ships, and specialist vehicles, such as delivery trucks. We are targeting retrofitting ageing systems as well as developing new applications. In addition, our knowledge and knowhow of magnetic components will enable us to take advantage of growth in the electric vehicle infrastructure market, such as charging stations. Linked to strategy  ➔ See Our Strategy on pages 26 to 30

9

Opportunity	Opportunity description	Our response
Acceleration of plant and machinery automation Timeframe Medium - long term	Climate change could reduce productivity as the workforce is impacted and production disrupted. An increasing number of companies will look to automate processes to improve efficiency and productivity.	Industrial and connectivity are our largest target markets. Our fibre optic and wireless connections and a broad range of sensing capabilities, essential for automation, will enable us to continue growing in this market. Linked to strategy  ➔ See Our Strategy on pages 26 to 30

3

RISK MANAGEMENT

Climate-related risks are considered one of our principal risks and this is reflected in our financial reporting. The process for identifying climate-related risks is integrated into our risk management framework.

As part of the climate change scenario analysis exercise, a multi-function working group was established in 2022. This comprises members from finance, divisional management, risk and internal audit, and the GST. This working group is a subset of the GMC.

In identifying and assessing climate-related risks to the Group's operations, assets, and reputation, we used primarily a top-down approach. Given the Group's decentralised structure,

we consider this approach more appropriate for assessing climate-related risks, particularly physical ones. However, we have also taken a bottom-up approach by factoring in the feedback from our operating businesses where appropriate.

The scenario analysis working group conducted a top-down review of the Group's climate-related risks and opportunities in order to identify new or emerging risks and opportunities.

The assessment considers two categories of climate-related risks: the transition to a low carbon economy (transition risks) and risks associated with the physical impacts of climate change (physical risks). The risks assessed for both the 2DS and BAU scenarios were drought, heat stress, fire weather, precipitation, river and coastal flood and tropical cyclone.

TCFD recommended disclosures

- describe the organisation's process for identifying and assessing climate-related risks
- describe the organisation's process for managing climate-related risks
- describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management

Further information

- Risk management pages 87 to 90



TCFD REPORT

How we identify and prioritise climate-related risks

To assess transition risks, we engaged with each operating business to better understand the preferences of our customers, suppliers and employees and the challenges they face in tackling climate change. The outcome was factored in during the risk identification process. Each risk was discussed and scored based on the probability and magnitude of potential financial impact, and the multiplication of the two scores determined the materiality of the risk. Through this process, the most material risks were identified. Those risks that were deemed to be quantifiable were included in the financial modelling. Existing mitigations and progress made were also factored in during the quantification process. Cost and benefit analysis for the mitigations of each quantifiable risk was carried out. A 10-year discounted cashflow forecast was modelled for both 2DS and BAU scenarios, using a discount rate equalling the Group's weighted average cost of capital.

For physical risks, we used the WTW Climate Diagnostic Analytical Tool to help us with scenario analysis. We assessed our resilience in a time horizon between 10-80 years for relatability with asset lifespan, as recommended for TCFD. The WTW Climate Diagnostic Analytical Tool considered insured asset value and combined exposure to extreme

weather events (acute risks) and to gradual changes in weather patterns (chronic risks) for each of our 82 facilities globally, including warehouses and offices. Based on the insured asset value and risk exposure, each site scored between 1 and 5 (5 being the highest risk). For those with the highest scores, mitigation plans were drawn up, and associated costs were assessed and factored into the scenario financial models.

Once the climate-related risks were identified and prioritised, the financial impact of the key risks up to 2030 was modelled and assessed for both 2DS and BAU scenarios. The key climate risks, mitigation plans, and the net financial impact in both scenarios were presented and discussed at the GMC before being reviewed by the Sustainability Committee, which also included the Chairs of the Audit Committee and Remuneration Committee.

How we manage climate-related risks

We use the scenario analysis to inform our decision-making in the following areas:

- Strategic and financial planning
- Capital investment
- Acquisition suitability assessment
- Goodwill impairment assessment
- Insurance
- Lease renewals and procurement of new leases

Climate-related risks are managed as part of the Group risk management process, alongside other strategic and operational risks and, as with all matters in the Group Risk Register, these risks are reviewed annually. Action plans to mitigate such risks are managed and reported at Group level, whereas the responsibility for implementing the plans is delegated to the management of the operating businesses.

The GST conducts annual reviews with operating business management at the end of each financial year regarding progress against their ESG objectives. This is then reported to and discussed with the GMC and Sustainability Committee. The operating businesses report on ESG progress, including carbon reduction actions, in quarterly business reviews chaired by the divisional heads. The GST also provides progress updates to the Sustainability Committee at each Committee meeting.

Climate-related risks and mitigation progress are monitored by the Risk and Internal Audit team on an ongoing basis, which updates the Audit and Risk Committee at each meeting.



4

METRICS & TARGETS

Since our journey of tackling carbon emissions began in 2020, we have reduced our Scope 1 & 2 carbon emission intensity by 50% against the 2019 baseline. This was achieved two years ahead of our original target to achieve that reduction within five years.

In November 2022, we announced our commitment to achieve net zero emissions and set science-based targets for the medium and long term. The net zero commitment was a significant step up from our previous target.

We aim to achieve net zero emissions for Scope 1 & 2 by 2030 and for Scope 3 by 2040, and have published a transition plan for net zero Scope 1 & 2 emissions by 2030.

Key elements of the plan and all material information are contained in this report. Supplementary information can be found in the Road to Net Zero Emissions Report on our website www.discoverIE plc.com

The following sections outline the progress we have made in the past year.

Scope 1 & 2

Our net zero plan for Scope 1 & 2 focuses primarily on addressing four of the Group's largest emission sources: electricity, natural gas, company cars and refrigerants, and aims to achieve an absolute reduction of 65% by 2025 against the 2021 baseline. In CY2022, we reduced Scope 1 & 2 emissions for continuing operations in absolute terms by 35%, primarily driven by more sites switching to renewable sources and reduced gas and electricity consumption.

TCFD recommended disclosures

- disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process
- disclose Scope 1, Scope 2, and if appropriate, Scope 3 GHG emissions, and the related risks
- describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets

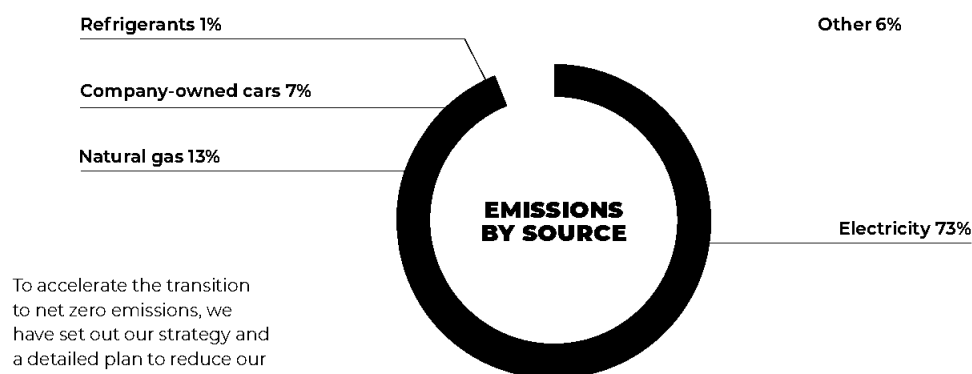
Further information

- Strategic and operational review, pages 32 to 38
- Key strategic indicators, page 30
- Our business model, pages 18 and 19

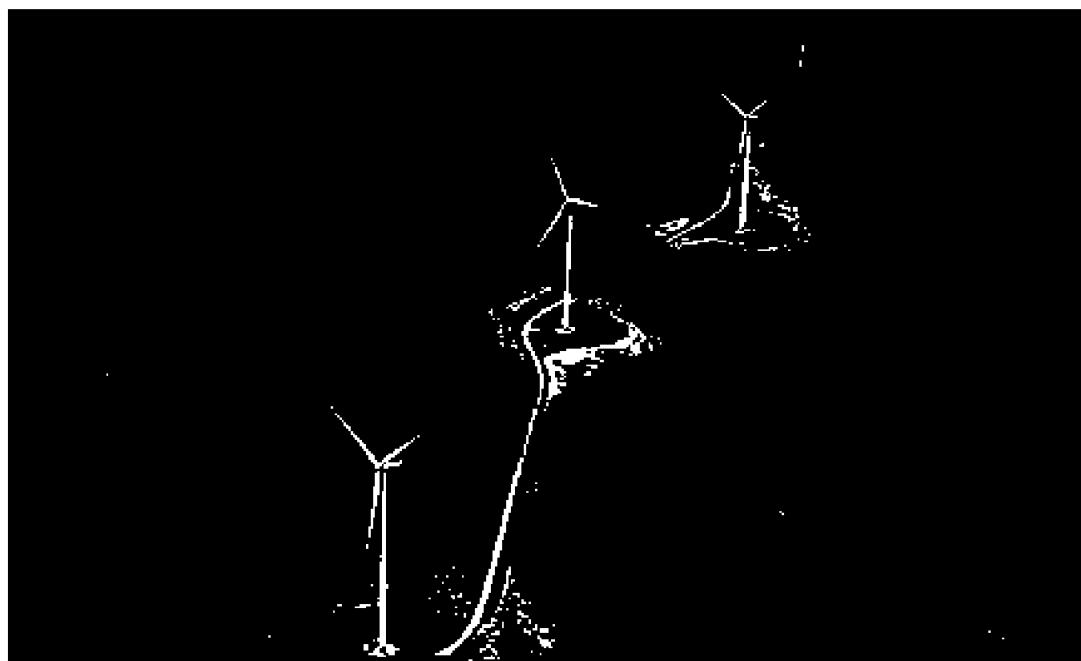
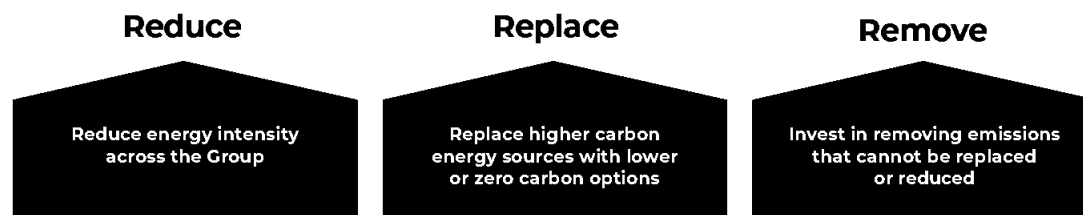


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Scope 1 & 2 emissions by source



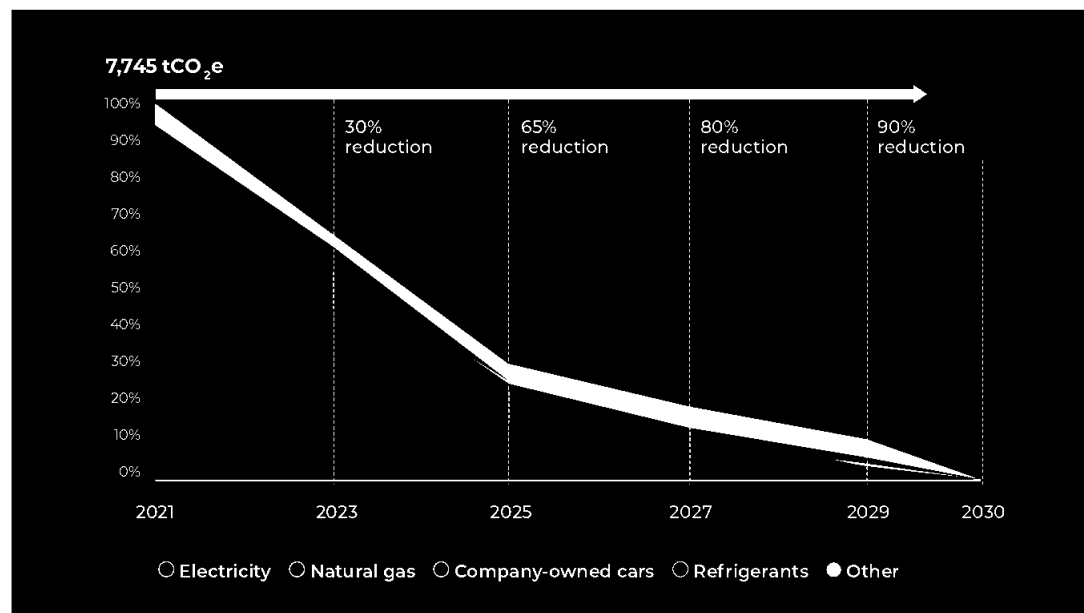
Our net zero strategy has three priorities: Reduce, Replace and Remove.



Based on the strategy, we have developed the following action plan and milestones:

	Action	Milestones
Reduce	Reduce energy intensity by promoting process efficiency, employee awareness and engagement	- All Group sites complete energy audits by the end of 2023 - Reduce energy intensity by 10% by 2030
Replace	Install solar panels in Sri Lanka and Thailand	Complete by mid-2023
	Switch to zero emission energy sources through direct tariffs or renewable energy certificates ("RECs")	80% zero emission energy by 2025, and 100% by 2030
	Replace gas heating with electric options	90% by 2029
	Replace company-owned cars with fully electric vehicles	100% EV by 2030
Remove	Remove all refrigerants	100% by 2025
	Invest in carbon removal projects to remove residual emissions	In 2030 and beyond

Target time horizon



TCFD REPORT

By the end of 2022, 58% of our electricity was from renewable or clean sources (CY2021: 29%), benefitting from increased use of renewable tariffs, as well as the solar systems installed at our Sri Lankan site last year. Now that all phases of the installation are up and running (the last phase was completed in January 2023), we expect that solar system to provide over 50% of the site's power requirements. The installation of the roof-top solar systems in our facility in Thailand is also now complete, and the site will be energy self-sufficient in normal circumstances going forward. We expect to increase the proportion of renewable electricity used by the Group further this year, moving closer to our 2025 target of 80%.

Energy consumption during 2022 was 4% lower, despite acquisitions and strong manufacturing output. As a result, energy intensity fell by 18% year-on-year, well ahead of our 10% target by 2030. We continue to find ways to reduce energy consumption, with 35 of our 56 sites having now conducted an energy audit. Recommended energy efficiency projects are being prioritised and rolled out at these sites.

During the year, two more sites achieved ISO 14001 Environmental Management System accreditation, which means more than half of the Group's facilities or 59% of Group revenue are ISO 14001 accredited (CY2021: 61%). The percentage of revenue was lower than the prior year because of the revenue mix.

Carbon emissions	CY 2019	CY 2020	CY 2021 ⁵	CY 2022
Scope 1	2,742.01	1,644.70	2,134.87	1,295.09
Scope 2	7,895.54	6,732.61	6,375.04	3,753.09
Total Scope 1 & 2 (tCO ₂ e)	10,637.55	8,377.31	8,509.91	5,048.19
Carbon intensity ²	23.05	18.54	15.45	11.44
Discontinued operations ¹ (tCO ₂ e)	(1,247.36)	(792.99)	(764.42)	–
Scope 1 & 2 – continuing operations	9,390.19	7,584.32	7,745.49	5,048.19
Carbon intensity ² – continuing operations	31.57	25.40	20.46	11.44
Acquisitions ⁴ (tCO ₂ e)				(810.61)
Scope 1 & 2 – like-for-like				4,237.57
Carbon intensity (tCO ₂ e / £m revenue) ³				10.84

Notes:

- Vertec SA and Acal BFI were sold in January 2022 and March 2022, respectively
- Carbon intensity is calculated by dividing Scope 1 & 2 emissions by Group revenue in the calendar year. Group revenues for CY2019 to CY2022 for continuing operations were £297.4m, £298.6m, £378.6m and £441.2m, respectively
- CY2022 Group revenue on a like-for-like basis was £390.9m
- Our net zero Scope 1 & 2 targets were set based on CY2021 figures. For the purpose of reporting, acquisitions after 31 December 2021 will be shown separately to show the underlying performance
- CY2021 market-based Scope 1 & 2 emissions have been restated to include Phoenix America (not included in last year's reported figures due to lack of data).

Unless stated, all figures in the table below are on a continuing operations basis (i.e., excluding disposals but including acquisitions).

Net zero KPIs	CY 2021	CY 2022	Target
Carbon reduction - absolute (Scope 1 & 2)	n/a	35%	65% reduction by 2025
Energy intensity - continuing operations (kWh/ £m revenue)	65,308	53,780	10% reduction by 2030
% electricity from renewable / clean sources	29%	58%	80% by 2025
Energy audits ¹	53%	63%	80% by 2025
Company cars (EV/hybrid) ²	26%	33%	50% by 2025
ISO 14001 accreditation ³	61%	59%	80% by 2025

Notes:

- Measured as a % of the number of Group sites that have had an energy audit since 2018
- Measured as the % of Group company cars that are electric or hybrid
- Measured as a % of Group revenue generated by operations with a ISO 14001 accreditation. CY22 reported figure of 63% has been restated to include all acquisitions since 1 January 2020.

Scope 3

This year we completed our first Group-wide exercise intended to capture data on all of our CY2022 Scope 3 emissions. As this was the first time this exercise was conducted, there were certain limitations to the methodology used, as described below. However, the exercise sought to cover the entire Group (100% of all Group companies) and include as many of the sub-categories within Scope 3 of the Greenhouse Gas Protocol methodology as possible. Like Scope 1 & 2, Scope 3 emissions were reported on a calendar year basis, from 1 January to 31 December. This differs from our financial year to be consistent with previous emission assessments.

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

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

A summary of the key findings is as follows:

- Our CY2022 Scope 3 emissions were c. 70,000 tCO₂e, comprising over 90% of the Group's total emissions across all of Scope 1, 2 and 3
- The largest category of Scope 3 emissions was from purchased goods and services (Category 1), with that category alone representing c. 75% of total Scope 3 emissions
- The second largest source of Scope 3 emissions was freight (Categories 4 and 9). At this initial stage, it is not possible to distinguish between those two categories, so they have been recorded and reported together under Category 4. Together they comprise c. 18% of total Scope 3 emissions
- The third largest source was employee commuting, slightly under 3% of total Scope 3 emissions.

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

- For Purchased Goods and Services (Category 1), the analysis used spend-based data relating to the type of goods and materials purchased at a generic level (for example, copper, aluminium, plastics, paper, etc.). That data was then aligned to standard industry classification ("SIC") codes, and the combination of those SIC codes and the spend data was used to generate the tCO₂e figures reported. This is in line with the GHG Protocol reporting methodology but is less accurate than supplier-specific data (where such data is available). It also relies on the correct SIC codes having been applied. Given that this was the first year collecting the data, we assumed there would have been some misclassification, which we expect to become more established and accurate as we continue to refine our methods and processes in the coming years
- As noted above, the data currently available did not enable us to confidently distinguish between freight in Categories 4 and 9, so these were recorded together. Again, we expect our internal data collection to improve over time such that we can report these separately and more accurately in future
- In the employee commuting category, rather than the figures being calculated at an individual employee level, each of our operating businesses provided estimates for both the "average" employee journey to work via each mode of transport and the number of people using that mode of transport. While this data was collected at an individual operating business level, it nevertheless relies on the estimation being reasonably accurate.

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

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

- Improve our knowledge of Scope 3 emissions, both at a Group level and within each of our businesses
- Start upgrading our systems and processes to enable this data to be captured more accurately and efficiently going forward
- Complete the equivalent exercise for our CY2023 Scope 3 emissions
- Develop an SBTi-aligned reduction plan for our Scope 3 emissions.

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



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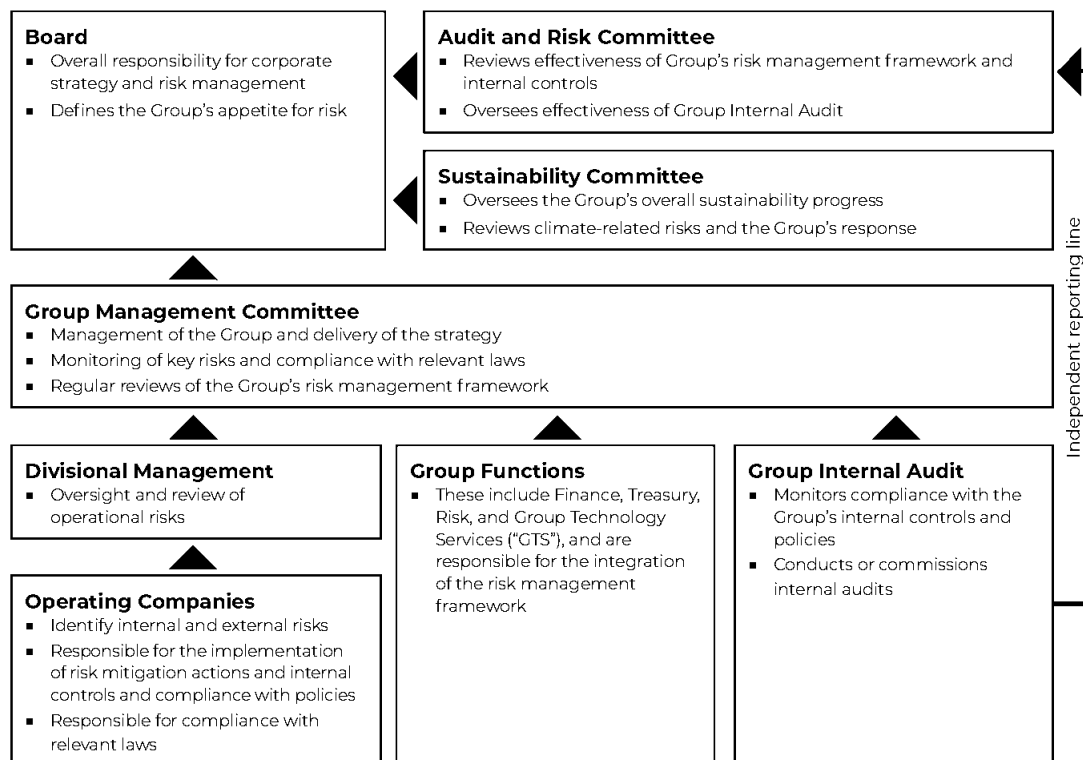
A summary of each of the categories within Scope 3, and their relevance and materiality to us as a Group, is provided below:

	Category	Description	Screening criteria	Percentage of Scope 3
1	Purchased goods and services	Extraction, production, and transportation of goods and services purchased	c.90% of total Group purchased goods spend based on standard industry classification ("SIC") codes	75.2%
2	Capital goods	Extraction, production, and transportation of capital goods purchased	Not captured this year but intend to assess in future years	–
3	Fuel- and energy-related activities	Extraction, production, and transportation of purchased fuels and energy that are not already accounted for in Scope 1 & 2	a) Scope 1 & 2 Well to Tank ("WTT") b) Transmission and distribution c) District heating distribution	2.6%
4	Upstream transportation and distribution	Transportation and distribution of products and services purchased	Upstream emissions of lorry, sea, air, and rail freight purchased by the Group (excluding those paid by customers or suppliers)	18.0%
5	Waste generated in operations	Disposal and treatment of waste generated in operations		0.2%
6	Business travel	Transportation of employees for business-related activities in vehicles not owned by the Group	Business travel in employee-owned cars, hire cars, flights, taxis and ferries	1.5%
7	Employee commuting	Transportation of employees between their homes and workplaces	Estimated by each operating business	2.5%
8	Upstream leased assets	Operation of assets leased by the Group that are not included in Scope 1 & 2	Not applicable	N/A
9	Downstream transportation and distribution	Transportation and distribution of products sold by the Group	Included in Category 4	–
10	Processing of sold products	Processing of intermediate products sold by downstream companies	Our products can be used in a wide variety of applications and typically form a small part of the end product, which together make this category difficult to calculate. Once data collection for the other categories is more established, the intention will be to reassess this category	–
11	Use of sold products	End use of goods and services sold	See category 10 above	–
12	End-of-life treatment of sold products	Waste disposal and treatment of products sold	See category 10 above	–
13	Downstream leased assets	Operation of assets owned by the Group and leased to other entities	The Group does not have leased assets	N/A
14	Franchises	Operation of franchises	The Group does not have franchises	N/A
15	Investments	Operation of investments	The Group is not involved in financial investments	N/A
				100%

RISK MANAGEMENT

Governance and culture

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



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

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

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

processes, internal controls and governance, and serves as the third line of defence. As well as carrying out full audits on individual entities, the team conducts thematic audits, focusing on specific areas across the Group. As a result of the decrease in global travel restrictions, the team were able to recommence on-site audits during FY 2022/23. During FY 2022/23 the team also continued preparations for complying with the proposals outlined in the UK Government's reform of UK corporate governance and audit oversight through a series of pilot control audits. Other activities carried out by the function include reviewing and updating Group policies and improving processes and procedures, where opportunities for improvement have been identified during previous audits.

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

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

RISK MANAGEMENT

Risk profile

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

- Our business units operate largely independently of one another and so, if an issue arose in any one business, it would be unlikely to affect other businesses in the Group.
- We operate in 20 countries and no single country represents more than 22% of Group turnover or profit.
- Most of the Group's businesses operate on separate IT systems, which assists in minimising the risks of a major cyber security incident affecting the wider Group. In FY 2021/22, a Group-wide project was completed to further enhance cyber security controls across the Group's businesses by implementing consistent web and end-point security as well as introducing an outsourced Security Operations

Centre ("SOC") to monitor and respond to IT security threats 24/7. This was further enhanced in FY 2022/23 with the establishment of an external incident response team to assist with any incidents identified by the SOC.

- The Group operates from over 50 separate sites, so if an incident were to occur at one site, it would not directly affect the other businesses within the Group. Further, there exists the ability to switch production between certain sites if needed.
- The Group has very limited reliance on any single customer or supplier, with the largest customer representing approximately 5% of revenue.
- The Group manufactures and sells a wide variety of product lines, across multiple geographies and market sectors, removing reliance on any single revenue stream. This is

further reinforced by the innovative, bespoke nature of the Group's products, which continue to evolve as circumstances change.

- The Group operates in structural growth markets, which reflect long-term needs and are less cyclical in nature.

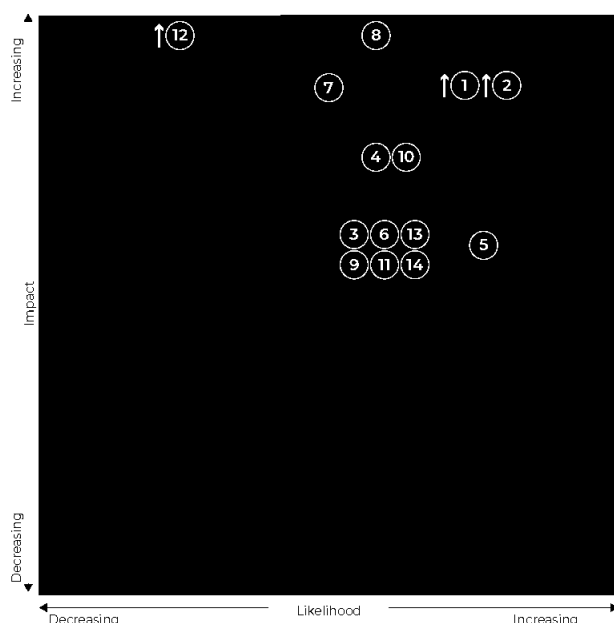
Risk appetite

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

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

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

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



- Instability in the economic environment
- Business acquisition underperformance
- Climate-related risks
- Cyber security
- Loss of key customers
- Loss of key suppliers/supply
- Technological changes
- Major business disruption
- Loss of key personnel
- Product liability
- Inventory obsolescence
- Liquidity and debt covenants
- Foreign currency
- Non-compliance with legal and regulatory requirements

KEY

Category of risk:

- Strategic Risk
- Operational Risk
- Financial Risk
- Regulatory / Compliance Risk

Enterprise risk management

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

Step 1

Two processes are conducted in parallel:

- A top-down review of the Group Risk Register to:
 - identify new or emerging risks
 - assess changes to existing risks
 - consider the potential impact and likelihood of risks, linking each risk to the Group's corporate strategy
 - evaluate existing mitigating actions and controls
 - consider the residual risks remaining after the application of the Group's internal control processes (and if appropriate the implementation of further mitigating actions)
- A bottom-up review by the management of each business to:
 - identify new or emerging risks
 - assess changes to existing risks
 - consider the potential impact of risks
 - evaluate existing mitigating actions and controls
 - consider residual risks (and if appropriate the implementation of further mitigating actions)

The top-down review of the Group Risk Register is conducted by the Group Risk team, Divisional Management, GTS and the internal Group Sustainability Team. The bottom-up review is conducted by the management team within each business with support from the Risk team.

Step 2

- Comparison of the results of the top-down and bottom-up identification processes above
- The benefits of conducting both top-down and bottom-up reviews are:
- increased assurance that all risks have been identified, with input from multiple perspectives
 - ensuring alignment between local management and Head Office
 - ensuring that businesses take ownership of the risks most relevant to their individual operating unit
 - ensuring that controls in place to mitigate risks at the operating unit level are appropriate
- An assessment of any differences identified and update of the Group Risk Register as appropriate

Step 3

- Review of the Group Risk Register by the Group Management Committee. This review focuses on:
 - the materiality of each of the risks identified
 - prioritisation of the allocation of the Group's resources to the most important areas
 - clarity of ownership for each of the risks identified

This review takes into account the Group's risk appetite in respect of the various types of risk identified.

The Group Risk Register is then updated, as appropriate, following the review.

This is then summarised in a table of principal risks and uncertainties, the final version of which (for FY 2022/23) is set out on pages 91 to 96.

Step 4

- Review by the Audit and Risk Committee – this includes:
 - consideration of the Group's risk management framework
 - review of the Group Risk Register
 - identification of any other areas of potential risk
 - review of the table of principal risks and uncertainties
 - challenging actual or potential control weaknesses
 - review of the effectiveness of the Group's internal controls and risk management systems

RISK MANAGEMENT

These processes are conducted twice each financial year:

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

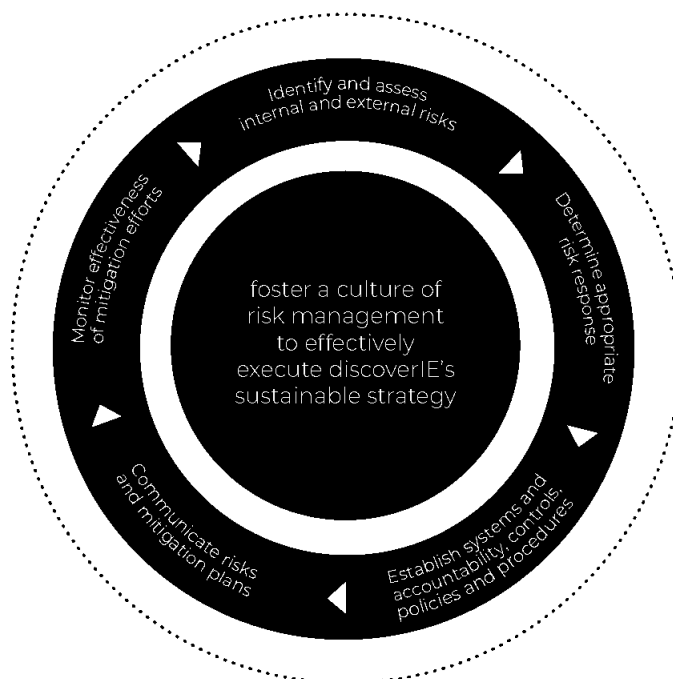
The Group Risk function is continually looking to improve the Group's Enterprise Risk Management framework. During FY 2022/23 the Group Risk function assigned risk managers to each risk to complement the recorded risk owners. The function sought additional input from these individuals in order to increase the granularity of information recorded across risk registers. Further information on the Group's principal risks and uncertainties ("PRUs") is detailed on pages 91 to 96.

A key element in assessing the Group's principal risks is considering the likelihood and potential magnitude of impact, over a range of time horizons, as well as whether the risks are new or emerging, or have changed in importance during the year. The diagram on page 88 provides a summary of the PRUs on that basis.

Ongoing monitoring, mitigation and improvement

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

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





PRINCIPAL RISKS AND UNCERTAINTIES

Focus on principal risks

This section of the Strategic Report provides an overview of the Group's approach to managing risk, focusing on the major risk factors to implementing the Group's strategy and business model. It is not an exhaustive list of all possible risks. Additional uncertainties exist, some of which may not be known to the Group and could have a negative effect on the Group's financial position and performance. The principal risks and uncertainties detailed below were considered in assessing the long-term viability of the Group. The viability statement can be found on page 97 to 98.

The categories of risk are similar to last year. The retirement benefit obligations remains de-classified as a principal risk as the Group's legacy defined benefit pension scheme remains in surplus.

	Risk description	Potential impact	Mitigating actions	Change in the year	
Strategic risk					
1	Instability in the economic environment	▪ Risk of decline in financial performance due to recession, or geopolitical changes	▪ Reduction in sales ▪ Lower margins ▪ Closure of factories and suppliers stopping production ▪ Difficulty raising equity and debt, impacting ability to acquire businesses	▪ Market position as a specialist supplier focused on core target markets with diversified locations and product offerings ▪ A long-term credit facility is in place with significant headroom ▪ Careful monitoring of inventory levels and customers in relevant geographies to identify any issues early ▪ Flexible production and warehouse facilities to enable movement of production and supply to other countries if required ▪ Vigilance entering markets that are politically or financially unstable	 ▪ Increased global pressure on prices and supply chain, causing shortages of some raw materials and components ▪ Rising cost of borrowing ▪ Economic turmoil in Sri Lanka Link to KSIs: A B C Link to KPIs: 1 2 3 4 5 6
2	Business acquisition under-performance	▪ A degree of uncertainty exists in valuing acquisitions and evaluating potential synergies ▪ Post-acquisition risks arise due to change of control and integration challenges	▪ Financial impact due to underperformance of acquisitions ▪ Loss of key employees and their expertise ▪ Expected synergies are not realised	▪ Operational, financial and legal due diligence on target businesses ▪ Appropriate warranties and indemnities from vendors ▪ Use of earn-out structures to incentivise key management ▪ Monitoring of the acquired business performance against budget and forecast ▪ Hiring of experienced finance and management personnel ▪ Specific risk management programme for first 12 months post-acquisition before becoming part of the Group ongoing internal audit programme	 ▪ A more uncertain economic environment increases the risk of under-performance of acquired businesses ▪ CDT, acquired in July 2022 and Magnasphere, acquired in January 2023 Link to KSIs: A B C Link to KPIs: 1 2 3 5 6

Risk indicators

↔ Risk stays the same ↑ Increased Risk ↓ Decreased Risk

PRINCIPAL RISKS AND UNCERTAINTIES

	Risk description	Potential impact	Mitigating actions	Change in the year
Strategic risk				
3 Climate-related risks	- Global warming leads to greater extremes of weather events and other local issues, which may cause production disruptions and increase operational costs - Rising temperatures and sea levels may adversely affect several of the Group's sites - Supply chains are affected by climate change on their operations - Our products or other activities or decisions in relation to climate related risks may be judged negatively by external stakeholders	- The operations of Group facilities are affected by the impact of climate change (e.g., through weather related events) - Reduced revenue due to components and material shortages - Increased commodity and raw material costs due to rapid increase in demand and supply shortages. This may also lead to reduced sales as some products become less or non-profitable - Reduced sales due to customer revenues being impacted by climate-related effects on their businesses - Inability to raise capital to fund acquisitions and/ or increased finance costs due to reputational impact and deterioration of relationships with external stakeholders and staff	- An assessment of the physical risks of climate change to the Group's facilities conducted using the WTW Climate Diagnostic analysis concluded that such risks are considered to be low. Those sites considered to be at high physical risk are insured for loss of revenue for 18 months resulting from climate-related disruptions - The Group has diverse supply chains and the ability to switch from individual suppliers that encounter issues. The agility of the Group's decentralised operating model enables us to deal with supply issues promptly and effectively - Given the Group's target markets, customer revenues are expected to increase as a result of climate-related matters which could offset the risk impact in other areas - The Group has a comprehensive plan to reduce emissions within its operations. The Group's target markets are aligned with the UN SDGs and contribute to the energy transition - ESG matters are discussed at all meetings of the Board, Sustainability Committee and Group Management Committee, to ensure that the right activities are being prioritised and implemented. ESG targets are established at a Group and operating company level to ensure effective management of ESG matters	↔ - Full TCFD disclosure made, including climate scenario analysis and quantified potential financial impacts - Good progress made on reducing Scope 1 & 2 emissions, with an absolute year-on-year reduction of 35%. See further details on page 84. - Net zero commitment and plans for achieving medium-term goal announced in November 2022 - Initial Scope 3 screening completed. Further work to refine data is underway - All businesses are working on implementing ISO 14001. Two more sites achieved ISO 14001 certification during the year. As of the end of FY2023, 59% of Group revenues are ISO 14001 certified Link to KSIs: D Link to KPIs: 1 2 3 4 5 6



	Risk description	Potential impact	Mitigating actions	Change in the year
Operational risk				
4 Cyber security	System downtime or loss of data due to external attack	- Business disruption - Reduced service to customers - Financial loss - Theft of and/or access to confidential data - Reputational damage	- Different operating units operating on separate IT systems and networks minimises risk of a major incident impacting the wider Group - Next generation end point security, DNS monitoring and web security solution - Outsourced Security Operations Centre ("SOC") provides 24/7 continuous security monitoring - Backup procedures in place	↔ - Enhanced service levels with outsourced provider to improve response times to security incidents. - Internal audit coverage of IT risk has been increased Link to KSIs: D Link to KPIs: 1 2 5 6
5 Loss of key customers	A key customer moves to a competitor, significantly reduces operations, or goes into insolvency	- Loss of market share - Increased risk of bad debt - Reduced profitability and cash flow	- Low dependence on any single customer (the largest customer represents c. 5% of Group revenues) - Culture of high-quality service and long-term customer relationships - Robust quality management systems (including ISO 9001) - Customer satisfaction surveys completed by all operating companies on a regular basis - Regular dialogue with local management in relation to sales and design pipeline	↔ Link to KSIs: A B Link to KPIs: 1 2 5 6
6 Loss of key suppliers/ supply	A key supplier undergoes change of ownership, suffers major business disruption or quality issues	- Negative impact on production - Damaged relationships with key customers - Reduced sales	- Low dependency on any single supplier - Dual source suppliers in place where possible - Long-term supplier relationships, enhanced by strong customer relationships - Monitoring of market and technological developments, including input from customers	↔ Link to KSIs: A Link to KPIs: 1 2



PRINCIPAL RISKS AND UNCERTAINTIES

	Risk description	Potential impact	Mitigating actions	Change in the year
Operational risk				
7 Technological changes	The development of new technologies that give rise to significant new competition or renders our products obsolete	- Reduced sales - Loss of market share - Inventory write offs	- The Group is diversified into a number of differentiated technology units - Focus on established technologies with low capital requirements	↔ Acquisitions in the year increase the diversity of the product portfolio Link to KSIs: A C Link to KPIs: 1 2
8 Major business disruption	Sustained disruption to production arising from a major incident at one or more sites	- Insufficient production to deliver goods on order - Damaged relationships with key customers - Reduced sales - Reputational damage	- Transfer production between sites - Maximum of 8% of sales derived from a site - Insurance coverage	↔ - Acquisition of Magnasphere increases manufacturing capabilities in the US - Assessment of alternative manufacturing locations undertaken as part of TCFD analysis Link to KSIs: A B Link to KPIs: 1 2 3 4 5 6
9 Loss of key personnel	Key employees leave, and effective replacements cannot be recruited on a timely basis	- Loss of expertise - Potential business disruption - Reduced growth - Insufficient resources - Reputational damage	- Staff development, training programmes and succession planning - Remuneration based on personal and business success - Regular remuneration benchmarking - Use of earn-out structures to incentivise key management of acquired companies - The number of separate business units, each with their own management teams, minimises the risk that the underperformance of any one business impacts the Group as a whole	↔ Link to KSIs: A Link to KPIs: 1 2



	Risk description	Potential impact	Mitigating actions	Change in the year
Operational risk				
10 Product liability	A failure in one of our products results in serious injury, death, damage to property or non-compliance with product regulations	- Non-compliance with quality standards - Financial loss - Reputational damage	- Quality inspection controls before products are shipped to customers - Terms and conditions limit companies' liabilities - As a number of the Group's products are customised for individual customers, this reduces the risk relating to any one product and/or customer	 Link to KPIs: 
11 Inventory obsolescence	Inventory value falls below its realisable value	Financial loss	- Orders built to specific customer requirements; many are non-cancellable, and non-returnable - Purchasing to reliable sales forecasts - Continuous monitoring of inventory turns	 Link to KSIs:  Link to KPIs: 
Financial risk				
12 Liquidity and debt covenants	There is a breach of funding terms/covenants	Insufficient cash resources to support the Group's activities	- The Group has an existing revolving credit facility of £240m, which runs to June 2027, with c.£152m undrawn at the year end - Central treasury function oversees the Group's cash resources and financing requirements - Regular review of headroom against committed facilities and financial covenants - Working capital controls and monitoring of key working capital metrics - Issuance of equity from time to time to support acquisitions programme - Acquiring high-margin, high cash generative businesses	 - Sharp rise in base interest rates over the year from near zero to around 5% reduces interest cover - Gearing increased in the year from 0.6x to 0.7x - Term of revolving credit facility of £240m extended from June 2026 to June 2027 Link to KPIs: 



PRINCIPAL RISKS AND UNCERTAINTIES

	Risk description	Potential impact	Mitigating actions	Change in the year
Financial risk				
13 Foreign currency	The Group transacts in many currencies for both its purchases and sales, which differ to its reporting currency, and so the Group has translational and transactional exposures to foreign currency fluctuations	- Reduction of the Group's reported results - Volatility in operating margins	- Use of forward currency contracts to hedge committed and forecast sales and purchases in foreign currency - Currency borrowings as a natural hedge against same currency assets - Central review of foreign currency exposures	↔ Link to KPIs: 2 5 6
Regulatory/compliance risk				
14 Non-compliance with legal and regulatory requirements	Unintentional failure to comply with international and local legal and regulatory requirements	- Fines or penalties - Reputational damage	- The Group hires employees with relevant skills and uses external advisers to keep up to date with changes in regulations and legal requirements in order to remain in compliance - Internal control framework including Group policies, procedures and training in risk areas such as export controls and supplier and customer credit risk. Annual internal controls self-assessments used to identify and address gaps in control within Group businesses - Updated Supplier code of conduct issued during the year and annual supplier audits undertaken across the Group - Ongoing internal audit reviews assess compliance with Group policies - A whistleblowing hotline is in place and available for use by all employees - Insurance covers all standard categories of insurable risk	↔ Link to KPIs: 5 6

Key strategic indicators

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

Key performance indicators

- 1 Sales growth
- 2 Underlying EPS growth
- 3 Dividend growth
- 4 Return on capital employed
- 5 Operating profit conversion
- 6 Free cash conversion

VIABILITY STATEMENT

In accordance with section 4.31 of the 2018 UK Corporate Governance Code, the Directors have assessed the viability of the Group over a three-year period to 31 March 2026

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

Viability assessment period

The Directors have concluded that the most appropriate time period over which to assess the Group's prospects for this purpose should be the three-year period ending 31 March 2026. The selection of this period is consistent with the Group's strategic planning process, its review of external credit facilities, and its assessment of the Group's principal risks and uncertainties.

Viability base case

The financial projections for this three-year period are based upon the Group's budget for the year ending 31 March 2024 and forecast progression thereon. The budget is a consolidation of sales, profits, working capital and cash flow forecasts made by each operating company and head office, incorporating associated key risk factors, including acquired company forecasts and associated contingent consideration payments, latest views on supplier and customer payments impacting working capital, interest rates and applicable forecast foreign exchange rates.

The budget for the financial year ending 31 March 2024 assumes steady organic sales growth supported by a

strong order backlog at the year end. The financial years FY 2024/25 and FY 2025/26 assume steady sales growth (in total "The Viability Base Case").

Banking facilities and headroom

The Group has a syndicated banking facility of £240m, which is committed up to the end of June 2027. In addition, the Group has an £80m accordion facility, which it can use to extend the total facility up to £320m. The syndicated facility is available both for acquisitions and for working capital purposes.

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

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

At 31 March 2023, the Group had net debt of £42.7m and was significantly inside these covenants with gearing of 0.7x and interest cover of 13.9x.

The Viability Base Case model shows increasing headroom with annually reducing levels of net debt and gearing, and increasing interest cover compared with the position at 31 March 2023.

Downside sensitivities

The Viability Base Case has been subjected to downside sensitivity analysis involving flexing a number of the underlying main assumptions, both individually and in conjunction. The sensitivities take into account the principal risks and uncertainties set out on pages 91 to 96, notably instability in the economic environment, underperformance of acquired businesses, climate-related risks, loss of key customers and suppliers, major business disruption, liquidity restriction, liquidity and debt covenants, interest rate increases and adverse foreign currency movements.

The most severe but plausible downside scenario assumes a worsening of the economic environment caused by a significant reduction in consumer demand due to inflationary pressures and elevated interest rates. This downside scenario results in a significant decline in second half sales of FY 2023/24, negative sales growth in FY 2024/25 and modest growth thereon in FY 2025/26. Additionally, gross margin was reduced, working capital materially increased, significant one-off expenditures included (product liability, major customer insolvency or litigation, climate change), interest rates increased and the Group effective tax rate increased.

VIABILITY STATEMENT

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

Reverse testing has also been applied to the most plausible downside scenario to determine the level of additional downside that would be required before the Group would be at risk of breaching its debt covenants or current liquidity headroom during the assessment period. The reverse stress test was conducted on the basis that certain mitigating actions would be undertaken to reduce overheads and capital expenditure during the period as sales declined and, on that basis, a fall in underlying operating margin to below 2% in FY 2023/2024 would be required before such a breach occurred.

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

The Strategic Report on pages 01 to 99 sets out the key details of the Group's financial performance, capital management, business environment and principal risks and uncertainties. Based on the Directors' assessment, the Board has a reasonable expectation that, taking into account the Group's current position, having regard to the committed borrowing facilities available to the Company, and subject to the principal risks and uncertainties faced by the business as documented on pages 91 to 96 of the Strategic Report, the Group will be able to continue in operation and to meet its liabilities as they fall due for the three-year period of their assessment.

Going concern

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



NON-FINANCIAL INFORMATION AND SUSTAINABILITY STATEMENT

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

Environmental matters	■ Please see our Sustainability Report on pages 50 to 86 and pages 58 to 59 in particular (Our Planet, including our TCFD Report). ■ Please see climate-related risks and opportunities on pages 69 to 80 (which includes TCFD scenario analysis) and on page 92. ■ Please see pages 87 to 90 for our general approach to risk management and pages 51 to 52 and 67 to 68 for a summary of our governance framework relating to sustainability matters and climate-related risks in particular. These governance arrangements fit within our broader governance framework, which can be seen in our Corporate Governance Report on pages 102 to 112.
Employee matters	■ Please see pages 60 and 61 (Our People), 46 (Stakeholder engagement – Our people), 48 and 49 (Section 172 statement) and 105 to 107 (Employee engagement).
Social matters	■ Please see pages 46 to 47 and 105 to 107.
Human rights	■ Please see pages 52, 60 to 61, 105 to 107 and 136.
Anti-bribery and corruption matters	■ Please see page 52 (Anti-Bribery & Corruption Policy and Whistleblowing Policy). ■ Please also see pages 47, 108 and 117.
Business model	■ Please see pages 18 to 19 for our Business Model. ■ Please see pages 15 and 20 to 25 for our target markets, pages 26 to 27 for a summary of our strategy and pages 02 to 05 for a summary of the Group.
Policies	■ The following codes, policies and standards can be found at our Group website (www.discoverieplc.com): – Sustainability Policy – Whistleblowing Policy – Business Ethics Policy – Anti-bribery & Corruption Policy – Modern Slavery Statement – Group Tax Strategy – Board Diversity Policy – Supplier Code of Conduct – Conflict Minerals Policy – Environmental Policy – Human Rights Policy
Outcome of policies	■ The above policies contribute to the overall governance framework of the Group, providing common standards that operating companies and suppliers must observe. ■ The Group has a proven, flexible and resilient business model, as demonstrated by its strong financial performance over several years. These are underpinned by the Group's governance arrangements in general, including the Policies summarised above. ■ The Group has good relations with its various stakeholders, including staff, customers and suppliers. The above Policies help support those relations.
Principal risks	■ Where principal risks have been identified in relation to any of the matters listed above, these can be found on pages 91 to 96.
Non-financial KPIs	■ Our non-financial key performance indicators are set out on pages 64 and 65.

The Strategic Report, as set out on pages 01 to 99, has been approved by the Board.

On behalf of the Board

Nick Jefferies
Group Chief Executive
7 June 2023

Simon Gibbins
Group Finance Director
7 June 2023

BOARD OF DIRECTORS



Bruce Thompson
Non-Executive Chairman



Appointment to the Board

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

Tenure
5 years

Independent
Yes

Previous experience

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

External appointments

Avon Protection plc, Non-Executive Director and Chair.



Nick Jefferies
Group Chief Executive



Appointment to the Board

January 2009

Tenure
14 years

Independent
No

Previous experience

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

External appointments
None.



Simon Gibbins
Group Finance Director



Appointment to the Board

July 2010

Tenure
12 years

Independent
No

Previous experience

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

External appointments
None.



Tracey Graham
Senior Independent Director



Appointment to the Board

November 2015 and Senior Independent Director since November 2022

Tenure
7 years

Independent
Yes

Previous experience

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

External appointments

Link Scheme Ltd, Non-Executive Director

Close Brothers Group plc, Non-Executive Director

Nationwide Building Society, Non-Executive Director.

Committee membership

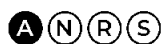
- Audit and Risk Committee
- Group Management Committee

- Nomination Committee
- Remuneration Committee

- Sustainability Committee
- Chairman of the Committee



Clive Watson
Non-Executive Director



Appointment to the Board
September 2019

Tenure
3 years

Independent
Yes

Previous experience

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

External appointments

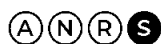
Breedon Group plc,
Non-Executive Director

Kier Group plc,
Non-Executive Director

Trifast plc,
Non-Executive Director.



Rosalind Kainyah
Non-Executive Director



Appointment to the Board
January 2022

Tenure
1 year

Independent
Yes

Previous experience

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

External appointments

GEM Diamonds Ltd,
Non-Executive Director

CalBank plc,
Non-Executive Director

BTE Renewables,
Non-Executive Director

Kew Soda Ltd,
Non-Executive Director.



Celia Baxter
Non-Executive Director



Appointment to the Board
June 2023

Tenure
-

Independent
Yes

Previous experience

Celia brings many years of senior management, executive and board experience in several FTSE250 and FTSE100 companies, and has a good understanding of industrial businesses that have grown by acquisition. She spent her executive career in Human Resources, starting with Ford Motor Company and then KPMG, before moving on to Tate & Lyle plc, Enterprise Oil and Hays plc. More recently, at Bunzl plc, she was a member of the Executive Committee responsible for HR and sustainability.

External appointments

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

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



Greg Davidson
Group General Counsel
& Company Secretary



Appointment to the Board
November 2019

Tenure
N/A

Independent
No

Previous experience

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

External appointments

None.

CORPORATE GOVERNANCE REPORT



“Our governance structures help ensure we are well positioned for growth and to meet our wider long-term objectives.”

Bruce Thompson
Chairman

Chairman’s Governance Overview

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

The Group’s performance over the last year was underpinned by our governance arrangements.

These structures help ensure we are well positioned for continued growth and to meet the social and environmental challenges facing the Group today.

Bruce Thompson
7 June 2023

Compliance with the UK Corporate Governance Code 2018

During the year ended 31 March 2023, the Company fully complied with the UK Corporate Governance Code 2018 (the “Code”), with the exception of provision 38 (alignment of pensions), in respect of which the Group Chief Executive’s pension was not aligned at the start of the year but which has been aligned since 1 January 2023.

Section	Progress made
Board Leadership and Company Purpose	The Board leads from the front in setting the tone for the business and has established a clear purpose, set of values and strategy, taking into account the interests of our various stakeholders. The right resources, structures and processes are in place to ensure that these are then implemented properly throughout the Group.
Division of Responsibilities	The respective roles and responsibilities of the Executive and Non-Executive Directors are clear and consistently applied, providing for constructive and effective dialogue and clear accountability.
Composition, Succession and Evaluation	The Board has a healthy balance of skills, knowledge and experience and the appointment process is rigorous and carefully applied. Annual evaluations keep the effectiveness of the Board and its Committees under regular review to ensure this remains the case. During the year ended 31 March 2023, an evaluation of the Board and its Committees was completed.
Audit, Risk and Internal control	The Board has established clear processes and procedures to ensure that risks are carefully identified, monitored and mitigated against and then reported externally in an open and transparent manner. This helps ensure that the Company’s financial statements are fair, balanced and understandable. Effective risk management is critical to achieving our strategy.
Remuneration	Remuneration supports the Company’s strategy and is appropriate to the nature and size of the business. The Board has clear processes in place and aims to report in a straightforward and easy to understand way, with a view to providing external stakeholders with reassurance that pay, performance and wider interests are aligned.



Board Leadership and Company Purpose

Current composition and changes to the Board in the year

Details of the current members of the Board are set out on pages 100 and 101.

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

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

Section 172 Statement

The Board takes all of its duties seriously, including those set out in section 172 of the Companies Act 2006. The statement required by section 172(1), explaining how it has taken those duties into account, can be found on pages 48 and 49.

Stakeholder engagement

We engage proactively with our stakeholder groups. Further details can be found on pages 46 and 47 and pages 105 to 107.

Sustainability

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

[Read more on pages 69 to 80](#)

[Read more on pages 87 to 98](#)





CORPORATE GOVERNANCE REPORT

Good governance

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

Our Purpose:

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

Values and Culture

Values

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

Culture

- We are dedicated to our work with diligence and determination
- We are customer-centric; decisions are made in close cooperation with our customers
- We treat colleagues with respect, fairness, and courtesy
- We are straightforward, with open and constructive communication and a willingness to listen
- We are go-getters, high performing and target driven

Vision:

To be a leading global innovator in electronics.

Mission:

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

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

Strategy:

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

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

Strategic Priorities:

This strategy comprises the following priorities:

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

Progress against our objectives is measured through our key strategic indicators (KSIs) and key performance indicators (KPIs). Details are set out on pages 30 and 31.



Employee engagement

Our employees are highly valued and highly skilled and it is their dedication and hard work that drives our success. The below summarises why and how the Board and senior management engage, how it influences our strategic thinking, the feedback we receive as to their key concerns, and other factors that affect their day-to-day working environment.

Why we engage

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

We aim for a happy and well-motivated workforce and recognise that, without their commitment, the Group would not have achieved its various successes over the last several years. This is both in terms of financial performance and our wider contribution to tackling the issues facing the world today, such as climate change and the need to reduce carbon emissions. As such, it is important to the Board that our colleagues know how highly they are valued and that it recognises that our success depends on their continued invaluable contribution to the Group.

How we engage

A range of employee engagement mechanisms are in place, including employee surveys, performance evaluations, ESG workshops, a workforce advisory panel, newsletters, apprenticeship and graduate programmes, employee assistance programmes, employee conferences and town hall meetings. The Board receives updates at every meeting from the Group Chief Executive, the Group General Counsel & Company

Secretary and other senior managers on a range of employee-related matters, including any local issues encountered, health and safety matters and the general health and well-being of our workforce. This was particularly important during the pandemic and more recently during the cost-of-living crisis. The Audit & Risk Committee also receives details of any whistleblowing reports, the steps taken to investigate, and any follow-up actions identified as a result.

However, it is the personal interactions that the Board and senior management have that provide the most direct and valuable feedback. Since 2009, as part of its annual calendar, the Board has visited the Group's operating sites, meeting management and employees directly. In recent years, this has included visits in 2017 to Flux (Asnaes, Denmark), in 2018 to Myrra and Noratel (Guangdong, China) and in 2019 to Cursor Controls (Newark, UK). During the pandemic these visits ceased but the Board continued with various forms of engagement, including in particular a virtual meeting with a team from Noratel involving nine colleagues covering a range of areas within the business.

In FY2023, following the easing of lockdown restrictions, the Board resumed its schedule of face-to-face meetings and conducted the following site visits:

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

During these visits the Board seeks to better understand:

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

CORPORATE GOVERNANCE REPORT

In addition to regularly scheduled business reviews, several members of the Group Management Committee ("GMC") conduct routine functional meetings and other site visits with our businesses. In FY2023, these included the following visits by the Divisional Managing Directors, as well as visits by Lili Huang, who is a member of both the GMC and the Group Sustainability Team ("GST"):

GMC Member	Date	Site
Paul Hill	April 2022	Sens-Tech, Cursor Controls
	May 2022	MTC, Contour, Stortech
	June 2022	Foss, Santon, Noratel Norway
	July 2022	CDT, Variohm
	September 2022	Santon
	November 2022	Stortech, Contour, Santon
	February 2023	Limitor, Phoenix, Magnasphere
Martin Pangels	May 2022	Noratel Poland
	June 2022	Hectronic, Flux
	August 2022	Beacon, Vertec
	November 2022	Myrra, Foss, Variohm
Lili Huang	May 2022	Santon
	September 2022	Noratel Poland
	October 2022	Flux
	November 2022	CPI, Beacon
	May 2023	Magnasphere, Phoenix

Following these visits, the Divisional Managing Directors report to the Board, either directly or via the Group Chief Executive. Similarly, Lili Huang provides updates directly to the Board or Sustainability Committee, as appropriate. These reports typically include the matters referred to above, thereby enabling the Board to have oversight of workforce relations and benefit from their collective input.

In October 2022, Nick Jefferies and Simon Gibbins, on behalf of the Board, plus five other members of the GMC, attended a conference and social event being held in the UK by Noratel, where they met with over 20 members of that team.

Recognising that Board visits are typically short in duration (one or two days), the Audit & Risk Committee receives updates at every meeting from the Risk & Internal Audit team, following internal audits that have been conducted at each site.

One key item that is checked on all internal audits is that the Group's whistleblowing posters are clearly displayed at all sites, so that if there are any matters that staff wish to raise in confidence, and anonymously if preferred, they know the channels through which they can do so. For further details on our Global Whistleblowing Policy and the independent helpline available to all staff globally, please see page 52.

One area of key focus for the Board is to ensure that the right leadership teams are in place at all of our businesses. As well as guiding those businesses generally, these leaders shape the day-to-day experience of the people within each of those businesses. On behalf of the Board, the Nomination Committee regularly reviews the most senior leaders throughout the Group and, in FY2023, that review covered 92 of our most senior business leaders. Please see page 121 of the Nomination Committee Report for further details.

Outcomes of engagement

The purpose of the various forms of engagement is to ensure that the "employee voice" is heard by the Board and the outcomes help meet three key objectives:

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

Given the Group's decentralised operating model, these are especially important. The Group's core strategy is well established and has been settled for several years. As such, rather than influencing the direction of strategy directly, employee engagement helps influence the Board's decision-making as to how that strategy is implemented in practice.

For example:

- During the pandemic, it was crucial that our businesses adapted to flexible working arrangements and social distancing, and supported staff where either they or their families were directly affected.
- In the last 12 months, the need to support staff during the cost-of-living crisis has been highlighted and addressed. The Group's Human Rights Policy includes a commitment to pay wages at rates that are meaningfully ahead of minimum statutory rates. As part of its annual review of pay and working conditions, the Remuneration Committee received updates on pay rises being given to our colleagues globally, how they compared to local rates of inflation and how they compared to local minimum wage requirements.
- The Group closely monitored the political, economic and social situation in Sri Lanka. Additional transportation was provided to ensure that staff could travel safely to and from work.
- In light of a general desire to increase knowledge-sharing and collaboration between Group companies, we have started work to explore the possibility of setting up an internal communication platform, to enable people in similar functions at all levels to work together to solve common issues.

- In October 2022, the UK workforce employer pension rate was increased.
- Following interest from staff, a salary sacrifice electric vehicle car scheme was rolled out to our UK businesses in FY2023.
- Given the rise in living costs, the Group rolled out an employee rewards programme across our UK businesses to help support our employees through these challenging times.
- Our employee assistance programme provides our employees with various types of support, including advice on financial difficulties and mental health and well-being.

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

- Staff turnover rates (see page 65 for more details)
- Pay rates globally (both in absolute terms and in relation to local inflation and minimum wages)
- Accident frequency rates (see page 65 for more details)

- Social media campaign interactions
- Whistleblowing reports
- Employee rewards programme registration and activities
- The level of collaboration activities between businesses
- Diversity (see pages 65 and 111 for more details)
- Gender pay gap data (UK only)

Policies and procedures

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

- Sustainability Policy
- Human Rights Policy
- Group Health and Safety Policy
- Anti-Bribery and Corruption Policy
- Business Ethics Policy

- Whistleblowing Policy
- Board Diversity Policy
- Supplier Code of Conduct
- Conflict Minerals Policy
- Environmental Policy
- Group Tax Strategy

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





CORPORATE GOVERNANCE REPORT

Time allocation, Board and Committee meetings and attendance

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

Director	Committees					Overall Attendance %
	Board	Audit and Risk	Remuneration	Nomination	Sustainability	
Malcolm Diamond ¹	3 / 3	–	1 / 1	2 / 2	1 / 1	100%
Simon Gibbins	6 / 6	–	–	–	3 / 3	100%
Tracey Graham	6 / 6	3 / 3	4 / 4	4 / 4	3 / 3	100%
Nick Jefferies	6 / 6	–	–	4 / 4	3 / 3	100%
Rosalind Kainyah	6 / 6	3 / 3	4 / 4	4 / 4	3 / 3	100%
Bruce Thompson ²	6 / 6	1 / 1	4 / 4	4 / 4	3 / 3	100%
Clive Watson	6 / 6	3 / 3	4 / 4	4 / 4	3 / 3	100%

¹ Retired 1 November 2022

² Ceased being a member of the Audit and Risk Committee following appointment as Chairman on 1 November 2022

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

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

Board activities

Topic	Key activities and discussions in 2022/23	Key priorities in 2023/24
Strategy	- Reviewed and approved the acquisitions of CDT and Magnasphere - Reviewed key strategic indicators ("KSIs") and key performance indicators ("KPIs")	- Consider acquisitions as identified and determine the appropriate course of action - Keep KSIs and KPIs under review - Keep the Group's dividend policy under review - Continue to focus on international growth in key markets, including expansion into North America
Risk and risk management	- Carried out a robust assessment of principal and emerging risks (see pages 69 to 80 and 87 to 98) - Considered the Group's exposure to climate-related and other ESG risks - Conducted a further roll-out of the Group's Anti-Bribery Policy and related training - Reviewed internal audit reports and actions taken to address findings identified	Review key risks and ensure that the Group's internal control process remains appropriate
Governance	- Established a new Sustainability Committee - Continued focus on the composition, balance and effectiveness of the Board - Signed off and published the Group's modern slavery statement - Evaluated supply chain risks, especially in the context of global supply chain challenges and the conflict in Ukraine - Engaged with institutional shareholders, investors and other stakeholders throughout the year - Reviewed and approved the FY 2021/22 Annual Report	Build further understanding and plan actions in relation to new regulations over the period
Organisational capacity	- Monitored health and safety performance across the Group. Regular Board updates received on actions improving health and safety - Received presentations by senior management including on M&A strategy	- Continue to monitor health and safety performance across the Group - Consideration of the Group's capacity as it continues to grow
Board development	- Continued focus on the composition, balance and effectiveness of the Board - Reviewed Board and Committee composition and discussed and acted on the recommendations of the Nomination Committee - Undertook an evaluation of the Board, its Committees and individual Directors	Focus on increasing diversity both for the Board and across the Group more generally



Division of Responsibilities

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

Throughout the year under review, the Board consisted of Malcolm Diamond as Non-Executive Chairman (until his retirement on 1 November 2022), Bruce Thompson as Non-Executive Chairman (from 1 November 2022), Tracey Graham as Senior Independent Director (from 1 November 2022), Rosalind Kainyah and Clive Watson as Non-Executive Directors, with Nick Jefferies as Group Chief Executive and Simon Gibbins as Group Finance Director.

The composition of the Board is kept under review by the Nomination Committee on an annual basis. The Committee decided that an additional Non-Executive Director should be added to the Board and, with effect from 1 June 2023, Celia Baxter was recruited and joined the Board. The Nomination Committee considers the size and composition of the Board to be appropriate to the Group's business and strategy.

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

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

Role of the Chairman

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

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

Role of the Group Chief Executive

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

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

Role of the Board

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

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



CORPORATE GOVERNANCE REPORT

Governance framework

The Board Chaired by Bruce Thompson

The Board meets a minimum of six times a year.

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

Nomination Committee Chaired by Bruce Thompson

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

➔ Further information on the Nomination Committee is on pages 120 and 121

Audit and Risk Committee Chaired by Clive Watson

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

➔ Further information on the Audit and Risk Committee is on pages 114 to 119

Remuneration Committee Chaired by Tracey Graham

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

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

➔ Further information on the Remuneration Committee is on pages 125 to 146

Sustainability Committee Chaired by Rosalind Kainyah

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

➔ Further information on the Sustainability Committee is on pages 50 to 52

Group Management Committee

The Group Management Committee comprises Nick Jefferies, who is the Chairman of the Committee, together with Simon Gibbins, Greg Davidson, who is also the Secretary, Jeremy Morcom, Martin Pangels, Paul Hill, Kamran Ahmad, Abid Ahmed, Kirsty Garrison, Priyanka Gupta, Melissa Weller, Lili Huang and Neale Sutton.

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



Composition, succession and evaluation

Current composition

The biographies of the current members of the Board are set out on pages 100 and 101.

Work of the Nomination Committee

The Nomination Committee Report, which can be found on pages 120 and 121, describes the work of the Nomination Committee in ensuring that the Board continues to have the right mix of skills, knowledge and experience, and the process for ensuring that there is an effective process in place for succession planning. In June 2023, Celia Baxter was appointed to the Board. Following her appointment,

the Board now meets the targets set out in the Board Diversity Policy, which include 40% female board representation (see www.discoverIE plc.com for more details).

Independence

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

Tracey Graham is the Senior Independent Director and is available to shareholders should they have concerns that cannot be resolved through other channels.

Induction

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

Board composition

The current composition of the Board is set out below.

Gender diversity

Director	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management	Percentage of Executive Management
Men	4	57%	3	2	100%
Women	3	43%	1	0	0%
Not specified / prefer not to say	0	0%	0	0	0%

Ethnic diversity

Director	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management	Percentage of Executive Management
White British or other White (including minority-white groups)	6	86%	4	2	100%
Mixed / Multiple Ethnic Groups	0	0%	0	0	0%
Asian / Asian British	0	0%	0	0	0%
Black / African / Caribbean / Black British	1	14%	0	0	0%
Other ethnic group, including Arab	0	0%	0	0	0%
Not specified / prefer not to say	0	0%	0	0	0%



CORPORATE GOVERNANCE REPORT

Evaluation

In accordance with the Code, the Board and each of its Committees undertake an evaluation each financial year. Such evaluations were completed during the year ended 31 March 2023.

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

A summary of the process and findings for the 2023 evaluation are provided below.

Step 1

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

Step 2

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

A summary of the 2023 Board evaluation is detailed in the box below.

Step 3

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

Summary of the 2023

Board evaluation

Board composition

The composition of the Board was positively rated but, as also discussed in the Nomination Committee, would benefit from an additional Non-Executive Director.

Board's expertise

The Board's understanding of the views of major investors and other stakeholders was rated positively but, given the pace of change, Board members would benefit from continued expert external guidance on sustainability matters.

Board dynamics

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

Management of meetings

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

Risk management

The effectiveness with which the Board takes risk into account when making decisions was positively rated. The Group's approach to risk is set out in the Risk Management section of this Annual Report on pages 87 to 90.

Re-election

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

Audit, risk and internal control

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

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

- Our approach to Risk Management is described on pages 87 to 90.
- The Group's Principal Risks and Uncertainties are set out on pages 91 to 96.
- The Audit and Risk Committee Report on pages 114 to 119 summarises how the Committee provides oversight, and supports the Board, in relation to audit, risk and internal controls generally.
- The Board's approach to climate-related risks and opportunities can be found in the TCFD Report on pages 69 to 80.

Remuneration

The Board's approach to remuneration is set out in the Remuneration Report (see pages 125 to 146).

Approval

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

Greg Davidson

Group General Counsel and Company Secretary

7 June 2023



AUDIT AND RISK COMMITTEE REPORT



“The Committee’s role is central in bringing together the Group’s risk management activities and control environment.”

Clive Watson
Chairman of the Audit and Risk Committee

Member	Member since
Clive Watson	2019
Tracey Graham	2017
Bruce Thompson (until 1 November 2022)	2019
Rosalind Kainyah	2022

The Group Company Secretary acts as Secretary to the Committee.

Dear Shareholder,

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

Role of the Committee

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

Key responsibilities of the Committee:

- Consideration of the appropriateness of the accounting principles, policies and practices adopted in the Group’s accounts
- Review of external financial reporting and associated announcements to ensure they are fair, balanced and understandable

- Managing the appointment and remuneration of the Group’s external auditor, together with an assessment of the effectiveness and independence of the audit, including the policy on the award of non-audit services
- Initiating and supervising a competitive tender process for the external audit, as and when required
- Oversight of Group Internal Audit
- Ensuring the effectiveness of the Group’s risk management processes and internal controls
- Oversight and update of the Group Risk Register
- Oversight of the Group’s whistleblowing procedures in conjunction with the Board. If any issues are reported that require further investigation, this is typically conducted by the Group Internal Audit function, which reports back to the Committee as to its findings and whether any further action is necessary or desirable. During the year a small number of reports were made, with the majority proving to be routine HR matters. None of the matters reported were found to be a cause for concern
- Monitoring compliance with the UK Corporate Governance Code

Meetings

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

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

Meetings of the Committee are scheduled so as to ensure the Committee is informed fully, and on a timely basis, on areas of significant risks and judgement. The Committee also receives sufficient, reliable and timely information from management on significant changes to financial accounting standards and reporting requirements, regulatory and governance changes and developments concerning risk management, fraud prevention and detection, and cyber security. As Chair of the Committee, I report to the Board on any significant matters arising from the activities of the Committee.



The Board is satisfied that the members of the Committee have both recent and relevant experience (as set out on pages 100 and 101). The Committee is satisfied that the Group's executive compensation arrangements do not prejudice robust controls and good stewardship.

Committee activities during FY 2022/23 and FY 2023/24 to date May 2022

- Reviewed the results of the external audit of the FY 2021/22 Annual Report and Accounts
- Reviewed the going concern and viability statements
- Reviewed the FY 2021/22 Annual Report and Accounts, including assessing and confirming the changes in presentation of the Consolidated Statement of Profit and Loss and that the Report was fair, balanced and understandable
- Assessed and agreed the independent status of the external auditor
- Discussed the overall adequacy and effectiveness of the Group's internal controls and reviewed the Group Internal Audit function's annual opinion on the Group's control framework
- Reviewed and approved the internal audit charter
- Half yearly review of the Group Risk Register, including agreeing key risks for inclusion in the FY 2021/22 Annual Report and Accounts

November 2022

- Reviewed half-year results and judgemental accounting areas
- Reviewed the results of the interim review conducted by the external auditors
- Reviewed and agreed the external auditor's FY 2022/23 Audit Planning judgements
- Half-yearly review of the Group Risk Register, including risk reporting by each operating business

January 2023

- Reviewed the external audit planning report for FY 2022/23 Annual Report and Accounts (including review and approval of audit scope and fees)
- Reviewed and approved the FY 2022/23 annual report and accounts timetable along with the approach for ensuring the annual report would be fair, balanced and understandable
- Agreed a risk management and internal audit programme and resource requirements in detail for FY 2023/24, and at a higher level for the following three years to ensure all businesses would be audited over a four-year cycle
- Reviewed and updated the Committee's Terms of Reference
- Annual review and update of the Group's tax strategy

May 2023

- Reviewed the results of the external audit of the FY 2022/23 Annual Report and Accounts
- Reviewed the going concern and viability statements
- Reviewed the FY 2022/23 Annual Report and Accounts, including assessing and confirming that the Report was fair, balanced and understandable
- Assessed and agreed the independent status of the external auditor
- Discussed the overall adequacy and effectiveness of the Group's internal controls, including reviewing the Group Internal Audit function's annual opinion on the Group's control framework
- Discussed and agreed the Group's Treasury policy
- Reviewed progress against the recommendations arising from the external quality assessment
- Half-yearly review of the Group Risk Register, including agreeing key risks for inclusion in the FY 2022/23 Annual Report and Accounts

Standing items

The following matters are covered at each Audit and Risk Committee meeting:

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

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

Fair, balanced and understandable

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



AUDIT AND RISK COMMITTEE REPORT

Significant accounting matters considered and decisions taken

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

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

Impairment of goodwill	Consideration of the carrying value of goodwill and the assumptions underlying the impairment review. The judgements in relation to goodwill impairment largely relate to the assumptions underlying the calculations of the recoverable amount of each business unit being tested for impairment, primarily the achievability of long-term business plans and macroeconomic assumptions underlying the valuation process. The assumptions are sensitised to ensure that there is adequate headroom between the recoverable amount and the carrying value of the business being tested for impairment. Specifically, this included a review of any businesses not performing in line with expectations, to assess any potential impact on the carrying value of goodwill.
Accounting for acquisitions	A review of the accounting for the FY 2022/23 acquisitions of CDT and Magnasphere, including the appropriateness of the assumptions used in assessing the fair value of the assets and liabilities acquired.
Valuation of the legacy defined benefit pension scheme	A review of the appropriateness of the assumptions used in the valuation of the legacy defined benefit pension scheme under IAS 19 – Employee Benefits.
The recognition and valuation of judgemental provisions	A review of the appropriateness of the assumptions used in the recognition and valuation of judgemental provisions, which relate mainly to onerous contracts, inventory, severance, indemnities, acquisition earn-out arrangements, long-term incentive plans, restructuring and integration.
Presentation of underlying profit adjustments	A review of the appropriateness of items disclosed as acquisition-related costs (including amortisation of acquired intangibles and acquisition expenses) in the Supplementary Statement of Profit or Loss Information and notes to the Group financial statements, in line with the Group's stated policy.
Climate-related financial disclosures	An evaluation of the impact of climate change on the Group in accordance with the TCFD framework. The process involved a review of risks and opportunities from climate change and evaluating the quantifiable financial impact on the Group under different climate change scenarios.
Going Concern and Viability related financial disclosures	A review of the paper prepared by management on the Group's going concern and viability assessment, including underlying forecasts, cash flow assumptions and downside scenarios.

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

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

Tax and Treasury

The Committee meets annually with the Head of Tax and the Group Treasurer to review the key tax and financing matters affecting the Group and to understand the areas of focus in the forthcoming year.

FRC review

During the year the Financial Reporting Council ("FRC") reviewed the Group's Annual Report and Accounts for the year ended 31 March 2022 in accordance with Part 2 of the FRC Corporate Reporting Review Operating Procedures. The Company received a letter from the FRC asking a question regarding the accounting for the balance sheet offset of bank overdrafts and cash and cash equivalents. Following completion of the review, the Directors have concluded that the overdraft balances of Group entities should be separately presented gross on the Consolidated Statement of Financial Position, rather than netted off against cash and cash equivalents held either by the same entity, or other Group entities, with the same bank. These overdrafts are held with the Group's relationship banks. As a result, the Consolidated Statement of Financial Position as at 31 March 2022 has been restated, please refer to note 2 of the Group Financial Statements for details. The restatement did not result in any change to reported profit, earnings per share, net assets or cash flows reported in the 2021/2022 financial year.

The letter also included a schedule of minor improvements to consider in the preparation of the Company's next annual report and accounts. No response was required from the Company in relation to those improvements. The Group's management and the Committee welcomed the comments received from the FRC and have incorporated the matters raised into this Annual Report and Accounts where appropriate and are supportive of its goal of increasing transparency in corporate reporting.

The FRC's review provides no assurance that the Annual Report and Accounts are correct in all material respects. The FRC's role is not to verify the information provided but to consider compliance with reporting requirements.

Risk management and internal controls

The Board has overall responsibility for the Group's risk appetite and risk management. This includes determining the nature and extent of the risks it is willing to take in achieving the Group's strategy and objectives. The Board is ultimately responsible for the effectiveness of the risk management strategy and framework, and internal controls systems.

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

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

Preparation for changes in audit and governance reform

Developments and enhancements have continued to be made to the Group's internal control and risk management processes during FY 2022/23, further details of which are set out below. This has been largely in response to the proposals set out in the BEIS consultation regarding a strengthened internal-controls reporting framework. The proposed reform is still under consultation and so will need to be reviewed once finalised but the Committee has been pleased with the enhancements being made to the Group's internal control and risk management framework in the meantime. This work has included:

- A detailed gap analysis of critical controls using the Committee of Sponsoring Organisations (COSO) 2013 framework and agreed remediation actions
- Improvements to the IT general controls environment
- The implementation of a Group governance, risk and compliance system to provide a more efficient way to document, test and evidence internal controls
- Defined a target operating model for risk, control and internal audit which will be further refined based on any future guidance from the UK Government
- A detailed update at each meeting on the progress being made to enhance the internal controls framework

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

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

AUDIT AND RISK COMMITTEE REPORT

Internal Audit

The Group Internal Audit function's primary purpose is to provide risk-based and independent assurance, advice and insight to help improve all aspects of the organisation's governance and system of internal control, including management of risk. The remit of the internal audit function covers discoverIE Group plc and all of its subsidiaries. Resource in the function increased from three to four staff during FY 2022/23, together with support from the Group Projects Manager, external consultants and outsourced providers as deemed necessary. Further details on the operation of the Group Internal Audit function can be found in the Risk Management section on pages 87 to 90.

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

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

- Reviewed and approved a detailed scoping methodology and plan for reviewing Group businesses in response to the Business, Energy and Industrial Strategy (BEIS) consultation (November 2022)
- Reviewed the external quality assessment of the Group Internal Audit team (November 2022)
- Reviewed and approved the internal audit charter (November 2022)

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

The Group Internal Audit function was subject to an External Quality Assessment (EQA) in August 2022. This external assessment was carried out using the methods prescribed by the Chartered Institute of Internal Auditors. A wide range of documentary evidence has been reviewed, including surveys of key stakeholders, and interviews were conducted with members of the Internal Audit team and other key stakeholders in the business. It was concluded that the Group Internal Audit team had made great strides in meeting most of the Standards, as well as the Definition, Core Principles and the Code of Ethics, which form the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), the globally recognised standard for quality in Internal Auditing.

While no system of controls can provide absolute assurance against material misstatement or loss, the Group's systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives and provide reasonable, and not absolute, assurance against material misstatement or loss. As part of the annual review of the effectiveness of the Group's internal controls, the Committee, on behalf of the Board, has regard to the design of the risk management framework, including the three lines of defence model, the significance of the risks involved, the likelihood and severity of an event occurring, and the costs associated with any relevant controls. The formal Annual Opinion for FY 2022/23 issued by the Group Internal Audit function was reviewed by the Committee, concluding that there were no material failings or weaknesses identified in the Group's internal control systems.

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

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

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

The above procedures apply to discoverIE Group plc and all of its subsidiary companies.

External audit

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

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

- Considering and approving the reappointment of the external auditor
- Considering and approving the audit approach and scope of the audit undertaken by PricewaterhouseCoopers ("PwC") and the related fees
- Agreeing reporting materiality thresholds
- Reviewing reports on audit findings
- Considering and approving letters of representation issued to the external auditor
- Considering the independence of the external auditor.

Audit performance and effectiveness

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

The review covers the following:

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

- Feedback from management on the quality of the audit team
- Professional scepticism of the external auditor.

The Committee concluded that the audit team had the necessary professionalism, experience and understanding of the business to carry out a thorough and robust audit. As a result, the performance of PwC was considered satisfactory.

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

External auditor independence

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

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

Fees for non-audit services (excluding interim review) provided by the external auditor during the financial year totalled £9,790 and represented 0.5% of the total audit fee (FY 2021/22: £4,139; 0.25%), were not considered to adversely impact the independence of the external auditor, were in line with the Group's policy on non-audit services, and were permissible under Ethical Standards. Additionally, an interim review was conducted by the external auditors for the first time this year at a cost of £109,500.

The Company last undertook a tender for external audit services in 2017, which led to the appointment of PwC, which conducted its first audit of the Group for the year ended 31 March 2018. There are no contractual obligations restricting the Committee's choice of external auditors. The external auditors are required to rotate the audit partner at least every five years and the current lead audit partner, Chris Hibbs, was assigned to the discoverIE audit in 2021. The Committee recommended to the Board that it proposes to Shareholders that PwC be reappointed at the Annual General Meeting.

Key areas of focus in 2023/24

- Continue to evaluate cyber security risks and develop mitigation and response plans accordingly
- Further assessment of exposure to ESG-related risks, including to climate-related risks and opportunities
- Review the accounting for new acquisitions
- Monitor the development and assess the impact of the UK's audit and governance reform proposals as set out in the BEIS consultation published on 18 March 2021

Terms of reference

The Committee's terms of reference are available upon request and are on the Company's website: www.discoverIEplc.com

Clive Watson

Chairman of the Audit and Risk Committee

7 June 2023

NOMINATION COMMITTEE REPORT



“The Committee seeks to build on the strength of existing management teams and ensure that the Group has the right leaders for its continued success, both now and in the future.”

Bruce Thompson
Chairman of the Nomination Committee

Member	Member since
Bruce Thompson (Chair since 1 November 2022)	2018
Malcolm Diamond (Chair until 1 November 2022)	2015
Tracey Graham	2018
Nick Jefferies	2009
Rosalind Kainyah	2022
Clive Watson	2021

The Group Company Secretary acts as Secretary to the Committee.

2022/23 key achievements

- Appointed Bruce Thompson as Chairman of the Company
- Started the process for the recruitment of an additional Non-Executive Director
- Completed a review of the Group's senior management team
- Identified priorities for the coming year

Key areas of focus in 2023/24

- Increasing diversity across the Group
- Continued evaluation of knowledge and skills

Dear Shareholder,

During the year, the Committee met four times, with all Committee members attending and participating in a separate evaluation process, which identified areas for improvement. The Committee's recommendations were made after careful consideration of the independence, performance and ability to continue to contribute to the Board of the relevant people, in the light of the knowledge, skills, commitment and experience required.

Composition

The majority of the Committee members are independent Non-Executive Directors. During the year under review, the Committee was chaired, initially, by Malcolm Diamond (until his retirement in November 2022) and then following his retirement was chaired by me, with Tracey Graham, Clive Watson, Rosalind Kainyah and Nick Jefferies as Committee members.

Key responsibilities

The Committee's key duties are:

- To review the structure, size and composition (including the skills, knowledge and experience) of the Board and to recommend changes where appropriate
- To consider succession planning for the Directors and the right balance of skills, knowledge, experience and diversity on the Board

- To identify and nominate candidates to fill Board vacancies, having previously prepared a description of the role and capabilities required for a particular appointment
- To review the leadership needs of the organisation, both executive and non-executive
- To make recommendations to the Board on the reappointment of any Non-Executive Director at the conclusion of their specified term of office and on appointments to the Audit and Risk, Remuneration and Sustainability Committees
- To review, as part of the annual assessment exercise, the time commitment of the Non-Executive Directors to the role and to their external appointments.

Appointment of Directors

The Committee's principal role is to make recommendations to the Board on suitable candidates to fill Board vacancies as and when they arise, or when other changes or appointments may be desirable. In managing this process, the Committee takes into account the Board's existing balance of skills, knowledge and experience and has due regard for diversity. Unless the appointment is as an Executive Director, for which a suitable candidate is available from within the Group, the Committee will create a shortlist of



suitable candidates for final selection by the Committee. References from appropriate third parties will then be taken on the prospective Director. Candidates meet all members of the Committee, which then makes recommendations to the Board. Adopted practice is for all members of the Board to meet with the relevant candidate before an appointment is made.

As noted in last year's Annual Report and Accounts, I succeeded Malcolm Diamond as Chairman of the Board following his retirement on 1 November 2022. My appointment followed a rigorous and detailed process conducted by the Committee and assisted by Russell Reynolds, a leading advisory firm that specialises in the appointment of Board members for listed companies. Russell Reynolds also assisted with the recruitment of Celia Baxter to the Board. Russell Reynolds has no connection to the Company, or to any individual Director, other than assisting with recruitment. Tracey Graham chaired the Nomination Committee when it was dealing with the appointment of a successor to the chairmanship and I absented myself from these discussions.

Diversity and succession planning

The Board is committed to a culture which attracts and retains talented people and to ensure that a proper process exists for succession planning for the Board and senior management.

The Company's Board Diversity Policy can be found on the Company's website www.discoverIE plc.com. Please see page 65 of the Sustainability Report for a summary of the Group's current gender diversity and page 111 of the Corporate Governance Report for the current Board composition.

Terms of reference

The Committee's terms of reference are available upon request and are on the Company's website: www.discoverIE plc.com

Bruce Thompson

Chairman of the Nomination Committee

7 June 2023

Focus on talent and succession

- The Committee oversees and reviews the output from regular reviews of the Group's key roles and talent carried out by the Group Management Committee.
- The FY2023 review covered 92 people from across the Group's senior management teams.
- The Committee ensures that long-term and emergency succession plans are in place for all senior / key roles. It also considers the personal aspirations and opportunities for the people in those roles.
- The review confirmed the Committee's belief in the strength and talent of the Group's management teams and wider employee population.

DIRECTORS' REPORT

The Directors' report for the financial year ended 31 March 2023 is set out below.

Certain matters required to be included in the Directors' report are included in the Strategic report, as the Board considers them to be of strategic importance, as follows:

Section	Progress made
Future business developments	Throughout the Strategic Report (page 01 to 99)
Risk management	Risk management and principal risks and uncertainties (pages 87 to 96)
Employee engagement	Please see pages 105 to 107
Greenhouse gas emissions	Sustainability Report (pages 64 and 66 to 86)
Stakeholder engagement	Please see pages 46 and 47
Corporate Governance Statement	Corporate Governance Report (pages 102 to 112)

The Group's policies and processes for managing capital, financial risk management objectives, financial instruments and hedging activities, and exposure to credit and liquidity risk, are disclosed in note 27 to the Group financial statements.

Both the Directors' report and the Strategic Report have been drawn up in accordance with English company law. The liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

Financial results and dividends

The audited consolidated financial statements set out the results of the Group for the financial year to 31 March 2023 and are shown on pages 156 to 216. The key strategic and performance indicators of the business are set out in the Strategic report on pages 30 and 31.

The Directors recommend a final dividend of 7.90p per share (2021/22: 7.45p) which, together with the interim dividend of 3.55p per share (2021/22: 3.35p), makes a total dividend for the year of 11.45p per ordinary share (2021/22: 10.8p). Subject to approval by Shareholders of the recommended final dividend, the dividend award to Shareholders for 2022/23 will total £11.0m (2021/22: £10.3m). If approved, the Company will pay the final dividend on 1 August 2023 to Shareholders on the register of members at 23 June 2023.

The Board believes that, as an acquisitive growth company,

maintaining a progressive dividend policy, with the long-term dividend covered over three times by underlying earnings, is appropriate to enable both dividend growth and a higher level of investment from internally generated resources.

Directors

Board membership and biographical details of the Directors are on pages 100 and 101 and are incorporated by reference.

Copies of Executive Directors' service contracts are available to shareholders for inspection at the Company's registered office and at the Annual General Meeting. Details of the Directors' remuneration and service contracts and their interests in the shares of the Company are included in the Directors' Remuneration Report, which is set out on pages 125 to 146.

Powers of the Directors

The Board of Directors is responsible for the management of the business of the Company and may exercise all the powers of the Company, subject to the Company's Articles of Association (the "Articles"), the Companies Act 2006, and any directions given by the Shareholders by special resolution. The Articles may be amended by a special resolution of the Company's Shareholders.

Appointment and replacement of Directors

The Board can appoint a Director but anyone so appointed must be elected by an ordinary resolution at the next general meeting. All Directors offer

themselves for re-election at each Annual General Meeting.

Directors' conflicts of interest

The Company has procedures in place for managing conflicts of interest. Should a Director become aware that they, or any of their connected parties, have any interest in an existing or proposed transaction with the Company, they should notify the Board in writing or at the next Board meeting. Internal controls are in place to ensure that any related party transactions involving Directors, or their connected parties, are conducted on an arm's length basis. Directors have a continuing duty to update any changes to these conflicts.

Directors' indemnity

The Articles of the Company contain an indemnity in favour of the Directors, which is a qualifying third party indemnity within the meaning of s.234 of the Companies Act 2006. This was in force throughout the year ended 31 March 2023 and at the time of the approval of this Annual Report and Accounts. Directors of subsidiary undertakings are also subject to this qualifying third party indemnity.

In addition, each Director of the Company has entered into a Deed of Indemnity with the Company, which operates only in excess of any right to indemnity that a Director may enjoy under any such other indemnity or contract of insurance. The Company has also arranged appropriate insurance cover in respect of legal action against its Directors and officers.



Share capital

As at 31 March 2023, the Company's issued share capital consisted of 96,356,109 ordinary shares of 5p each (no shares are held in treasury).

Details of movements in the Company's issued share capital can be found in note 30 to the Group financial statements.

Restrictions on transfer of securities in the Company

There are no restrictions on the transfer of securities in the Company, except that certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws such as the Market Abuse Regulation) and pursuant to the Listing Rules of the Financial Conduct

Authority, whereby certain employees of the Company require the approval of the Company to deal in the Company's ordinary shares. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities.

Rights and obligations attaching to shares

Subject to the Articles, the Companies Act 2006 and other shareholders' rights, shares in the Company may be issued with such rights and restrictions as the Shareholders may by ordinary resolution decide, or, if there is no such resolution, as the Board may decide, provided it does not conflict with any resolution passed by Shareholders.

The rights attached to any class of shares can be amended if approved, either by 75% of Shareholders holding the issued shares in the class by amount, or by special resolution passed at a separate meeting of the holders of the relevant class of shares.

Every member and every duly appointed proxy present at a general meeting or class meeting has, upon a show of hands, one vote and every member present in person or by proxy has, upon a poll, one vote for every share held.

No person holds securities in the Company carrying special rights with regard to control of the Company.

Substantial shareholdings

As at 31 March 2023, the Company had been notified of, or was aware of, the following major shareholdings equal to, or greater than, 3% of the issued share capital of the Company:

Shareholder	Holdings of ordinary shares (5p)	% of issued share capital
abrdn	11,219,950	11.64%
BlackRock, Inc.	6,581,682	6.83%
Impax Asset Management	5,442,906	5.65%
Kempen Capital Management NV	5,050,000	5.24%
Montanaro Asset Management	3,825,000	3.97%
Swedbank Robur	3,300,873	3.43%
Aegon Asset Management	3,142,722	3.26%

As at 1 June 2023, the Company had been notified of, or was aware of, the following Shareholders holding 3% or more of the issued share capital of the Company:

Shareholder	Holdings of ordinary shares (5p)	% of issued share capital
abrdn	10,342,281	10.73%
BlackRock, Inc.	6,519,980	6.77%
Impax Asset Management	5,308,173	5.51%
Kempen Capital Management NV	5,202,942	5.40%
Montanaro Asset Management	3,825,000	3.97%
Aegon Asset Management	3,151,588	3.27%
Swedbank Robur	2,889,614	3.00%



DIRECTORS' REPORT

Authority to purchase own shares

At the Annual General Meeting held on 28 July 2022, Shareholders authorised the Company to purchase in the market up to 10% of its issued share capital (9,545,610 ordinary shares) and, as at 31 March 2023, all of this authority remained in force and unused. This authority is renewable annually, and a special resolution will be proposed at the 2023 Annual General Meeting to renew it. The Directors will only purchase the Company's shares in the market if they believe it is in the best interest of Shareholders generally.

Change of control

Details of the Group's borrowing facilities are provided in the Financial Review section of the Strategic Report on page 44. These agreements contain a change of control provision, which may result in the facility being withdrawn or amended upon a change of control of the Group. The Group is party to a number of commercial agreements which, in line with industry practice, may be affected by a change of control following a takeover bid. There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment which occurs because of a takeover bid.

Political donations

There were no political donations during the year (FY 2021/22: nil).

Auditor and disclosure of information to auditor

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution to appoint them will be proposed at the Annual General Meeting. In the case of each Director in office as at the date of this report:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

Annual General Meeting

The Notice of the Annual General Meeting to be held at 11.30am on Monday 24 July 2023 will be sent to Shareholders separately from this report. The venue for the meeting is 2 Chancellor Court, Occam Rd, Guildford, Surrey, GU2 7AH. Details of the arrangements for that meeting will be as set out in the Notice for that meeting.

Going concern

For the reasons explained in the Viability Statement on pages 97 and 98, the Directors continue to adopt the going concern basis in preparing this Annual Report and Accounts.

By order of the Board

Greg Davidson

Group General Counsel &
Company Secretary

7 June 2023

2 Chancellor Court
Occam Road
Surrey Research Park
Guildford
Surrey GU2 7AH

Registered number: 02008246

DIRECTORS' REMUNERATION REPORT



“The Group has continued to deliver strong and resilient performance, demonstrating the strength of our model and the continued dedication of our global workforce.”

Tracey Graham
Chair of the Remuneration Committee

Member	Member since
Tracey Graham (Chair)	2016
Malcolm Diamond (until 1 November 2022)	2015
Bruce Thompson	2018
Clive Watson	2020
Rosalind Kainyah	2022

The Committee consults with the Group Chief Executive who may attend meetings by invitation of the Committee Chair, although he is not involved in deciding his own remuneration. The Group Company Secretary acts as Secretary to the Committee. The Directors' Remuneration Report has been approved by the Board.

2022/23 key achievements

- Received strong Shareholder support for the 2022 Directors' Remuneration Report
- Approved bonus outcomes for 2021/22 performance and the vesting of the 2019 LTIP award
- Setting of appropriate short and long-term incentive measures and targets for Executive Directors and senior management
- Considered wider workforce remuneration and aligned the Group Chief Executive's pension contribution rate to that of the wider UK workforce from 1 January 2023. Reviewed and increased the UK pension contribution rate to support the wider UK workforce
- Considered gender pay gap data and initiatives to close the gap
- Reviewed other remuneration-related items within the UK Corporate Governance Code and the latest views from investors and proxy voting agencies

Future areas of focus in 2023/24

- A comprehensive review of the Directors' Remuneration Policy, including a consultation with Shareholders
- Review the competitiveness and structure of remuneration for Executive Directors and senior management and its alignment with strategy
- Review of pay across the discoverIE workforce
- Set incentive targets for 2024, including an ESG-based measure in the 2024 LTIP award aligned to our carbon emission net zero reduction goals
- Determine incentive outcomes for Executive Directors and senior management in respect of 2023
- Keeping abreast of corporate governance and regulatory developments
- Monitoring of performance against all personal objectives for the Executive Directors and Group Management Committee

DIRECTORS' REMUNERATION REPORT

Annual statement

Information not subject to audit

Dear Shareholder,

On behalf of the Board, it is my pleasure to present our Directors' Remuneration Report for the year ended 31 March 2023. This report comprises:

- This Annual Statement, which summarises the work of the Remuneration Committee (the "Committee") in FY 2022/23.
- The Directors' Remuneration Policy (the "Policy") which sets the parameters for how our Directors are remunerated and which took effect from 29 July 2021, the date of its approval at our 2021 Annual General Meeting.
- The Annual Report on Remuneration, which provides (i) details of the remuneration earned by Directors and the link between Company performance and pay in the year ended 31 March 2023 and (ii) how we intend to implement the Policy in FY 2023/24.

At the 2021 Annual General Meeting, we received clear support for our Policy. The Policy has a three-year life and and, in the coming year, we intend to undertake a review of senior executive remuneration and will consult with Shareholders on the next version of the Policy ahead of the 2024 Annual General Meeting.

Business performance and resulting remuneration outcomes for the year ended 31 March 2023

The Group has continued to deliver strong and resilient performance, despite the economic backdrop of market uncertainties. This demonstrates the strength of our model and the continued dedication of our global workforce.

Group sales increased by 18% to £448.9m, underlying operating profit increased by 25% to £51.8m, underlying profit before tax increased by 23% to £46.3m, underlying EPS increased by 20% to 35.2p (FY 2021/22: 29.4p) and free cash flow of £33.0m was up 51% on last year.

We also made significant further progress against our long-term ESG objectives. These included, in particular, a 50% reduction in carbon emissions intensity from 2019 levels (65% on a like-for-like basis), thereby achieving our original carbon emission reduction target two years early¹, completion of the final phases of solar panel installations in Sri Lanka, completion of solar panel installations in Thailand and an increase in the share of our workforce covered by an ISO 45001 occupational health and safety system from 5% last year to 48% now. With ESG objectives having been a measure within the FY2023 bonus plans, the Committee has further strengthened the Group's commitment to ESG by including stretching environmental targets within the upcoming LTIP grant.

The Group also completed the acquisitions of two high-quality businesses, CDT and Magnasphere during the year.

The Group also updated its internal management structure, with the formation of a new Group Management Committee, reflecting the increased diversity in the leadership team at our Head Office. During the year, the Board was also delighted to meet with many of our staff colleagues at various sites (see page 105 of the Corporate Governance Report for more details).

Following the exit from the legacy distribution business in the prior year, this year has demonstrated further significant progress. I would like to thank all of our staff globally for their efforts in what has been another very successful year for the Group.

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

Annual bonus for FY 2022/23

The annual bonus for both Executive Directors for FY 2022/23 was based on operating profit (60%), simplified working capital (24%), strategic objectives (8%) and ESG objectives (8%).

Based on the strong performance as set out above, actual underlying operating profit of £51.8m was between target and maximum, performance against the Simplified Working Capital measure was between threshold and target and the strategic and ESG-related objectives were determined to have been substantially met. This results in an overall bonus payout of 76% of maximum for both Executive Directors.

The Remuneration Committee has considered whether any adjustment is required to the formulaic outcomes to reflect the underlying financial and non-financial performance of the business and decided that no such adjustment is appropriate given the overall performance of the business during the year.

In line with the Directors' Remuneration Policy, 20% of the bonus will be delivered in deferred share awards. Full details of the bonus for FY 2022/23 are set out in the Annual Report on Remuneration.

2020 long-term incentives vesting

The Group Chief Executive and Group Finance Director received awards under the LTIP on 30 June 2020 that were based on absolute TSR, relative TSR and EPS performance criteria, each with an equal weighting.

- Relative TSR – discoverIE delivered a TSR of 77.9% over the three-year period to 31 March 2023, which ranked in the top 15% of the TSR peer group (for the second consecutive three-year cycle), thereby achieving this element in full

¹ In November 2020, the Group announced a target to reduce its carbon emissions intensity by 50% from 2019 levels within five years



- Absolute TSR – discoverIE's TSR of 77.9% over the period was above CPI + 30%, thereby achieving this element in full
- EPS – EPS grew by 44% over the three-year period, which was in excess of the maximum target of 10%p.a. growth.

This share price and earnings performance has resulted in these LTIP awards vesting in full. The Committee believes this vesting outcome is warranted given the exceptional share price and earnings growth over the three-year period ending 31 March 2023. The awards were granted at a price of 496p, which was broadly in line with discoverIE's share price directly prior to the impact of the pandemic in early 2020. Therefore, the Committee determined that no adjustment is required for windfall gains. No discretion has been applied to adjust the formulaic outcomes. These vested awards will be subject to a two-year holding period.

Application of policy in 2024

- Base salary: The Remuneration Committee has reviewed base salary levels across the business in the context of the current high inflationary environment. The base salary of both Executive Directors will be increased by 4%, which is below increases of c.5%-6% across the UK employee group. Base salary increases in the rest of the business will be higher, with up to 15% increases in some territories.
- Pension: As outlined in last year's report, the Group Chief Executive's pension contribution reduced from 15% of salary to the UK workforce rate of 8% of salary from 1 January 2023 and the Group Finance Director's pension rate will remain at 8% of salary (noting that this was increased from 6.5% from 1 October 2022).
- Bonus: The bonus opportunity will be 150% of salary for the Group Chief Executive and 125% of salary for the Group Finance Director, in line with policy. The bonus measures and weightings for financial measures will remain unchanged for FY 2023/24 with 60% based on operating profit, and 24% on Simplified Working Capital. The non-financial objectives (16%) element will continue to be split

into two equal parts with 8% based on strategic objectives and the other 8% on ESG-related objectives.

- LTIP: In line with our Policy, the award to the Group Chief Executive will be 175% of salary and 160% of salary for the Group Finance Director. The LTIP measures will be split between relative TSR (45%), EPS growth (45%) and a new ESG target (10%) related to achieving carbon emission reductions in line with our net zero goals. The EPS growth target is the same as last year (and higher than previous years), so that the threshold and maximum targets are 5%p.a. and 13%p.a., respectively. Vesting of the EPS element shall also be subject to an underpin requiring the Committee to be satisfied with the Group's annual rate of return on capital employed ("ROCE") over the measurement period. The TSR measure will look at the Group's performance against a basket of pan-sector companies and, for the ESG measure to be achieved, the Group will need to reduce its carbon emissions by CY2025 by 65% from the CY2021 baseline. Further details of the approach for 2023/24 can be found in the Annual Report on Remuneration.

The Remuneration Committee will consider the share price at the time of grant when finalising LTIP award levels, expected to be in June 2023. Based on the prevailing share price being higher than the 2022 grant price, it is not anticipated that any adjustment to the award level will be required.

There will be a single advisory vote at the Annual General Meeting on 24 July 2023 to approve this Directors' Remuneration Report. I hope you find the information in the report clear and are able to support this resolution. If you have any questions on our Policy or on this Report then please contact me via the Company Secretary.

Tracey Graham

Chair of the Remuneration Committee

7 June 2023

DIRECTORS' REMUNERATION REPORT

Remuneration at a glance

When determining the Remuneration Policy, the Committee has ensured that the Directors' Remuneration Policy and practices are consistent with the six factors set out in Provision 40 of the Corporate Governance Code:

Clarity

Our Directors' Remuneration Policy is well understood by our senior executive team and the Company invited its principal Shareholders and shareholder representative groups to consult on the updated Remuneration Policy and received good feedback. This report sets out the remuneration arrangements for the Executive Directors in a clear and transparent way.

Simplicity

The Committee is mindful of the need to avoid overly complex remuneration structures, which can be misunderstood and deliver unintended outcomes. Therefore, a key objective of the Committee is to ensure that our Directors' Remuneration Policy and practices are straightforward to communicate and operate. The Committee's approach to performance measures has always been that they must be understandable for participants in the schemes in order to ensure they are effective.

Risk

Our Directors' Remuneration Policy has been designed to ensure that inappropriate risk-taking is discouraged, including the use of a blend of financial, non-financial and shareholder return targets. Shares play a significant role in our incentive arrangements; this includes the deferral under the annual bonus; malus/clawback provisions operate within our incentive plans.

Predictability

Our incentive plans are subject to individual caps, with our share plans also subject to standard dilution limits. The potential value and composition of the Executive Directors' remuneration packages at below threshold, target and maximum scenarios are provided in the relevant policy.

Proportionality

There is a clear link between individual awards, delivery of strategy and our long-term performance. The Committee has discretion to override formulaic results to ensure that they are appropriate and reflective of overall performance.

Alignment to culture

The variable incentive schemes and performance measures are designed to be consistent with the Group's purpose, values and strategy.

Executive Directors

In this section, we show the link between corporate performance for the year under review and the remuneration outcomes for the Executive Directors. The key features of the Executive Directors' remuneration for the year ended 31 March 2023 are also shown.

Corporate performance for the year

REVENUE

£448.9m

UNDERLYING OPERATING PROFIT

£51.8m

UNDERLYING EPS

35.2p

Remuneration outcomes for the Executive Directors for the year ended 31 March 2023

	Nick Jefferies £000		Simon Gibbins £000	
Salary FY 2022/23	510		334	
Bonus (£k and as % of salary)	577	113%	315	94%
Taxable benefits	12		12	
Pension benefits/ allowance	68		27	
Value of LTIP vesting	1,000		492	
Single figure of total remuneration	2,166		1,180	

The annual bonus for the year ending 31 March 2023 was based on the achievement against financial and non-financial measures. The bonus outcomes for the year were 113% of salary for the Group Chief Executive and 94% for the Group Finance Director. In accordance with the Remuneration Policy, 20% of the bonus will be in the form of deferred shares.

LTIP awards were granted to both Executive Directors on 30 June 2020. These awards were based on absolute and relative TSR conditions, and EPS performance, measured for the three-year period ended 31 March 2023. The Company's EPS and TSR performance resulted in full vesting. The estimated value of the awards are shown in the above table. Awards are subject to a two-year holding period.



Directors' remuneration policy

This part of the Directors' Remuneration Report sets out the remuneration policy which was approved at the Annual General Meeting on 29 July 2021 and which took formal effect from that date. It has been prepared in accordance with the Companies Act 2006 (the "Act") and the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). The policy approved by Shareholders can be found in our 2021 Annual Report. The policy set out below is identical to the one approved, save for the Illustration of Scenario charts, which have been updated.

The Committee reviewed the Executive Directors' remuneration packages to ensure that they reflect the Company's own particular circumstances and are aligned with the Company's key strategic objectives, as set out in the Strategic Report, and with the long-term interests of its Shareholders.

Key objectives of our reward policy

The Remuneration Committee undertook a comprehensive review of the Executive Directors' remuneration arrangements and engaged with the Company's largest Shareholders on the proposed changes. The primary aims of the policy are to deliver a remuneration package that is:

- Aligned with discoverIE's strategy at this stage of its development and supports the business's medium and long-term plans
- Consistent with practice internally and externally
- Competitive and fair compared against companies of our size and geographical complexity
- Focused on delivering long-term sustainable returns
- Compliant with shareholders' latest views on executive pay and the requirements of the 2018 UK Corporate Governance Code
- Able to attract and retain high calibre Executive Directors and senior managers in a challenging and competitive business environment

- Reduces complexity, delivering an appropriate balance between fixed and variable pay.

When implementing the policy, the Committee:

- Takes account of pay and employment conditions elsewhere in the Group
- Ensures that incentive arrangements encourage responsible behaviour in all aspects of the Company's business, including financial, social, environmental and governance aspects; do not encourage excessive risk-taking; and are compatible with the Company's risk policies and procedures. The Committee has the discretion to take these factors into account when adjudicating bonus and LTIP outcomes
- Enters into open dialogue and consults with key Shareholders, when looking to make material changes to the remuneration policy
- Considers market practice in terms of the structure and levels of executive remuneration.



DIRECTORS' REMUNERATION REPORT

Remuneration policy table

Element, purpose and link to strategy	Operation	Maximum opportunity	Performance targets
Base salary To attract and retain quality staff.	Salaries are normally reviewed annually with increases typically effective from 1 April. In determining Executive Directors' salaries, the Remuneration Committee takes into account: ■ Each Director's role, competence, experience and performance; ■ Average change in broader workforce pay; and ■ Total organisational salary budgets. Salaries are also benchmarked against companies of a comparable size and complexity and against companies which operate internationally, in similar sectors.	There is no prescribed maximum or maximum increase. However, any percentage increases will ordinarily be in line with those across the wider workforce. Salary increases may be higher in exceptional circumstances, such as the need to retain a critical executive, or an increase in the scope of the executive's role (including promotion to a more senior role) and/or in the size of the Group.	Although there are no formal performance conditions, any increase in base salary is only implemented after careful consideration of individual contribution and performance and having due regard to the factors set out in the "Operation" column of this table.
Benefits To help retain employees and remain competitive in the marketplace.	Directors, along with other senior UK executives, may receive certain benefits such as a car allowance, life assurance and critical illness cover, and family medical insurance. Any reasonable business-related expense (and any tax thereon) can be reimbursed if determined to be a taxable benefit. Executive Directors will be eligible to participate in any all-employee share plan operated by the Company, on the same terms as other eligible employees. For external and internal appointments or relocations, the Company may pay certain relocation and/or incidental expenses as appropriate.	There is no prescribed maximum as insurance cover can vary based on market rates. The maximum level of participation in all-employee share plans is subject to the limits imposed by the relevant tax authority from time to time.	Not applicable



Element, purpose and link to strategy	Operation	Maximum opportunity	Performance targets
Pension To facilitate long-term savings provisions.	The Company operates a defined contribution pension scheme. Executive Directors may take a cash allowance in lieu of pension contributions.	The Group Chief Executive previously received a Company contribution of 15% of base salary, which was reduced to the contribution rate applying to the majority of the UK workforce rate (8% of salary) from 1 January 2023. For the Group Finance Director, and any new Executive Directors appointed to the Board, the pension contribution will be in line with the majority of the UK workforce.	Not applicable
Annual bonus To reward the achievement of annual financial and strategic business targets.	Bonus is based on performance targets determined and reviewed by the Committee and are selected to be relevant for the year in question. Any payment is discretionary and the bonus payable is determined by the Committee after the financial year-end, based on performance against these targets. Financial objectives are updated to reflect acquisitions, disposals and currency movements during the year. 20% of any bonus earned is deferred into discoverIE shares for a period of three years. Where applicable, dividends may accrue on deferred bonus shares. Malus and clawback provisions apply to cash and deferred elements of the bonus, applying in the event of material misstatement of the Company's financial results, an error of calculation or in the event of serious misconduct, material reputational damage or corporate failure.	The maximum bonus opportunity is 150% of salary for the Group Chief Executive and 125% of salary for other Executive Directors. Maximum bonus is payable for significant over-achievement of financial and non-financial bonus objectives. Typically, no more than 50% of the maximum bonus opportunity will be payable for achieving target performance.	The Committee sets performance measures and targets that are appropriately stretching each year, taking into account key strategic and financial priorities and ensuring there is an appropriate balance between incentivising Executive Directors to meet targets, while ensuring they do not drive unacceptable levels of risk or inappropriate behaviours. Financial measures may include (but are not limited to) underlying operating profit and Simplified Working Capital. Non-financial measures may include strategic measures directly linked to the Company's priorities. A graduated scale of targets is normally set for each measure, with no payout for performance below a threshold level of performance. The Committee has discretion to amend the pay-out should any formulaic outcome not reflect the Committee's assessment of overall business or individual performance.

DIRECTORS' REMUNERATION REPORT

Element, purpose and link to strategy	Operation	Maximum opportunity	Performance targets
Long Term Incentive Plan To motivate Executives to deliver Shareholder value over the longer term.	Awards of conditional shares or nil-cost options are typically granted annually, which vest after three years dependent on the achievement of performance conditions and continued service. Vested awards are subject to a two-year post vesting holding period (net of tax, if applicable) in respect of their vested awards. Dividend equivalents may be paid in respect of awards to the extent they vest by reference to dividends declared during the award's vesting period and holding period. Malus and clawback may apply to vested and unvested LTIP awards in the event of material misstatement of the Company's financial results, an error of calculation or in the event of serious misconduct, material reputational damage or corporate failure. The Company's share schemes are funded through a combination of shares purchased in the market and newly issued shares, as appropriate. The Company monitors the number of shares issued under the schemes and their impact on dilution limits.	The maximum award in respect of any one financial year is an award over shares of market value at grant of 175% of salary. The Committee may increase the grant size of an LTIP award on grant (subject to the maximum award limit) if the award terms include that participants bear the cost of the Company's liability to employer's National Insurance arising on the settlement of their awards. The increased award size ensures that the participants are in a neutral position on an after-tax basis, assuming no change in tax rates. The Company is committed to remaining within the Investment Association's 10% dilution limit.	Performance metrics reflect the Group's strategic goals and milestones. The performance conditions may include, and are not limited to, relative or absolute TSR, earnings per share growth, return based measures, strategic measures and ESG-related objectives. The Committee retains discretion to set alternative weightings or performance measures for awards granted over the life of the policy. Threshold performance will normally result in no more than 25% of the award vesting. The Committee retains discretion to adjust vesting levels taking into account such factors as it considers relevant, including, but not limited to, the overall performance of the Company or the relevant Participant who holds the Award.
Shareholding guidelines To further align the interests of Executives with those of Shareholders.	Executive Directors are expected to accumulate the required shareholding requirement. Shares held which are no longer subject to performance conditions count towards the requirement (on a net of tax basis, if applicable). Executive Directors are required to retain at least 50% of their net of tax vested share awards until the in-employment shareholding guideline is met.	The current Executive Directors are required to build up and hold shareholdings to the value of 250% of salary. Any new Executive Directors appointed will be required to build up and hold shareholdings to the value of 200% of salary. Post cessation: Executive Directors are normally required to hold shares at a level equal to the lower of their shareholding at cessation and 200% of salary, for two years post-employment, from share awards granted after the date of approval by Shareholders of this policy. This excludes any shares vesting from share plan awards made before such approval and shares purchased with own funds.	Not applicable.



Notes to the remuneration policy table Performance conditions and target setting

Each year, the Committee will determine the weightings, measures and targets as well as timing of grants and payments for the annual bonus and LTIP plans within the approved remuneration policy and relevant plan rules (or documents). The Committee considers a number of factors which assist in forming a view. These include, but are not limited to, the strategic priorities for the Company over the short to long term, Shareholder feedback, the risk profile of the business and the macroeconomic climate.

The current Annual Bonus Scheme is measured against a balance of profitability, cash management and the delivery of key strategic areas of importance for the business. The profitability metric used for FY 2023/24 is adjusted underlying operating profit and the cash management metric is Simplified Working Capital.

The LTIP measures currently used are EPS growth targets and relative TSR. These measures were identified as those most relevant to driving sustainable bottom-line business performance, as well as providing value for Shareholders.

Targets are set against the annual and long-term plans, taking into account analysts' forecasts, the Company's strategic plans, prior year

performance, estimated vesting levels and the affordability of pay arrangements. Targets are set to provide an appropriate balance of risk and reward to ensure that, while being motivational for participants, maximum payments are only made for exceptional performance.

Discretions and judgements

The Committee will operate the annual bonus plan and long-term incentive plan according to their respective rules and ancillary documents. Consistent with market practice, the Committee has discretion in a number of respects in relation to the operation of each plan. Discretions include:

- who participates in the plan
- determining the timing of grants of awards and/or payments
- determining the quantum of an award and/or payment
- determining the extent of vesting;
- how to deal with a change of control or restructuring of the Group
- whether an Executive Director or a senior manager is a good/bad leaver for incentive plan purposes and whether the proportion of awards that vest do so at the time of leaving or at the normal vesting date(s)
- how and whether an award may be adjusted in certain circumstances (e.g., for a rights issue, a corporate restructuring or for special dividends)

- what the weighting, measures and targets should be for the annual bonus plan and LTIP plans from year to year
- the Committee also retains the ability within the policy to vary and/or adjust targets and/or set different measures or weightings for the annual bonus plan and LTIP plans, if events occur that cause it to consider it appropriate to do so, and, in the case of the LTIP, any amended performance conditions are not materially less challenging than the original conditions would have been but for the events in question.

Any discretion exercised by the Committee in the adjustment of performance conditions will be fully explained to Shareholders in the relevant report. If the discretion is material and upwards, the Committee will consult with major Shareholders in advance.

All historical awards that have been granted before the date this policy came into effect and still remain outstanding (including those detailed on page 141 of the Annual Report on Remuneration) remain eligible to vest based on their original award terms.



DIRECTORS' REMUNERATION REPORT

Recruitment (and appointment) policy

The remuneration package for a new Executive Director would be set in accordance with the terms of the Company's approved remuneration policy in force at the time of appointment. Similar considerations may also apply where a Director is promoted to the Board from within the Group.

Element	Recruitment policy
Base salary	New Executive Director appointments will be offered a salary in line with the existing remuneration policy. The Committee will take into account a number of factors, including the current pay for other Executive Directors, external market forces, the expertise, skills and experience of the individual and current level of pay. Where the Committee has set the salary of a new appointment at a discount to the market level initially until proven, they may receive an uplift or a series of planned increases to bring the salary to the appropriate market position over time.
Benefits	Benefits provision would be in line with normal policy. The Committee may agree that the Company will meet appropriate relocation costs and/or incidental expenses as appropriate.
Pension	Pension contribution (or a cash allowance in lieu of contribution) provision will be no more than the general workforce contribution rate in place at the time.
Annual bonus	Eligible to take part in the annual bonus, with a maximum bonus opportunity not in excess of the limits set out in the policy. Depending on the timing of the appointment, the Committee may deem it appropriate to set different annual bonus performance conditions for the first performance year of appointment.
Long Term Incentive Plan	An LTIP award may be granted upon appointment but not in excess of the limits set out in the policy. An LTIP award may be made shortly following an appointment (assuming the Company is legally permitted to do so).
Compensation for forfeited remuneration	The approach in respect of compensation for forfeited remuneration in respect of a previous employer will be considered on a case-by-case basis taking into account all relevant factors, such as performance achieved or likely to be achieved, the proportion of the performance period remaining and the form of the award. The Committee retains the ability to make use of the relevant Listing Rule to facilitate the "buy-out". Any "buy-out" awards would have a fair value no higher than the remuneration forfeited. In the case of an internal appointment, any variable pay element awarded in respect of the prior role would be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment.
Chairman and Non-Executive Directors	For the appointment of a new Chairman or Non-Executive Director, the fee arrangement would be set in accordance with the approved Remuneration Policy.



Notice period and payment for loss of office

It is the Company's policy that Executive Directors should have service contracts incorporating a maximum notice period of one year. However, it may be necessary occasionally to offer longer initial notice periods to new Directors. Under the terms of their service contracts, any termination payments are not predetermined but are determined in accordance with the Director's contractual rights, taking account of the circumstances and the Director's duty to mitigate loss. The Company's objective is to manage its exposure to the risk of a potential termination payment.

Non-Executive Directors have letters of appointment for a term of three years, subject to re-appointment by shareholders at each annual general meeting. In line with the UK Corporate Governance Code, they are generally renewed for no more than nine years in aggregate. Non-Executive Directors are not eligible for payment on termination, other than payment to the end of their notice periods.

Name	Role	Date of original appointment	Expiry of current term
Bruce Thompson	Chairman	26 February 2018	25 February 2024
Nick Jefferies	Group Chief Executive	5 January 2009	12 months by either Director or Company
Simon Gibbins	Group Finance Director	10 June 2010	12 months by either Director or Company
Tracey Graham	Non-Executive Director	1 November 2015	31 October 2024
Rosalind Kainyah	Non-Executive Director	1 January 2022	31 December 2024
Clive Watson	Non-Executive Director	2 September 2019	1 September 2025

Other than their service contracts, no contract of significance, to which any member of the discoverIE Group is a party and in which a Director is or was materially interested, subsisted at the end of, or during, the year.

Termination payments for Executive Directors

On termination, the Company will normally make a payment in lieu of notice ("PILON") which is equal to the aggregate of the base salary and cash equivalent of other benefits for the applicable notice period.

The Company may pay the PILON either as a lump sum or in equal monthly instalments, from the date on which the employment terminates until the end of the relevant period. If alternative employment is commenced, for each month that instalments of the PILON remain payable, the monthly amount paid may be reduced by the amount received from such alternative employment.

If identified as a "good leaver" for the purposes of the bonus plan, the bonus payout will be pro-rated based on the Committee's reasonable assessment of the achievement of the performance measures in respect of the relevant financial year.

The treatment of LTIP awards on termination will be in accordance with the plan rules and, where appropriate, at the discretion of the Committee.

If identified as a 'good leaver' under the LTIPs and share option schemes' rules, (including those good leavers identified as being at the discretion of

the Committee), outstanding awards may be exercised, normally pro rata for service up until the date of leaving and subject to the outcome of the performance conditions, either on the normal release or on such earlier date as the Committee may determine.

The Committee may also agree to make payments in respect of statutory employment claims, reasonable legal fees, outplacement and accrued holiday or sick leave.

Change of control or restructuring

On a change of control, all LTIP awards will be released, subject to performance requirements and will ordinarily be prorated according to completion of the vesting period. In line with market practice and the Plan rules, the final treatment of any awards is subject to the discretion of the Committee.

There are no enhanced bonus provisions on a change of control.

Comparison with remuneration policy for other employees

The Company's approach to salary reviews is consistent throughout the Company with consideration given to responsibility, experience, performance, salary levels in comparable organisations and the Company's ability to pay.

Differing bonus arrangements (which are normally discretionary) operate elsewhere in the organisation and, subject to role, employees are entitled to benefits such as healthcare, car allowance (or Company-funded vehicle), life assurance and critical illness cover.

Fees for Non-Executive Directors

Fees for the Non-Executive Directors are determined on behalf of the Board by the Non-Executive Directors' Remuneration Committee. When determining fees, due regard is given to fees paid to Non-Executive Directors in other similarly-sized UK quoted companies, the time commitment and the responsibilities of the roles. Non-Executive Directors cannot participate in any of the Company's share incentive schemes and no Director is involved in any decision regarding their own remuneration. As disclosed on page 137 of this Annual Report and Accounts, additional fees, over and above the base fee payable to the Non-Executive Directors, are payable for chairing the Audit and Risk, Remuneration and Sustainability Committees and for acting as Senior Independent Director.

Fees are normally reviewed annually to ensure that they reflect an individual's time commitment and responsibilities.

DIRECTORS' REMUNERATION REPORT

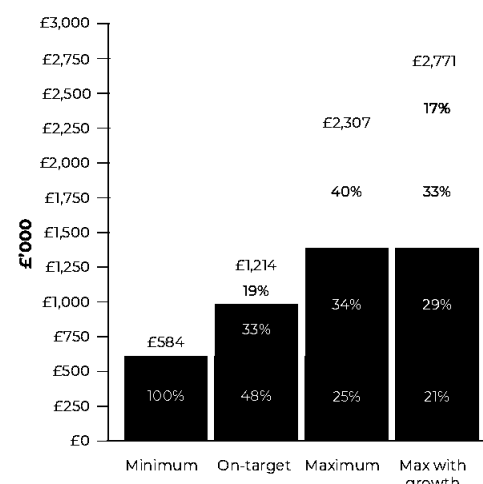
External appointments

The Executive Directors are entitled to accept one appointment outside the Group, provided that the Chairman's permission is obtained in advance of accepting an appointment and specific approval is given by the Board. Neither of the Executive Directors who served during the year held any non-executive appointments outside the Group.

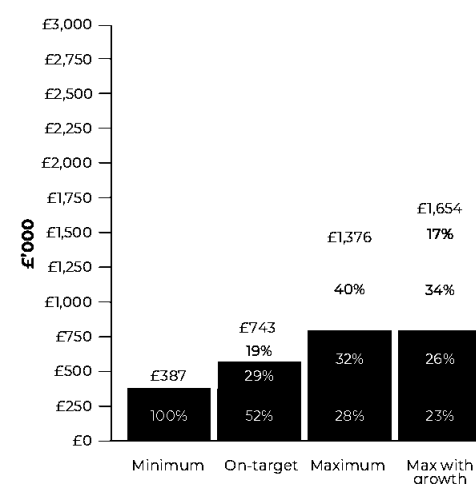
Illustrations of the application of the Executive Directors' remuneration policy

The bar charts below illustrate some possible outcomes of the application of the policy (approved by Shareholders at the Annual General Meeting on 29 July 2021) for the year ending 31 March 2024.

Chief Executive Officer



Chief Financial Officer



● Fixed ● Annual Bonus ● Long-term incentive ● Share price growth

- Minimum in the bar charts above is fixed remuneration only (i.e., 2024 salary, pension and the value of 2023 benefits as disclosed in the single figure table)
- Target assumes that 25% of the LTIP award vests (based on an award with a face value of 175% and 160% of salary for the Group Chief Executive and Group Finance Director, respectively) and bonuses have been earned at the target levels (75% of salary for the Group Chief Executive and 62.5% of salary for the Group Finance Director)
- Maximum assumes that the Long Term Incentive Plan ("LTIP") award vests in full (based on an award with a face value of 175% and 160% of salary for the Group Chief Executive and Group Finance Director) and the maximum bonus (150% and 125% of salary for the Group Chief Executive and Group Finance Director) have been earned
- Maximum plus share price growth – this is based on the maximum scenario set out above but with a 50% share price increase applied to the value of LTIP awards

Projected values do not take into account dividend accrual or additional awards granted as a result of any agreement by an Executive Director to incur the Company's liability to employers' National Insurance.

Consideration of employment conditions elsewhere in the Group

The remuneration policy, which has been implemented for the current Executive Directors, is more weighted towards performance-related pay than for other employees. The reason for this is to establish a clear link between remuneration received by the Executive Directors and the creation of shareholder value.

As mentioned on pages 129 and 130, when setting the policy the Committee takes account of pay and employment conditions elsewhere in the Group, but has not used any remuneration comparison measures between the Executive Directors and other employees.

Employee engagement

As outlined on pages 105 to 107, there are a range of employee engagement initiatives in place across the Group and, as part of this employee engagement, the Company explains how its strategy links to remuneration and provides the opportunity for employees to ask questions and provide feedback on that strategy. In the previous year the Group consulted specifically on UK pensions provision and the outcome of that review was an increase in pension provision across the UK workforce, which was implemented during the current year. The Group also consults on inflationary pressures globally and pay rises globally will take local conditions into account, with higher rises being implemented in those countries where staff face the greatest pressure. As noted in the Group's Human Rights Policy (available at www.discoverieplc.com), the Group states that it is committed to paying wages at rates that are meaningfully ahead of local minimum statutory rates.

Consideration of Shareholder views

The Committee's policy is to receive updates on the views of Shareholders and their representative bodies on best practice, and take these into account. It seeks the views of key Shareholders on matters of remuneration in which it believes they may be interested. This includes a comprehensive shareholder consultation exercise undertaken with the Group's largest Shareholders in determining the changes applied to this Directors' Remuneration Policy.



ANNUAL REPORT ON REMUNERATION

Information subject to audit

The table below shows the total remuneration earned by executive directors for the year ended 31 March 2023 and the prior year.

Single total figure of remuneration for each Executive Director (audited)

		Salary £000	Benefits ¹ £000	Pension ² £000	Bonus ³	LTIP ⁴ £000	Total £000	Total Fixed Remuneration	Total Variable Remuneration £000
Nick Jefferies	FY23	510	12	68	577	1,000	2,166	589	1,577
	FY22	490	11	74	735	1,270	2,580	575	2,005
Simon Gibbins	FY23	334	12	27	315	492	1,180	373	807
	FY22	326	12	21	407	703	1,469	359	1,110

¹ Taxable benefits comprise car allowance (£9,000 each) and family medical insurance. The total value of benefits for 2023 were £11,833 and £12,410 for Nick Jefferies and Simon Gibbins, respectively

² Pension in the year under review was paid as cash in lieu of pension and, for Nick Jefferies, was equal to 15% of salary until 31 December 2022 and then 8% of salary for the remainder of the year and for Simon Gibbins was equal to 8% of salary for the year

³ For performance in the year under review, a bonus of 113% and 94% of salary was earned by Nick Jefferies and Simon Gibbins, respectively. Further details of performance against the targets can be found on pages 138 and 139. In accordance with the Remuneration Policy, 20% of these bonuses will be in the form of deferred shares. The values in the above table include the cash and deferred elements in line with the reporting requirements. No discretion was applied by the Remuneration Committee

⁴ The LTIP award granted to Nick Jefferies and Simon Gibbins on 30 June 2020 will vest in full on 30 June 2023. Further details of performance against the targets can be found on pages 139 and 140. The original awards comprised 127,039 options for Nick Jefferies and 62,500 options for Simon Gibbins. Based on the average three-month share price to 31 March 2023 of £7.87, the estimated total values of the vested awards are £999,797 for Nick Jefferies and £491,875 for Simon Gibbins. Of those values, £369,683 of Nick Jefferies' award and £181,875 of Simon Gibbins' award, is attributed to share price growth over the vesting period (the share price at the date of grant was £4.96 and as noted the three-month average share price to 31 March 2023 was £7.87). No discretion was applied by the Remuneration Committee. These awards will not attract dividends until after vesting.

Single total figure of remuneration for Non-Executive Directors (audited)

	Basic fee		Committee Chair fees		SID fee		Total	
	FY23 £	FY22 £	FY23 £	FY22 £	FY23 £	FY22 £	FY23 £	FY22 £
Bruce Thompson ¹	104,167	48,300	–	–	5,833	8,400	110,000	56,700
Tracey Graham ²	50,000	48,300	10,000	8,400	4,167	–	64,167	56,700
Rosalind Kainyah ³	50,000	12,075	10,000	–	–	–	60,000	12,075
Clive Watson	50,000	48,300	10,000	8,400	–	–	60,000	56,700
Malcolm Diamond ⁴	104,000	147,000	–	–	–	–	104,000	147,000

¹ Appointed Chairman on 1 November 2022

² Appointed as Senior Independent Director on 1 November 2022

³ Joined the Board on 1 January 2022

⁴ Retired on 1 November 2022.

Incentive outcomes for Executive Directors for the year ended 31 March 2023

Annual bonus in respect of performance for the year (audited)

The maximum bonus opportunity for the year under review was 150% and 125% of salary for the Group Chief Executive and the Group Finance Director, respectively. Annual bonuses for the year under review were based on a sliding scale of operating profit targets (60%), simplified working capital (24%) and the achievement of non-financial objectives (16%).

Based on the performance during the year, profit of £51.8m was between target and maximum and Simplified Working Capital of 22.9% was between threshold and target and non-financial objectives were determined to have been substantially met. This performance has resulted in bonuses of 76% of maximum.



DIRECTORS' REMUNERATION REPORT

Full details, including the targets set and performance against each of the metrics, are provided in the table below:

	Weighting	Threshold ¹	Target (50% payable)	Maximum (100% payable)	Actual	Bonus earned (% of maximum)
Group underlying operating profit (£m) ²	60%	£41.3m	£47.2m	£53.1m	£51.8m	89%
SWC ^{2,3}	24%	23.6%	22.5%	21.4%	22.9%	32%
Strategic objectives ²	8%				see below	90%
ESG objectives	8%				see below	90%
Outcome (% of max)						76%

¹ Threshold payout under the underlying operating profit target is 10% of salary for both Directors and under the Simplified Working Capital measure is nil

² Audited information

³ Simplified Working Capital (SWC) is calculated based on the average of trade payables and receivables and inventories across the financial year, as a percentage of total Group revenue

Each Executive Director was given a number of individual non-financial strategic and ESG objectives, tailored to their role and to business requirements in the year. Nick Jefferies and Simon Gibbins each substantially achieved these objectives.

Nick Jefferies

Objective	Performance	Assessment
General Non-Financial Objectives		
1. Develop growth drivers for achieving 5-year plan, including improved design wins and operating margin, and development of M&A pipeline.	- New design wins registered with estimated lifetime value of £273m (11% up on prior year). +9% organic revenue growth. - Operating margin of 11.7%. - Two acquisitions completed (CDT and Magnasphere). - Healthy pipeline of M&A targets developed.	Substantially achieved
2. Establish new divisional and management structures & ensure appropriate resources are in place for future growth.	- New Group Management Committee and revised business review structures established. - Appropriate roles and resources in place.	Achieved
3. Increase target market sales in line with KSI objectives.	77% of sales in target markets (+1% on PY)	Achieved
4. Develop international investor base.	Non-UK investors up to 30.4%.	Achieved
5. Manage key senior management recruitment.	A number of senior management roles filled with strong candidates.	Achieved
ESG Objectives		
1. Help establish Sustainability Committee and provide support and resources as needed to enable objectives to be met.	Sustainability Committee fully established and met three times in FY2023.	Achieved
2. Reduce carbon emissions intensity by end of CY2022 to 36% of CY2019 on like-for-like basis, complete renewable energy options assessments and complete next phase of solar panel installations.	- CY2022 carbon emissions intensity 50% lower than CY2019 (65% on a like-for-like basis). - Renewable energy options assessment completed for all key territories. - Solar panel installations completed at Sri Lanka and Thailand sites.	Achieved
3. Define a net zero target.	Net zero plan announced in November 2022.	Achieved
4. Further develop diversity within the Group.	Female Board diversity now at 43% and Group Management Committee now at 31%.	Substantially achieved
5. Develop ESG investor base.	ESG investors now comprise 20% of investor base (up from 17% PY).	Achieved



Simon Gibbins

Objective	Performance	Assessment
General Non-Financial Objectives		
1. Work with members of Group management to improve internal reporting and ensure discussions are more key issues driven.	■ Internal reporting much improved, enabling more efficient use of meeting time.	Substantially achieved
2. Undertake structural review of opex across the Group.	■ Review undertaken and action plans put in place as appropriate.	Substantially achieved
3. Ensure adequacy of Group funding arrangements to support acquisition plans and other funding needs.	■ Group syndicated banking facility of £240m extended to June 2027. ■ Year-end net debt of £42.7m and Group gearing ratio of 0.7x.	Achieved
4. Manage analyst and investor base, and develop investor presentations and corporate website.	■ Communications with investors updated and well received, and corporate website updated.	Achieved
5. Develop international investor base.	■ Non-UK investors up to 30.4%.	Achieved
ESG Objectives		
1. Develop and support ESG initiatives and reporting across the Group.	■ ESG initiatives and targets set across all Group businesses, in alignment with objectives set by the Sustainability Committee.	Achieved
2. Develop Group Risk and Internal Audit function, including in preparation for UK BEIS reforms.	■ Group approach to BEIS reforms now well developed, with a number of internal audits complete.	Achieved
3. Develop ESG investor base.	■ ESG investors now comprise 20% of investor base (up from 17% PY).	Achieved

The Committee assessed these achievements against the pre-set personal objectives and in the context of overall business performance and decided to award Nick Jefferies and Simon Gibbins a 90% payout for this element of their respective bonuses. This means that, for the year under review, Nick Jefferies earned a bonus of 113% of his salary and Simon Gibbins earned a bonus of 94% of his salary. In accordance with the Remuneration Policy, 20% of all bonuses are deferred into shares, as follows:

	Bonus outcome (% of maximum)	Bonus opportunity (% of salary)	Bonus outcome (£)	Cash element (£) 80%	Deferred share element (£) 20%
Nick Jefferies	76%	150%	£577,484	£461,987	£115,497
Simon Gibbins	76%	125%	£314,954	£251,963	£62,991

The deferred shares will vest three years after grant. Other than the malus and clawback terms referred to on page 132, there are no conditions, whether performance or non-performance related, attached to these shares.

2020 LTIP vesting (audited)

LTIP Awards were granted on 30 June 2020 to Nick Jefferies and Simon Gibbins with vesting dependent on relative TSR performance against a comparator group made up of constituents of the FTSE Small Cap Index (1/3), absolute TSR in excess of CPI (1/3) from 31 March 2020 to 31 March 2023 and the growth in EPS between the year ended 31 March 2020 and the year ended 31 March 2023 (1/3). The specific targets were as follows:

Relative TSR ranking against the FTSE Small Cap (1/3 weighting)

Relative TSR ranking against peers	% of award vesting	Actual performance
Upper quartile (or above)	100%	discoverIE's TSR over the period was 77.9%, which ranked the company in the upper quartile of the peer group 100% vesting
Between median and upper quartile	Straight-line vesting between 25% and 100%	
Below median performance	0%	



DIRECTORS' REMUNERATION REPORT

Absolute TSR performance (1/3 weighting)

Absolute TSR performance	% of award vesting	Actual performance
Equal to or above CPI +30ppts	100%	discoverIE's TSR over the period was 77.9%, which was in excess of CPI+30ppts (47.7%). 100% vesting
Between CPI +10ppts and CPI +30ppts	Straight-line vesting between 25% and 100%	
Below CPI +10ppts	0%	

EPS Performance (1/3 weighting)

EPS growth from FY20 to FY23	% of award vesting	Actual performance
Equal to or above 10ppts pa	100%	44ppts growth over the three-year period, which was higher than 10ppts pa 100% vesting
Between 4ppts pa and 10ppts pa	Straight-line vesting between 25% and 100%	
Below 4ppts pa	0%	

The three performance measures were met in full and, therefore, all of the 2020 LTIP award will vest on 30 June 2023. The vested awards are subject to a two-year holding period, during which period dividends will accrue on the vested awards. No dividends accrued between the date of grant and vesting.

Share awards made during the year (audited)

The following LTIP awards were granted on 21 June 2022:

Director	Face value as % of salary	Face value ¹	Number of shares	Threshold vesting (% of face value)	Maximum vesting (% of face value)	End of performance period
Nick Jefferies	175%	£891,965	131,364	25%	100%	31 March 2025
Simon Gibbins	160%	£533,821	78,619			31 March 2025

¹ The face value of the awards is based on a share price of £6.79, being the three-day average share price directly prior to the grant of the award.

In addition to the grants set out above, 7,370 awards were granted to Simon Gibbins (with a face value of £50,042, based on a share price of £6.79), in return for him bearing a proportion of the Company's liability to employer's National Insurance arising on exercise. The additional award ensures he is in a neutral position on an after-tax basis, assuming unchanged tax rates. The award was granted on the same date and under the same conditions as those set out in the table above.

Vesting of these awards is subject to the following performance conditions:

Relative TSR ranking against the FTSE250 excluding Investment Trusts (50% weighting)

Relative TSR ranking against peers	% of award vesting
Upper quartile (or above)	100%
Between median and upper quartile	Straight-line vesting between 25% and 100%
Below median performance	0%

EPS Growth (50% weighting)

EPS Growth	% of award vesting
Equal to or above 13ppts per annum	100%
Between 5ppts and 13ppts per annum	Straight-line vesting between 25% and 100%
Below 5ppts per annum	0%

Performance is measured over three years from 1 April 2022 to 31 March 2025 using, for the TSR measure, share prices averaged over the previous month, prior to the start and end of the performance period. In the case of EPS Growth, performance is measured from FY 2021/22 to FY 2024/25. Vested shares will be subject to an additional two-year holding period.

Deferred bonus share awards: As part of the terms of the bonus relating to FY2021/22, 20% of the annual bonus for both Executive Directors was deferred into shares.



Director	Grant date	Face value ¹ (20% of FY22 bonus, net of tax)	Number of shares	Vesting date
Nick Jefferies	24 June 2022	75,400	12,064	24 June 2025
Simon Gibbins	24 June 2022	41,731	6,677	24 June 2025

¹ Shares were acquired at a market price of £6.25 per share

Pension arrangements (audited)

The Company does not operate a defined benefit pension scheme for Executive Directors. Pension contributions / cash allowances for the Executive Directors are set out in the single figure table on page 137 of this Report.

Directors' interests under the Long-Term Incentive Plans

Movements in the Executive Directors' holdings of nil-cost options under the LTIPs during the year are shown below. No awards were exercised or lapsed in the year. The performance criteria for the 2022 LTIPs are set out on page 140.

	Number held at 31.03.23	Movements during the year				Number held at 31.03.22	Vested but not exercised	Share value at 31.03.23 £	Grant date	When exercisable
		Granted	Vested	Exercised	Lapsed					
Nick Jefferies	242,788(v)	–	–	–	–	242,788	242,788	1,871,895	31/03/2017	Mar 2022 to Mar 2027
	123,998(v)	–	–	–	–	123,998	123,998	956,025	29/03/2018	Mar 2023 to Mar 2028
	166,236(v)	–	–	–	–	166,236	166,236	1,281,680	30/04/2019	Apr 2024 to Apr 2029
	127,039(v) ¹²	–	127,039	–	–	127,039	127,039	979,471	30/06/2020	Jun 2025 to Jun 2030
	74,482(nv) ³	–	–	–	–	74,482	–	574,256	29/07/2021	Jul 2026 to Jul 2031
	131,364(nv)	131,364	–	–	–	–	–	1,012,816	21/06/2022	Jun 2027 to Mar 2032
Simon Gibbins	106,900(v)	–	–	–	–	106,900	106,900	824,199	31/03/2017	Mar 2022 to Mar 2027
	63,190(v) ⁴	–	–	–	–	63,190	63,190	487,195	29/03/2018	Mar 2023 to Mar 2028
	92,006(v) ⁵	–	–	–	–	92,006	92,006	709,366	30/04/2019	Apr 2024 to Apr 2029
	62,500(v) ⁶⁷	–	62,500	–	–	62,500	62,500	481,875	30/06/2020	Jul 2025 to Jul 2030
	44,521(nv) ⁸	–	–	–	–	44,521	–	343,257	29/07/2021	Jul 2026 to Jul 2031
	78,619(nv) ⁹	78,619	–	–	–	–	–	606,152	21/06/2022	Jun 2027 to Mar 2032

(v)= vested; (nv) = non-vested

¹ The award, in the form of a nil-cost option over 127,039 shares in the Company was made to Nick Jefferies on 30 June 2020. The performance conditions attached to the award will result in 100% vesting on 3 July 2023.

² An additional award of 13,985 nil-cost options was made on 30 June 2020 such that Nick Jefferies is in a net neutral position after tax, assuming unchanged tax rates, as a result of his agreement to take on a proportion of the Company's liability to employer's National Insurance on the June 2020 award. This is in addition to the 127,039 shares set out above and is subject to the same vesting and exercise conditions.

³ An additional award of 12,413 nil-cost options was made on 29 July 2021 such that Nick Jefferies is in a net neutral position after tax, assuming unchanged tax rates, as a result of his agreement to take on a proportion of the Company's liability to employer's National Insurance on the July 2021 award. This is subject to the same vesting and exercise conditions as the main award.

⁴ An additional award of 13,916 nil-cost options was made on 29 March 2018 such that Simon Gibbins is in a net neutral position after tax, assuming unchanged tax rates, as a result of his agreement to take on the Company's liability to employer's National Insurance on the March 2018 award. 75.9% of the 2018 award vested on 29 March 2021; meaning 63,190 options from the "base award" vested and 20,065 options from the "base award" lapsed; and 10,562 options from the NI element vested and 3,353 options from the NI element lapsed.

⁵ An additional award of 15,379 nil-cost options was made on 30 April 2019 such that Simon Gibbins is in a net neutral position after tax, assuming unchanged tax rates, as a result of his agreement to take on the Company's liability to employer's National Insurance on the April 2019 award. This is in addition to the 92,006 shares set out above.

⁶ The performance conditions attached to the award will result in 100% vesting on 3 July 2023.

⁷ An additional award of 10,446 nil-cost options was made on 30 June 2020 such that Simon Gibbins is in a net neutral position after tax, assuming unchanged tax rates, as a result of his agreement to take on the Company's liability to employer's National Insurance on the June 2020 award. This will vest in full on 3 July 2023.

⁸ An additional award of 7,441 nil-cost options was made on 29 July 2021 such that Simon Gibbins is in a net neutral position after tax, assuming unchanged tax rates, as a result of his agreement to take on the Company's liability to employer's National Insurance on the July 2021 award. This is subject to the same vesting and exercise conditions.

⁹ An additional award of 7,370 nil-cost options was made on 21 June 2022 such that Simon Gibbins is in a net neutral position after tax, assuming unchanged tax rates, as a result of his agreement to take on the Company's liability to employer's National Insurance on the June 2022 award. This is subject to the same vesting and exercise conditions.



DIRECTORS' REMUNERATION REPORT

Directors' share interests (audited)

The interests of the Directors, who held office as at 31 March 2023 (including family interests) in ordinary shares (fully paid, 5p) of the Company, were as follows:

	Shares held at 31 March 2023				Unencumbered shares held at 31 March 2022	Value of current shareholding (% of salary)
	Unencumbered shares	Nil cost options vested but not exercised and outside of holding period	Nil cost options vested but subject to additional holding period ³	Nil cost options subject to performance conditions		
Nick Jefferies	1,257,191 ¹	366,786	293,275	205,846	1,241,830	1,829%
Simon Gibbins	398,238 ²	170,090	154,506	123,140	388,264	885%
Tracey Graham	10,330	–	–	–	10,330	
Bruce Thompson	45,000	–	–	–	45,000	
Clive Watson	19,125	–	–	–	19,125	
Rosalind Kainyah	656	–	–	–	656	

¹ Nick Jefferies holds 1,257,191 shares outright. In line with the Remuneration Policy, 20% of the FY 2019/20 to FY 2021/22 bonuses were deferred into shares. The figure of 1,257,191 includes the shares bought with those deferred bonuses, which were 5,956, 3,703 and 12,064 shares, respectively.

² Simon Gibbins holds 398,238 shares outright. In line with the Remuneration Policy, 20% of the FY2022 bonus was deferred into shares. The figure of 398,238 includes the shares bought with that deferred bonus, which was 6,677 shares.

³ Options subject to the additional holding period are not capable of exercise. No further performance conditions apply.

The interests of all Directors at 1 June 2023 are unchanged from those at 31 March 2023. The values of current shareholdings for Nick Jefferies and Simon Gibbins have been valued using the share price as at 31 March 2023 of 771p and include all options that have vested but remain unexercised and are based on salaries as at 1 June 2023.

Both of the Executive Directors have met the current shareholding requirements. In accordance with the remuneration policy, Executive Directors are required to build up/maintain a shareholding of at least 250% of salary within seven years.

The figures for shares/nil cost options subject to performance conditions exclude any additional awards to Executive Directors in respect of employer's National Insurance.

New Executive Directors are required to build up/maintain a shareholding of at least 200% of salary, including LTIP shares where performance conditions no longer apply.

Dilution

The Company's share schemes are funded through a combination of shares purchased in the market and newly issued shares, as appropriate. The Company monitors the number of shares issued under the schemes and their impact on dilution limits.

As at 31 March 2023, approximately 4.86m shares (5.0% in the last ten years) have been, or may be, issued to settle awards made in the last ten years in connection with all share schemes and executive share schemes, respectively. The Company is committed to remaining within The Investment Association's 10% in 10 years dilution limit.

Payments for loss of office (audited)

There were no payments for loss of office during the year.

Payments to past Executive Directors (audited)

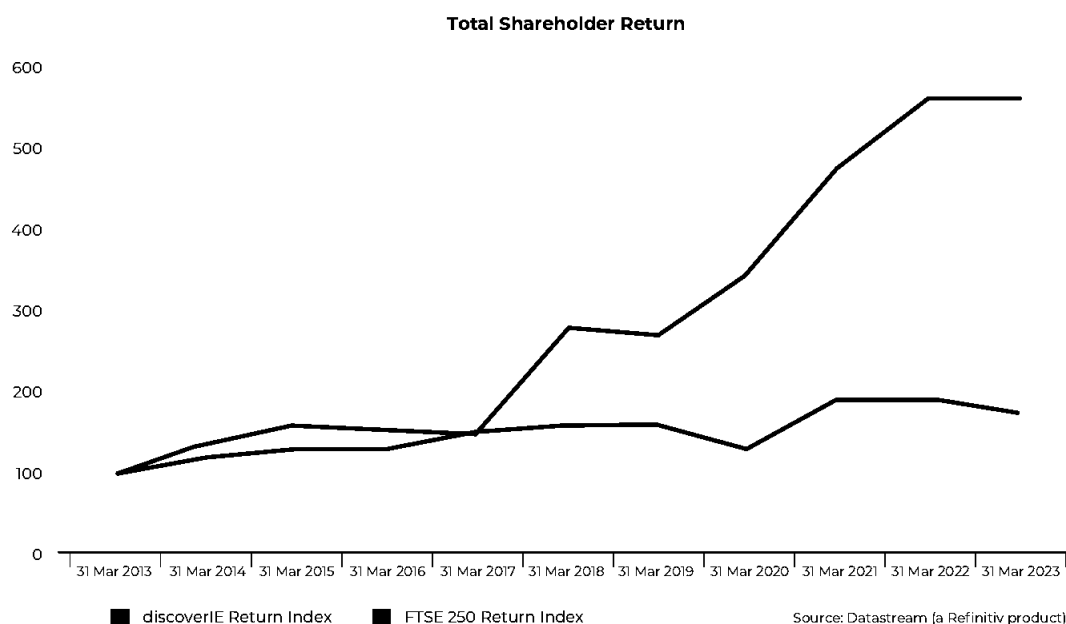
There were no payments to past Executive Directors during the year.

This represents the end of the audited section of the Report.



Pay for performance

The graph below shows Total Shareholder Return (TSR) in terms of change in value (with dividends deemed to be reinvested gross on the ex-dividend date) of an initial investment of £100 on 1 April 2013 between that date and 31 March 2023 in a holding of the Company's shares, compared with the corresponding TSR in a hypothetical holding of £100 invested in the FTSE 250 Index. The index has been chosen because it is considered to be a reasonable comparator in terms of the Company's size and its share liquidity. The accompanying table details the Group Chief Executive's single figure of remuneration and actual variable pay outcomes over the same period.



Group Chief Executive single figure of total remuneration history

Note: The Company's share price was adjusted following the rights issue in June 2014.

Nick Jefferies was Group Chief Executive throughout the period shown in the table below.

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Single figure of total remuneration (£'000)	572	1,246	1,321	665	1,803	1,796	2,093	1,717	2,580	2,166
Salary (£'000)	320	330	425	429	438	453	467	443	490	510
Bonus outcome (% of maximum)	55	59	60	43.5	63.7	69.2	62.0	60.1	100	76
LTIP outcome (% of maximum)	9	100	100	–	100	100	100	75.9	100	100
Turnover (£m)	212	271	288	338	387.9	438.9	466.4	454.3	379.2	448.9
Underlying operating profit (£m)	7	13	16	20	24.5	30.6	37.1	35.2	41.4 ¹	51.8

¹ Continuing operations



DIRECTORS' REMUNERATION REPORT

Group Chief Executive remuneration

Annual Percentage Change in Remuneration of Directors and employees

As required by the 2019 regulations, the table below shows a comparison of the annual change of each individual Director's pay to the annual change in average UK employee pay. discoverIE Group plc has no employees itself and therefore the Committee has selected this comparator group on the basis that the Executive Directors are UK-based. Average employee pay is based on a Full Time Equivalent (FTE) calculation.

	% change from 2020 to 2021			% change from 2021 to 2022			% change from 2022 to 2023		
	Salary or fees	Benefits	Bonus	Salary or fees	Benefits	Bonus	Salary or fees	Benefits	Bonus
Employees	5%	0%	44%	5%	0%	153%	5%	59%	13%
Executive Directors									
Nick Jefferies	-5%	-3%	-8%	11% ¹	2%	121%	4%	-8%	-21%
Simon Gibbins	-5%	-3%	-8%	11% ¹	2%	129%	3%	26%	-23%
Non-Executive Directors									
Malcolm Diamond	-5%	-	-	11% ¹	-	-	-29% ³	-	-
Tracey Graham	-5%	-	-	11% ¹	-	-	13% ⁴	-	-
Rosalind Kainyah	n/a ²	-	-	n/a ²	-	-	397% ⁵	-	-
Bruce Thompson	-5%	-	-	11% ¹	-	-	94% ⁶	-	-
Clive Watson	-5%	-	-	11% ¹	-	-	6%	-	-

¹ Salaries and fees for the year ended 31 March 2021 were voluntarily reduced by all Directors by 20% for three months in light of the pandemic, as explained in last year's Report. Without that reduction, the underlying increase in salary and fees from 2021 to 2022 was 5%

² Joined the Board in January 2022

³ The reduction in Malcolm Diamond's fee reflects his retirement from the Board on 1 November 2022

⁴ The increase in Tracey Graham's fee reflects her appointment as Senior Independent Director from 1 November 2022

⁵ The increase in Rosalind Kainyah's fee reflects her appointment towards the end of FY2022, with FY2023 showing a full year of fees, as well as her appointment as Chair of the Sustainability Committee from 1 April 2022

⁶ The increase in Bruce Thompson's fee reflects his appointment as Chairman from 1 November 2022.

CEO pay ratio

The table below sets out the pay ratios for the Group Chief Executive in relation to the equivalent pay for the lower quartile, median and upper quartile employees (calculated on a full-time basis). The principal reason for the changes between 2020, 2021 and 2022 are the changes in the overall remuneration of the Group Chief Executive, with a voluntary reduction in salary and bonuses in 2021 during Covid and a full bonus payout in 2022. In 2023, the ratios returned closer to pre-pandemic levels.

Year	Method	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2023	Option B	83:1	67:1	41:1
2022	Option B	117:1	68:1	44:1
2021	Option B	63:1	47:1	25:1
2020	Option B	83:1	57:1	40:1

¹ The Company determined the remuneration figures for the employee at each quartile with reference to a date of 31 March 2023

² The Group used calculation method B as the Gender Pay Gap data is already collated for UK employees and was therefore readily available

³ Following a review, the Committee was satisfied that the three individuals reported on are representative of the lower quartile, median and upper quartile employees. No adjustments or estimates were used.

Set out in the table below is the total pay and benefits as well as the salary component of remuneration for the employees identified as being at the relevant percentiles.

£	25th percentile	Median	75th percentile
Salary	£24,699	£28,750	£47,855
Total pay and benefits	£25,993	£32,311	£52,653

The 2023 median CEO pay ratio of 67:1 is marginally lower than last year. The ratio reflects the strong performance of the Group, which has resulted in bonus being earned and LTIP awards vesting. The Remuneration Committee monitors the CEO pay ratio and believes the 2023 differential reflects the higher levels of variable remuneration within the packages of senior employees.

**Importance of the spend on pay**

The table below shows the importance of the spend on pay for all employees across the globe compared with the returns distributed to Shareholders, during the year under review and the prior financial year. The information is based on like-for-like constant currency and includes annualised prior year acquisitions.

£	2023 £m	2022 £m	change %
Remuneration paid to or receivable by all employees	96.9	84.1	15%
Distributions to Shareholders by way of dividends (net of share issues)	10.5	9.4	12%

Statement of implementation of the remuneration policy in the financial year ending 31 March 2024

The table below sets out a summary of how the remuneration policy will apply during 2023/24.

Remuneration element	Remuneration for year ending 31 March 2024
Base salary	- Salaries for FY 2023/24 are: £530,082 for the Group Chief Executive (4% increase). £346,984 for the Group Finance Director (4% increase). The UK workforce increase was c.5-6% and higher increases of up to 15% were made in certain overseas territories the Group operates in.
Pension	- Cash equivalent of 8% of salary (in line with the UK workforce). - Any new or promoted Executive Directors will have a pension contribution of 8.0% of salary, which is in line with the UK workforce.
Annual bonus	- The maximum bonus opportunity will be 150% of salary for Group Chief Executive and 125% of salary for Group Finance Director. - Target bonus opportunity is 50% of maximum. - Performance metrics are based 60% on operating profit, 24% on simplified working capital, 8% on strategic objectives, and 8% on environmental, social and governance ("ESG") matters. Due to the close link between targets and the long-term strategy, the bonus targets for the year ending 31 March 2024 have not been disclosed in this report due to commercial sensitivity. However, further information on these bonus targets will be disclosed in next year's Annual Report and Accounts. - Mandatory deferral of 20% of any bonus earned into discoverIE shares for a period of three years.
LTIP	- LTIP awards for FY 2023/24 will be made in line with policy, with grant sizes of 175% of salary for the Group Chief Executive and 160% of salary for the Group Finance Director. The Remuneration Committee will consider whether any adjustment to the award level is required as a result of share price movement. - Performance metrics and targets will be based 45% on underlying EPS growth, 45% on Relative TSR and 10% on achievement of carbon emission reductions. - The EPS range will require growth of 5%p.a. for threshold vesting and 13%p.a. growth for full vesting. Vesting of the EPS element shall also be subject to an underpin requiring the Committee to be satisfied with the Group's annual rate of return on capital employed ("ROCE") over the measurement period. - The TSR peer group will be the FTSE 250 (excluding investment trusts). Threshold vesting (25%) will apply for median performance and full vesting (100%) will require upper quartile or higher. - The carbon emission reduction target will be based on the reductions in the Group's carbon emissions achieved by CY2025² against the CY2021 baseline. Threshold vesting (25%) will apply for a reduction of 45% and maximum vesting will apply for a reduction of 65%.
Shareholding guidelines	A shareholding guideline of 250% of salary applies for the Group Chief Executive and Group Finance Director.

¹ Additional awards may be granted to the Group Finance Director in return for him bearing some of the Company's liability to Employer's National Insurance arising on the exercise of the grant referred to above. The additional award ensures that he is in a neutral position on an after-tax basis, assuming no change in the tax rate.

² To be measured on an underlying basis and based on the assumption that the methodology used to calculate CY2025 outcome is no harder than that used to calculate CY2022 carbon emissions (including the conversion factors used to convert energy use into tCO₂e figures) and that the availability and pricing of renewable electricity is consistent with CY2022 market conditions



DIRECTORS' REMUNERATION REPORT

The fees for the Non-Executive Directors increased with effect from 1 April 2023, as follows:

As at 1 April 2023	Basic fee (£)	Committee Chair fee (£)	SID fee (£)	Total £
Bruce Thompson	188,000	–	–	188,000
Tracey Graham	52,500	10,000	10,000	72,500
Rosalind Kainyah	52,500	10,000	–	62,500
Clive Watson	52,500	10,000	–	62,500

Role of the Remuneration Committee

The Committee is responsible for considering and making recommendations to the Board on the remuneration of the Executive Directors. In doing so, it reports to the Board on how it has discharged its responsibilities and operates within agreed terms of reference, which can be found on the Group's website. The members of the Committee are set out on page 125.

The Committee also considers the recommendations of the Group Chief Executive with regard to senior management who are not Executive Directors, in determining their remuneration packages, including bonuses, incentive payments, share options and other share-based awards. The Group Company Secretary provides administrative support.

Advisers

During the year, the Committee received independent advice on executive remuneration from FIT Remuneration Consultants LLP ("FIT"). FIT were appointed by the Committee in 2019 following a competitive tender process. FIT is a signatory to the Remuneration Consultants' Code of Conduct. FIT does not provide any services other than advice to the Remuneration Committee and the Committee considers FIT to be independent and objective. The fees paid to FIT for advising the Committee for the financial year ended 31 March 2023 were £40,961, based partly on a fixed fee basis and partly based on time spent.

Shareholder voting

As at 1 April 2022	For ¹	Against	Withheld ²
2021 binding vote on the Directors' Remuneration Policy	69,269,506	94.65%	3,914,398
2022 Approval of the Remuneration Report (excl. Policy)	76,868,179	94.51%	4,467,574

¹ Includes votes at the Chairman's discretion

² A vote "withheld" is not a vote in law, and is not counted in the calculation of the proportion of votes for and against the resolution

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with UK-adopted international accounting standards and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;

- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess the Group's and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Corporate Governance report, confirm that, to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the Group;
- the Company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101, give a true and fair view of the assets, liabilities and financial position of the Company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF discoverIE GROUP PLC

Report on the audit of the financial statements

Opinion

In our opinion:

- discoverIE Group plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2023 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated Statement of Financial Position and the Company Statement of Financial Position as at 31 March 2023; the Consolidated Statement of Profit or Loss, the Consolidated Statement of Comprehensive Income, the Consolidated and the Company Statements of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended; and the notes to the Consolidated and Company financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit and Risk Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 7, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.



Our audit approach

Overview

Audit scope

- We conducted full scope audits at 21 components across the UK, Europe and Rest of the World and specific audit procedures on a further 10 components across the UK, Europe and North America and Asia.
- The components where we conducted audit procedures, together with work performed at the Group level, accounted for approximately 81% of the Group's revenue and 87% of the Group's absolute underlying profit before tax.
- We undertook a full scope audit of the Company's complete financial information for the purposes of the audit of the group financial statements.

Key audit matters

- Carrying value of goodwill (group)
- Carrying value of investments (company)

Materiality

- Overall group materiality: £2,300,000 (2022: £1,877,000) based on 5% of the Group's underlying profit before tax (2022: 5% of the Group's underlying profit before tax from continuing operations).
- Overall company materiality: £3,000,000 (2022: £3,015,000) based on approximately 1% of total assets.
- Performance materiality: £1,725,000 (2022: £1,407,000) (group) and £2,250,000 (2022: £2,261,000) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Accounting for acquisitions and disposals (group) and reporting of underlying adjustments (group), which were key audit matters last year, are no longer included because of (1) a reassessment of the risk associated with acquisition and disposal accounting in FY23 principally as there have been no disposals in the year, reduction in spend on acquisitions and no material issues being identified through our FY22 audit procedures and (2) the related reduction in acquisition expenses which are classified as adjustments to underlying performance measures. Otherwise, the key audit matters below are consistent with last year.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF discoverIE GROUP PLC^{CONTINUED}

Key audit matter	How our audit addressed the key audit matter
Carrying value of goodwill (group) Refer to page 116 (Audit and Risk Committee Report), note 2 (Significant accounting judgements and estimates) and note 18 for the related disclosures on goodwill. The Group recorded £188.1m of goodwill at 31 March 2023 (31 March 2022: £175.7m). The increase in 2023 is primarily due to acquisitions during the financial year. As required by IAS 36, management has performed its annual goodwill impairment assessment on the Group's cash generating units (CGUs). Goodwill is impaired when its carrying amount exceeds its recoverable amount. The carrying value of goodwill is dependent on estimates of future cash flows of the underlying CGUs which inherently involves significant management estimation and there is a risk that if management does not achieve these cash flow estimates it could give rise to impairment charges. The impairment assessment performed by management contains a number of significant assumptions relating to 5 years sales compound annualised growth (CAGR), pre-tax discount rate and long-term growth rate. These assessments also include the estimated costs associated with the effects of climate change, including the future cost of the Group's commitments to reach net zero by 2030. No impairment charge has been recorded in the year ended 31 March 2023.	We focused our work on the CGUs where the headroom between the value-in-use and the carrying value of the assets was lowest or those CGUs that were sensitive to changes in key assumptions. We obtained management's value-in-use models and tested the mathematical integrity. We compared the Group's year-end market capitalisation to management's value-in-use estimate for the Group as a whole and to the Group's net assets. We validated the carrying amounts of the net assets subject to impairment testing to the underlying accounting records, making sure that there was appropriate consistency between the assets and liabilities that were included in management's assessment and the related cash flows. We evaluated the determination of the Group's CGUs and we utilised our in-house valuation experts to evaluate the appropriateness of the methodology used in the impairment models, including challenging the discount rates and long-term growth rates. We compared the cash flows used in the impairment models to the Board approved budget and we challenged the assumptions underpinning the estimated costs associated with climate change. We stress tested management's revenue growth, profit margin and head office cost allocation assumptions and we have separately benchmarked implied multiples required to cover the carrying value of net assets at each CGU to recent transaction multiples for acquired businesses. We have corroborated the revenue growth rates to third party industry research and challenged management where inconsistencies were noted. We have evaluated the historical accuracy of management's budgeting and forecasting and we compared the revenue growth and profit margins to historical actuals and modelled their break even points to assess whether further testing was required and whether additional disclosures should be provided in the Financial Statements. Based on these procedures, we concluded that there were two CGUs where headroom was lower and where the CGUs were sensitive to reasonably possible changes in key assumptions that could cause material impairment. Further procedures focused on these two CGUs within the Sensing & Connectivity division. For both CGUs, we performed additional procedures, including further testing of the 5 years sales CAGR key assumption. We tested management's assumptions to a number of external sources including third party growth rates, tested the order backlog on a sample basis and compared the revenue growth to historical actuals. We also performed independent sensitivity analysis by stress testing the key assumptions. We assessed the appropriateness of management's decision to provide additional disclosure about sensitivities in note 18 of the Financial Statements in relation to the two CGUs within the Sensing & Connectivity division. More broadly, we considered whether the disclosures in note 18 complied with IAS 36. Based on the procedures performed, we noted no material issues arising from our work.



Key audit matter	How our audit addressed the key audit matter
Carrying value of investments (company) Refer to note 2 (Significant accounting judgements and estimates) and note 5 of the Company Financial Statements for the related disclosures on the carrying value of investments. The Company holds investments in its subsidiaries of £187.0m (2022: £203.4m). As required by IAS 36, management has assessed if there is any indication that the investments balance may be impaired at the reporting date. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The assessment of potential impairment indicators involves management judgement. No impairment indicators were identified by management at the reporting date and no impairment charge has been recorded in 2023.	We evaluated management's assessment of whether any indicators of impairment existed, which included comparing the carrying values of investments in subsidiaries with their net assets at 31 March 2023. For investments where the net assets were lower than the carrying values, we assessed their recoverable value by reference to the value in use of the investments compared to their carrying values at 31 March 2023. Where applicable, we verified that the recoverable values of investments were consistent with the recoverable values of the related CGUs tested for goodwill impairment purposes leveraging the audit work undertaken as part of the Group audit. We performed sensitivity analysis on the key assumptions within the cash flow forecasts. This included sensitising the discount rate applied to the future cash flows, and the short and longer term growth rates and operating income forecasts. We considered whether the disclosures in note 5 of the Company Financial Statements complied with relevant accounting requirements. Based on the procedures performed, we noted no material issues arising from our work.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

We performed full scope audits and specific audit procedures at 31 components across the UK, Europe and North America and Asia which were selected based on their size or risk characteristics of which 2 entities were brought into Group audit scope in FY23. Of these, we identified 6 material components in the UK, 6 in Europe and 3 in North America and Asia. No components were identified as being financially significant. The remainder of the full scope components and specified procedures components were included in Group audit scope to achieve sufficient coverage and to address specific risk characteristics.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group engagement team, or by component auditors within PwC UK and from other PwC network firms operating under our instruction. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated Financial Statements as a whole.

In addition to instructing and reviewing the reporting from our component audit teams, we conducted file reviews for material components and participated in key meetings with component audit teams and had regular dialogue

with component teams throughout the year. We conducted site visits to various components in the year to meet with component audit teams and local management teams.

The Group consolidation, Financial Statement disclosures and corporate functions were audited by the Group engagement team. This included our work over taxation, goodwill, acquisition accounting and retirement benefit obligations. Taken together, the components and corporate functions where we conducted audit procedures accounted for approximately: 81% (2022: 80%) of the Group's revenue and 87% (2022: 82%) of the Group's absolute underlying profit before tax from continuing operations. This provided the evidence we needed for our opinion on the consolidated Financial Statements taken as a whole. This was before considering the contribution to our audit evidence from performing audit work at the Group level, including disaggregated analytical review procedures, which covered certain of the Group's smaller and lower risk components that were not directly included in our Group audit scope.

Our audit of the Company Financial Statements was undertaken in the UK and included substantive procedures over all material balances and transactions.

The impact of climate risk on our audit

As part of our audit, we enquired of management to understand and evaluate the Group's risk assessment process in relation to climate change including any changes in the assessment compared to the prior year. We reviewed management's paper which sets out their assessment of climate change risk to the Group and the impact on the financial statements. In evaluating the completeness of the risks identified, we considered any changes in management's paper compared to the prior



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF discoverIE GROUP PLC^{CONTINUED}

year assessment which was reviewed by our internal specialists and we challenged management on how they considered the potential financial impacts of the Group's net zero commitment in their assessment. We considered the principal risk relates to the assumptions made in the forecasts prepared by management and used in their assessment of the carrying value of goodwill. In responding to the risks identified, we specifically considered how climate change risk would impact these assumptions including the future costs of the Group's commitment to reach net zero by 2030 and costs of compliance with current legal requirements. We also read the disclosures in relation to climate change made in the TCFD section of the Annual Report to ascertain whether the disclosures are materially consistent with the financial statements and our knowledge from our audit. Our responsibility over other

information is further described in the reporting on other information section of this report.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - group	Financial statements - company
Overall materiality	£2,300,000 (2022: £1,877,000).	£3,000,000 (2022: £3,015,000).
How we determined it	5% of the Group's underlying profit before tax (2022: 5% of the Group's underlying profit before tax from continuing operations)	approximately 1% of total assets
Rationale for benchmark applied	We believe that underlying profit before tax from continuing operations provides a consistent year-on-year basis for determining materiality and is the most relevant performance measure to the key stakeholders of the Group.	We believe that total assets is the most appropriate measure to assess a holding company, and is a generally accepted auditing benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was £78,000 to £2,025,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £1,725,000 (2022: £1,407,000) for the group financial statements and £2,250,000 (2022: £2,261,000) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above £110,000 (group audit) (2022: £85,000) and £150,000 (company audit) (2022: £150,750) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.



Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Evaluation of management's base case and downside case scenarios, understanding and evaluating the key assumptions;
- Validation that the cash flow forecasts used to support management's impairment, going concern and viability assessments were consistent;
- Assessment of the historical accuracy and reasonableness of management's forecasting;
- Consideration of the Group's available financing and debt maturity profile;
- Testing of the mathematical integrity of management's liquidity headroom, sensitivity and stress testing calculations;
- Undertaking independent sensitivities;
- Assessment of the reasonableness of management's planned or potential mitigating actions; and
- Review of the related disclosures in the Financial Statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information, which includes reporting based on the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF discoverIE GROUP PLC^{CONTINUED}

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Viability Statement and Principal Risks and Uncertainties within the Strategic Report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group and company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit and Risk Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with



laws and regulations related to the listing rules, the Waste Electrical and Electronic Equipment Regulations 2006 directive and local laws and regulations applicable in the territories that the Group operates in, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006 and taxation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting of unusual journals to increase revenue and management bias in determining accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Discussions with management, Internal Audit and the Audit and Risk Committee, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Evaluation of the effectiveness of management's controls designed to prevent and detect irregularities;
- Identification and testing of significant manual journal entries;
- Assessment of matters reported on the Group's whistleblowing helpline and the results of management's investigation of such matters;
- Testing of assumptions and judgements made by management in making significant accounting estimates; and
- Reviewing Financial Statement disclosures and testing the disclosures to supporting evidence.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit and Risk Committee, we were appointed by the directors on 13 July 2017 to audit the financial statements for the year ended 31 March 2018 and subsequent financial periods. The period of total uninterrupted engagement is 6 years, covering the years ended 31 March 2018 to 31 March 2023.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.

Christopher Hibbs (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

7 June 2023



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 March 2023

	Notes	2023 £m	2022 £m
Continuing operations			
Revenue	4	448.9	379.2
Operating costs		(414.3)	(358.3)
Operating profit	7	34.6	20.9
Finance income	9	1.6	0.4
Finance costs	9	(7.1)	(4.2)
Profit before tax		29.1	17.1
Tax expense	10	(7.8)	(7.4)
Profit for the year from continuing operations		21.3	9.7
Discontinued operations			
Profit for the year from discontinued operations	12	–	15.5
Profit for the year		21.3	25.2
Earnings per share	14		
Basic, profit from continuing operations		22.3p	10.4p
Diluted, profit from continuing operations		21.7p	10.1p
Basic, profit for the year		22.3p	27.1p
Diluted, profit for the year		21.7p	26.3p

SUPPLEMENTARY STATEMENT OF PROFIT OR LOSS INFORMATION

	Notes	2023 £m	2022 £m
Underlying performance measures (continuing operations)			
Operating profit	7	34.6	20.9
Add back: Acquisition expenses	6	1.4	6.5
Amortisation of acquired intangible assets	19	15.8	14.0
Underlying operating profit		51.8	41.4
Profit before tax		29.1	17.1
Add back: Acquisition expenses	6	1.4	6.5
Amortisation of acquired intangible assets	19	15.8	14.0
Underlying profit before tax		46.3	37.6
Underlying earnings per share	6	35.2p	29.4p

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



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 March 2023

	Notes	2023 £m	2022 £m
Profit for the year		21.3	25.2
Other comprehensive (loss)/income:			
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Actuarial (loss)/gain on defined benefit pension scheme	32	(1.2)	2.2
Tax credit/(charge) relating to defined benefit pension scheme	10	0.3	(0.5)
		(0.9)	1.7
<i>Items that may be subsequently reclassified to profit or loss:</i>			
Exchange differences on translation of foreign subsidiaries		0.7	9.6
Reclassification of exchange differences on disposal of businesses	12	–	(2.0)
		0.7	7.6
Other comprehensive (loss)/income for the year, net of tax		(0.2)	9.3
Total comprehensive income for the year, net of tax		21.1	34.5

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



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2023

	Notes	2023 £m	Restated ¹ 2022 £m
Non-current assets			
Property, plant and equipment	15	25.2	23.5
Intangible assets – goodwill	17	188.1	175.7
Intangible assets – other	19	83.9	87.6
Right of use assets	16	19.2	21.9
Pension asset	32	2.3	2.7
Other receivables	21	6.0	5.9
Deferred tax assets	10	11.2	9.2
		335.9	326.5
Current assets			
Inventories	20	90.0	77.8
Trade and other receivables	21	74.6	78.0
Current tax assets		1.3	1.6
Cash and cash equivalents	22	83.9	108.8
		249.8	266.2
Total assets		585.7	592.7
Current liabilities			
Trade and other payables	29	(95.2)	(104.8)
Other financial liabilities	23	(39.9)	(71.4)
Lease liabilities	16	(4.0)	(4.7)
Current tax liabilities		(10.4)	(7.7)
Provisions	26	(1.7)	(1.7)
		(151.2)	(190.3)
Non-current liabilities			
Trade and other payables	29	(4.1)	(2.7)
Other financial liabilities	23	(86.7)	(67.6)
Lease liabilities	16	(14.8)	(16.4)
Provisions	26	(4.2)	(4.2)
Deferred tax liabilities	10	(21.1)	(21.1)
		(130.9)	(112.0)
Total liabilities		(282.1)	(302.3)
Net assets		303.6	290.4
Equity			
Share capital	30	4.8	4.7
Share premium		192.0	192.0
Merger reserve		2.9	10.5
Currency translation reserve		5.6	4.9
Retained earnings		98.3	78.3
Total equity		303.6	290.4

¹ 2022 restated. Refer to note 2 to the consolidated Financial Statements.

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

The Financial Statements on pages 148 to 224 were approved by the Board of Directors on 7 June 2023 and signed on its behalf by:

Nick Jefferies
Group Chief Executive

Simon Gibbins
Group Finance Director



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2023

	Attributable to equity holders of the Company					
	Share capital £m	Share premium £m	Merger reserve £m	Currency translation reserve £m	Retained earnings £m	Total equity £m
At 1 April 2021	4.4	138.8	19.9	(2.7)	48.0	208.4
Profit for the year	–	–	–	–	25.2	25.2
Other comprehensive income	–	–	–	7.6	1.7	9.3
Total comprehensive income	–	–	–	7.6	26.9	34.5
Shares issued	0.3	53.2	–	–	–	53.5
Share-based payments including tax	–	–	–	–	3.4	3.4
Transfer to retained earnings	–	–	(9.4)	–	9.4	–
Dividends (note 13)	–	–	–	–	(9.4)	(9.4)
At 31 March 2022	4.7	192.0	10.5	4.9	78.3	290.4
Profit for the year	–	–	–	–	21.3	21.3
Other comprehensive income/(loss)	–	–	–	0.7	(0.9)	(0.2)
Total comprehensive income	–	–	–	0.7	20.4	21.1
Shares issued (note 30)	0.1	–	–	–	–	0.1
Share-based payments including tax	–	–	–	–	2.5	2.5
Transfer to retained earnings	–	–	(7.6)	–	7.6	–
Dividends (note 13)	–	–	–	–	(10.5)	(10.5)
At 31 March 2023	4.8	192.0	2.9	5.6	98.3	303.6

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



CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2023

	Notes	2023 £m	Restated ² 2022 £m
Net cash flow from operating activities	25	36.3	30.9
Investing activities			
Acquisition of businesses, net of cash acquired		(22.8)	(84.5)
Contingent consideration related to business acquisitions		(2.3)	–
Business disposal proceeds	12	–	37.3
Purchase of property, plant and equipment		(5.4)	(5.4)
Purchase of intangible assets – software		(0.2)	(0.8)
Proceeds from disposal of property, plant and equipment		–	0.4
Interest received		1.4	0.4
Net cash used in investing activities		(29.3)	(52.6)
Financing activities			
Net proceeds from the issue of shares		–	53.4
Proceeds from borrowings	24	61.8	94.1
Repayment of borrowings	24	(44.9)	(102.3)
Payment of lease liabilities		(5.2)	(6.4)
Cash-settled share-based payments		–	(0.1)
Dividends paid	13	(10.5)	(9.4)
Net cash generated from financing activities		1.2	29.3
Net increase in cash and cash equivalents¹		8.2	7.6
Net cash and cash equivalents at 1 April		36.9	28.2
Effect of exchange rate fluctuations		(1.7)	1.1
Net cash and cash equivalents at 31 March		43.4	36.9
Reconciliation to cash and cash equivalents in the consolidated Statement of Financial Position			
Net cash and cash equivalents shown above		43.4	36.9
Add back: bank overdrafts	23	40.5	71.9
Cash and cash equivalents presented in current assets in the consolidated Statement of Financial Position	22	83.9	108.8

¹ Further information on the consolidated Statement of Cash Flows is provided in notes 24 and 25.

² 2022 restated. Refer to note 2 to the consolidated Financial Statements.

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



NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 March 2023

1. Reporting entity and authorisation of Financial Statements

The consolidated Financial Statements, which comprise the results of discoverIE Group plc ("the Company") and its subsidiaries (collectively referred to as "the Group"), for the year ended 31 March 2023 were authorised for issue by the Board of Directors on 7 June 2023. discoverIE Group plc is a public limited company incorporated and domiciled in England, UK and the registered office is disclosed on page 224. The Company's ordinary shares are traded on the London Stock Exchange.

The significant accounting policies adopted by the Group are set out in note 2 and have been applied consistently to all years presented in these consolidated Financial Statements.

2. Accounting policies

Statement of compliance

The Group's consolidated Financial Statements have been prepared and approved by the Directors in accordance with UK-adopted International Accounting Standards (UK adopted IAS) in conformity with the requirements of the Companies Act 2006 and the disclosure guidance and transparency rules sourcebook of the United Kingdom's Financial Conduct Authority.

The separate Financial Statements of the Company have been prepared and approved by the Directors in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101). On publishing the Company's Financial Statements here together with the Group's Financial Statements, the Company is taking advantage of the exemption in section 408 of the Companies Act 2006 not to present its individual Statement of Profit or Loss and related notes that form a part of these approved Financial Statements.

The following exemptions from the requirements of the UK-adopted IAS have been applied in the preparation of the Company's Financial Statements, in accordance with FRS 101:

- Cash Flow Statement and respective disclosures and information;
- Disclosure in relation to capital management;
- Disclosures in relation to financial instruments;
- Disclosures in respect of the compensation of key management personnel; and
- Disclosures in respect of transactions between two or more members of the Group.

For the following disclosures, as the Group's consolidated Financial Statements include the equivalent disclosures, the Company has taken the exemptions available under FRS 101:

- IFRS 2 'Share-based payments' in respect of Group equity-settled share-based payments;
- Certain disclosures required by IFRS 13 'Fair Value Measurement'.

Basis of preparation

The Group Financial Statements and the Company Financial Statements are prepared under the historical cost convention, unless otherwise stated.

The Group and Company Financial Statements are presented in Pounds Sterling and all values are rounded to the nearest hundred thousand except as otherwise indicated.

The Group has engaged in an ongoing review of expected climate change impacts on the business and its assets and liabilities to establish any adjustments required and what reporting is necessary in its Financial Statements for 2023. The ongoing risk assessment is detailed within the climate-related risks and opportunities section on page 92 of the Risk Management section and on pages 74 to 78 of the Sustainability Report in the Strategic Report section.

The process has involved a review of all balance sheet line items and future cash flows, to identify if any of these items is expected to be materially impacted in a negative or positive way by weather, legislative, societal or revenue/cost changes.

The conclusion of the review was that, whilst there will undoubtedly be impacts on the Group, the highly disaggregated nature of the operations of the Group and the target markets the Group operates in significantly reduces the risk profile of the Group to impacts from weather-related changes. The changes necessary to achieve the Group's net zero by 2030 commitment is not expected to have a materially adverse impact on the cash flows of the Group and indeed, warmer climates may present enhanced opportunities in our target markets as disclosed on pages 20 to 25 of this report. Societal and legislative impacts are not considered to have a material impact on any one segment such that we need to break out reporting in a different way to previous years. Judgements are not considered to be significant, although clearly understanding of climate change is developing with time. The area with the most judgement is goodwill impairment testing and a description is given in note 18 of the incremental processes undertaken to assess the climate change impact on the valuations. Management review has concluded that there is no material impact and that no further disclosure is required.

NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 March 2023

2. Accounting policies continued

Going concern

In line with IAS 1 "Presentation of Financial Statements" and revised guidance on "risk management, internal control and related financial and business reporting", management has taken into account all available information about the future for a period of at least, but not limited to, 12 months from the date of approval of the Financial Statements when assessing the Group's and Company's ability to continue as a going concern.

The Group's business activities, together with factors which may adversely impact its future development, performance and position, are set out in the Strategic Report on pages 1 to 99. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review section of the Strategic Report on pages 40 to 44.

The Group's forecasts and projections, taking account of the sensitivity analysis of changes in trading performance, show that the Group is well placed to operate within its current committed debt facilities of £240m for the foreseeable future.

The Viability Base Case, as stated on pages 97 to 98 has been subjected to sensitivity analysis involving flexing a number of the underlying key assumptions, both individually and in conjunction. The sensitivities take into account the principal risks and uncertainties set out on pages 91 to 96, notably instability in the economic environment, underperformance of acquired businesses, climate-related risks, loss of key customers and suppliers, major business disruption, liquidity restriction, liquidity and debt covenants and adverse foreign currency movements.

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

After factoring in all of the significant additional downsides, there remains good headroom both in terms of liquidity and our banking covenants. This is supported by the fact that the Group sells a wide portfolio of different products across a diverse set of industries and geographies, has low customer/supplier concentration, has a global supply chain network, diverse manufacturing capacity, and has well-established relationships with its customers. These factors are considered important in mitigating many of the risks that could affect the long-term viability of the Group. As a consequence, the Directors believe that the Group is well placed to manage its principal risks and uncertainties as disclosed on pages 91 to 96 of the Strategic Report.

Reverse stress testing has also been applied to the most plausible downside scenario to determine the level of downside that would be required before the Group would be at risk of breaching its existing financial covenants or current liquidity headroom during the assessment period. The reverse stress test was conducted on the basis that certain mitigating actions would be undertaken to reduce overheads and capital expenditure during the period as sales declined and, on that basis, a fall in underlying operating margin to below 2% in FY 2023/24 would be required before such a breach occurred. The Board considers the possibility of such a scenario to be remote and further mitigation, such as hiring freezes, pay and bonus reductions, headcount reductions, reduction in planned capital expenditure, suspension of dividend payments and equity raise, would be available if future trading conditions indicated that such an outcome were possible.

The Company acts as a holding company for investments in the subsidiaries and does not engage in any trading activities directly and thus is dependent on the trading activities of its subsidiaries. The Company holds sufficient net current assets as at 31 March 2023 to continue as a going concern.

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

Basis of consolidation

The Group's consolidated Financial Statements consolidate the results of discoverIE Group plc and entities controlled by the Company (its subsidiaries).

The consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries for the year ended 31 March 2023. Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its control over it. In assessing control, the Group takes into account: (i) the power over the investee (i.e. existing rights that give it the current ability to direct its relevant activities); (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect its returns.



2. Accounting policies continued

The Group reassesses whether or not it controls a subsidiary if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control and ceases when the Group loses control of the subsidiary. Assets, liabilities, profits and losses of a subsidiary acquired or disposed of during the year are included in the consolidated Financial Statements from the date control commences until the date control ceases.

When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Prior year restatement

Cash offsetting

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

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

	As reported 2022 £m	Impact of restatement 2022 £m	Restated 2022 £m
Consolidated Statement of Financial Position			
Current assets			
Cash and cash equivalents (note 22)	39.4	69.4	108.8
Current liabilities			
Bank overdrafts (note 23)	(2.5)	(69.4)	(71.9)
Net cash (note 24)	36.9	–	36.9

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

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

	As reported 2021 £m	Impact of restatement 2021 £m	Restated 2021 £m
Consolidated Statement of Financial Position			
Current assets			
Cash and cash equivalents (note 22)	29.2	72.6	101.8
Current liabilities			
Bank overdrafts (note 23)	(1.0)	(72.6)	(73.6)
Net cash (note 24)	28.2	–	28.2

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree.

When the Group acquires a business, it assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and relevant conditions at the acquisition date.

Any contingent consideration payable to the vendor will be measured and recognised at fair value through profit and loss ("FVTPL") at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognised in accordance with IFRS 9 "Financial Instruments: Classification and measurement" either in the consolidated Statement of Profit or Loss or in the consolidated Statement of Other Comprehensive Income.

NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 March 2023

2. Accounting policies continued

Goodwill is initially measured at cost, being the excess of the aggregate of the acquisition-date fair value of the consideration transferred and the amount recognised for the non-controlling interest over the net identifiable amounts of the assets acquired and the liabilities assumed in exchange for the business combination. Assets acquired and liabilities assumed in transactions separate to the business combinations, such as the settlement of pre-existing relationships or post-acquisition remuneration arrangements, are accounted for separately from the business combination in accordance with their nature and applicable standard. Identifiable intangible assets, meeting either the contractual-legal or separability criterion are recognised separately from goodwill. Contingent liabilities representing a present obligation are recognised if the acquisition-date fair value can be measured reliably.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGUs") that are expected to benefit from the business combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and shall not be larger than a reportable operating segment.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed of operation is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

Non-current assets held for sale and discontinued operations

The Group reports a business as a discontinued operation when it has been disposed of in a period, or its future sale is considered to be highly probable at the balance sheet date, and results in the cessation of a major line of business or geographical area of operation. An asset or liability is classified as held for sale if it is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and that it is highly probable the asset will be sold within one year from the date of classification. Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the Statement of Financial Position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the Statement of Financial Position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the Statement of Profit or Loss. Additional disclosures are provided in note 12. All other notes to the Financial Statements include amounts for continuing operations, unless otherwise mentioned.

Investments (Company only)

Investments in subsidiary and associate undertakings are stated initially at cost, being the fair value of the consideration given and including directly attributable transaction costs. The carrying values are reviewed for impairment if events or changes in circumstances indicate the carrying values may not be recoverable.

Intangible assets – other

Other intangible assets that are separately acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Other intangible assets acquired through a business combination are recognised at fair value at the date of acquisition less accumulated amortisation and impairment losses from the date of acquisition. Amortisation is charged to the Statement of Profit or Loss within operating costs on a straight-line basis over the useful economic lives of the intangible assets. The estimated useful economic lives are as follows:

(a) Software (implementation costs of IT systems)	3 to 10 years
(b) Acquired intangible assets	
Customer relationships	5 to 10 years
Patents	Patent term
(c) Intangible assets – research and development	

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally generated intangible asset arising from the Group's development activities is capitalised only if all of the following conditions are met: (a) an asset is created that can be identified; (b) it is probable that the asset created will generate future economic benefits; and (c) the development cost of the asset can be measured reliably. Internally generated intangible assets are amortised on a straight-line basis over their useful lives between five and ten years and charged to the Statement of Profit or Loss.

The Group only capitalises costs relating to the configuration and customisation of SaaS arrangements as intangible assets where control of the asset exists. Costs that are paid to SaaS suppliers in advance of the service provided are recognised in prepayments and amortised over the service period.

All other development expenditure is written off in the accounting period in which it is incurred.



2. Accounting policies continued

Property, plant and equipment

Items of owned property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost consists of all those elements which are directly attributable to bringing the asset into working condition for its intended use. Where there has been an indication of impairment in value such that the recoverable amount of an asset falls below its net book value, provision is made for such impairment. Wherever possible, individual assets are tested for impairment. However, impairment can often be tested only for groups of assets because the cash flows upon which the calculation is based do not arise from the use of a single asset. In these cases, impairment is measured for the smallest group of assets (the cash generating unit) that produces a largely independent income stream.

The cost of property, plant and equipment is charged to the Statement of Profit or Loss on a straight-line basis over the asset's estimated useful economic life, taking into account their estimated residual value. The principal annual rates of depreciation are:

Land and buildings	Freehold property	2% to 4% per annum
	Leasehold buildings	Shorter of lease term and useful life
	Land	not depreciated
Leasehold improvements		10% to 20% per annum or over the life of the lease if shorter
Plant and equipment		5% to 33% per annum

Impairment of non-financial assets

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of the asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Profit or Loss.

The recoverable amount of assets is the greater of their net selling price and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. A CGU is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets.

When estimating the future cash flows for the value-in-use calculation, the Group includes projections of cash outflows including central costs that are necessarily incurred to generate the cash inflows and that can be directly attributed or allocated on a reasonable and consistent basis to each CGU.

Impairment losses recognised in respect of CGUs are allocated first against the carrying value of any goodwill allocated to that unit, and then against the carrying values of other assets in the unit, on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

Financial instruments

Financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Unconditional receivables and payables are recognised as assets or liabilities when the entity becomes a party to the contract and, as a consequence, has a legal right to receive or a legal obligation to pay cash. However, recognition of financial assets to be acquired and financial liabilities to be incurred as a result of a firm commitment to purchase or sell goods or services, such as trade receivables and trade payables, is usually delayed until at least one of the parties has performed under the agreement and the ordered goods or services have been shipped, delivered or rendered.

A forward contract that is within the scope of IFRS 9, such as a forward foreign exchange contract, is recognised as an asset or a liability on the commitment date at which point the fair value of the right and obligation are usually equal and the net fair value of the forward contract on initial recognition is zero. If the net fair value of the right and obligation is not zero, the contract is recognised as an asset or liability.

Except for trade receivables without a significant financing component, a financial asset or a financial liability that is not measured through profit or loss ("FVTPL") is initially measured at fair value plus or minus transaction costs that are directly attributable to its acquisition. A trade receivable without a significant financing component is initially measured at the transaction price.

NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 March 2023

2. Accounting policies continued

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risk and rewards of ownership of the financial asset are transferred, or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid is recognised in the Statement of Profit or Loss.

Offsetting financial instruments

Financial assets and liabilities are only offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and the liability simultaneously.

Allowance for expected credit losses

The Group measures loss allowances for financial assets, including trade receivables, at an amount equal to lifetime expected credit losses ("ECL"). This requires consideration of both historical and forward-looking information when considering potential impairment of trade receivables. A provision matrix is used to calculate the expected credit loss, which is based upon historical observed default rates adjusted for forward-looking information to create an adjusted default rate, which is applied to the outstanding invoices at the balance sheet date.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Credit-impaired financial assets

At each reporting date the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred, such as a significant change in the credit risk profile of a customer, a debt has become significantly overdue or a contract default.

Write-down of financial assets

The gross carrying amount of a financial asset is written down to its recoverable amount when the Group has no reasonable expectation of recovering a financial asset in its entirety or a portion thereof.

Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange risks arising from operational activities. It principally employs forward foreign exchange contracts to hedge the risks associated with foreign currency fluctuations relating to certain firm commitments and highly probable forecast transactions.

Inventories

Inventories comprise finished goods, goods held for resale, raw materials and work in progress and are stated at the lower of cost and net realisable value after making allowance for any obsolete or slow-moving items. Cost comprises direct materials, inward carriage and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash balances and short-term deposits with an original maturity of three months or less.

Borrowings

Borrowings are recognised initially at fair value less directly attributable transaction costs. Subsequent to initial recognition, borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Profit or Loss over the period of the borrowings on an effective interest basis.



2. Accounting policies continued

Provisions

A provision is recognised in the Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect is material, provisions are discounted to present value. The unwinding of the discount is recognised as a finance cost.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been publicly announced. Future operating costs are not provided for.

A provision for an onerous contract is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Leasing

The Group assesses at contract inception whether a contract is, or contains, a lease, that is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. An asset can be identified either explicitly or implicitly. If implicitly, the asset is not mentioned in the contract, but the supplier can fulfil the contract only by the use of a particular asset, in which case there may be an identified asset. There is no identified asset if the supplier has a substantive right to substitute the asset.

Separating components of a contract

Contracts usually combine different kinds of obligation of the supplier, which may be formed by lease components or lease and non-lease components, such as maintenance or services. The Group identifies the lease and non-lease components and accounts for those separately, applying the relevant standard to each one. Consideration is allocated to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease component.

Combination of contracts

Contracts are accounted for together if they are entered into at or near the same time with the same counterparty and in contemplation of one another.

Lease term

The lease term is the non-cancellable period of the lease plus periods covered by an option to extend or an option to terminate if the lessee is reasonably certain to exercise the extension option or not exercise the termination option.

i) Right of use assets

The Group recognises right of use assets at the commencement date of the lease. Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Right of use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees, when applicable.

The lease payments also include, when applicable, the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is a combination of government bond yields, used as a proxy for a risk-free rate, calculated over various periods linked to existing lease terms. This rate is adjusted for borrowing costs and risks specific to each entity.

NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS

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for the year ended 31 March 2023

2. Accounting policies continued

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, such as a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

Any adjustment of the lease liability is reflected as an adjustment to the right of use asset. If the carrying amount of the right of use asset has already been reduced to zero, the remaining remeasurement is recognised in the Statement of Profit or Loss.

The Group has adopted the practical expedient under IFRS 16 not to recognise right of use assets and lease liabilities for short-term leases, with a lease term of 12 months or less, and leases in which the underlying asset is of low value. Lease payments relating to these leases are expensed to the Statement of Profit or Loss on a straight-line basis over the lease term.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, in accordance with the effective interest rate method.

Pensions

Payments to defined contribution pension schemes are charged as an expense as they fall due.

In respect of defined benefit pension schemes, the position recognised in the consolidated Statement of Financial Position represents the present value of the defined benefit obligation, reduced by the fair value of the scheme assets.

Obligations to provide future benefit to employees earned through prior service are estimated and discounted to present value. Plan assets are measured at fair value. The cost of providing benefits under the defined benefit plans is determined by actuarial valuation, using the projected unit credit method.

Any pension asset surplus would be fully recoverable by the Group in line with the rules of the scheme. Therefore, the IAS 19 surplus is recognised in full under current accounting standards.

Actuarial remeasurement of the net defined benefit asset or liability comprises (a) actuarial gains and losses, (b) the return on plan assets in excess of the amount included in net interest on the net defined benefit asset or liability, and (c) any change in the effect of the asset ceiling (where applicable), excluding any amount included in net interest on the net defined benefit asset or liability; and is recognised immediately in the Statement of Financial Position with a corresponding entry in retained earnings through Other Comprehensive Income in the period in which it occurs. Remeasurement gains or losses are not reclassified to profit or loss in subsequent periods.

Share-based payments

Employees of the Group receive remuneration in the form of share-based payments, whereby employees render services as a consideration for equity instruments (equity-settled transactions).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date the grant is made, calculated using an option pricing model, and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. In valuing equity-settled transactions, no account is taken of non-market vesting conditions.

At each reporting date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and hence the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous reporting date is recognised in the Statement of Profit or Loss, with a corresponding entry in equity.

The issuance by the Company to its subsidiaries of a grant of options over the Company's shares represents additional capital contributions by the Company in its subsidiaries. The additional capital contribution is based on the fair value of the grant issued, allocated over the underlying grant's vesting period.

Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the reporting date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.



2. Accounting policies continued

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the reporting date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the Statement of Profit or Loss.

Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date and gains or losses on translation are included in the Statement of Profit or Loss.

Currency gains and losses arising from the retranslation of the opening net assets of foreign operations are recorded as a movement on reserves, net of tax. The differences that arise from translating the results of overseas businesses at average rates of exchange, and their assets and liabilities at closing rates, are dealt with in a separate currency translation reserve. All other currency gains and losses are dealt with in the consolidated Statement of Profit or Loss.

Revenue recognition

Revenue represents the fair value of the consideration received or receivable for goods, commission and other services provided to third parties, after deducting discounts, VAT and similar taxes levied overseas. Revenue is recognised in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Transaction price is allocated to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract. If a stand-alone selling price is not observable, the Group estimates it. The transaction price may include a discount or a variable amount of consideration that relates entirely to a part of the contract. The Group will review the requirements and specify when the variable amount should be allocated to one or more, but not all, performance obligations in the contract.

This is captured in the following key five steps:

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Control of a good or service is obtained when the customer has the ability to direct the use of and obtain substantially all the benefits from the good or service.

The Group realises revenue from its principal activities through the sale of highly differentiated electronic products on four target markets: renewable energy, transportation, medical and industrial & connectivity.

The following are the Group's main revenue streams and criteria for control transfer:



NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS

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for the year ended 31 March 2023

2. Accounting policies continued

a. Revenue from the sale of products

The Group recognises revenue from product sales at a point in time when the goods are delivered to, or accepted by the customer, if later, and control over the goods is transferred.

To determine the point in time at which the control is transferred to the customer, the Group considers whether or not:

- The Group has a present right to payment for the asset;
- The customer has acquired legal title to the asset;
- The Group has transferred physical possession of the asset;
- The customer has significant risks and rewards related to the ownership of the asset; and
- The customer has accepted the asset.

When another party is involved in providing goods or services to the customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (principal) or to arrange for those goods or services to be provided by the other party (agent) and recognises revenue accordingly.

b. Revenue from rendering of services

Product support and maintenance services are recognised over the period of the service delivery as the customer receives the benefit of the service over time; progress is measured by reference to service periods.

Discounts are allocated proportionately to all performance obligations in the contract, unless the Group can demonstrate that the discount relates to one or more specific performance obligations.

Contract balances

Receivables

Receivables billed under the terms of the contract for delivered goods and services and are not conditional on anything other than the passage of time. These assets are classified as trade receivables.

Contract liabilities

Contract liabilities represent the Group's unsatisfied obligation(s) for the transfer of goods or services to the customer for which consideration has been received from the customer; and/or advance payment received from a customer in consideration of future performance obligations.

Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

Dividends paid

Dividends are recognised when they meet the criteria for recognition as a liability. In relation to final dividends, this is when the dividend is approved by the Shareholders in the general meeting, and in relation to interim dividends, when paid.

Dividend income

Dividend income is recognised in the Statement of Profit or Loss on the date the Group's right to receive payment is established.

Significant accounting judgements and estimates

The preparation of Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other applicable factors, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates and any revisions to estimates are recognised prospectively.

2. Accounting policies continued

Information about judgements, assumptions and estimation uncertainties as at 31 March 2023 that could result in a material adjustment to the carrying amount of assets and liabilities in the next financial year is addressed regarding:

- **Impairment of non-financial assets (Group and Company):** Goodwill is tested annually for impairment, in accordance with IAS 36. An entity is required to ensure that its assets are not impaired and are carried at no more than their recoverable amount, measured based on the sum of future cash flows expected to be realised from sale or value-in-use. Assets which do not generate independent cash flows are required to be grouped together into CGU's and tested for impairment. In determining the recoverable amount of an asset or CGU, estimates and assumptions must be made in determining the value of those future cash flows. For a CGU this includes assessment of future revenue, operating profit, discount rates and long-term growth rates. Central costs that are necessarily incurred to generate the cash inflows and that can be directly attributed or allocated on a reasonable and consistent basis to each CGU are included in the value-in-use calculation. Uncertainty inherent in making judgements and estimates means that there is a risk that the estimated recoverable amount could result in a material adjustment in future accounting periods. Note 18 provides more details.
- **Measurement of defined benefit obligations (Group only):** The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net expense and balance sheet position include discount rates, inflation and mortality rates. Any changes in these assumptions will impact the carrying amount of defined benefit obligations. The actuarial assumptions used in determining the carrying amount at 31 March 2023 are set out in note 32.
- **Fair value of assets acquired in a business combination (Group only):** Estimates are made in the assessment of fair value of the consideration and net assets acquired, including the identification and valuation of intangible assets and their useful lives. Estimates used include customer attrition rates, discount rate and trading forecast. Note 11 provides details of business combinations.
- **Value of investments (Company only):** Investments in subsidiaries are reviewed annually for impairment when indicators for impairment are identified. Determining whether the Company's investments in subsidiaries have been impaired requires estimations of the investments' values-in-use or consideration of the net asset value of the entity. The value-in-use calculations require the Directors to estimate the future cash flows, expected to arise from the investments, using estimates such as for future revenue, operating profit, discount rates and long-term growth rates to calculate present values.
- **Cash offsetting (Group and Company):** Judgements are made when assessing the intention to net settle outstanding overdraft positions at the balance sheet date in order to meet the disclosure requirements for presenting cash balances net of overdrafts in the consolidated and Company Statement of Financial Position. For the year ended 31 March 2023, the offsetting criteria for balances within the Group's cash pooling arrangements have not been met, therefore, balances have not been offset. Prior year balances were restated as explained above.

3. New accounting standards and financial reporting requirements

New standards applied

The Group has applied the following standards and amendments for the first time for its annual reporting period commencing 1 April 2022:

- IAS 16 Property, Plant and Equipment: Proceeds before Intended Use – Amendment;
- IAS 37 Onerous Contracts: Cost of Fulfilling a Contract – Amendment;
- IFRS 3 Reference to the Conceptual Framework – Amendment; and
- Annual Improvements to IFRS Standards 2018–2020;

These and other amendments, changes and improvements to IFRS issued by the International Accounting Standard Board ("IASB") have had no material impact on the Group and Company's current financial results or financial position.

New standards not yet applied

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 March 2023 reporting period and have not been early adopted by the Group. None of these are expected to have a material impact on the Group's financial results in the current or future reporting periods.



NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS

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for the year ended 31 March 2023

4. Revenue

Group revenue is analysed below:

	2023 £m	2022 £m
Sale of goods	442.4	370.0
Rendering of services	6.5	9.2
Total revenue from continuing operations	448.9	379.2

5. Operating segment information

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

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

Segment revenue and results

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

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



5. Operating segment information continued Segment assets and liabilities

For the purposes of monitoring segment performance and allocating resources between segments, the Directors monitor the net assets attributable to each segment. Assets and liabilities are allocated to reportable segments, with the exception of the pension liability, tax assets and liabilities, cash and all borrowings, central assets (Head Office assets) and central liabilities (Head Office liabilities), as demonstrated below:

2023	Magnetics & Controls £m	Sensing & Connectivity £m	Unallocated £m	Total £m
Assets and liabilities				
Segment assets (excluding goodwill and other intangible assets)	128.5	76.8		205.3
Goodwill and other intangible assets	120.7	151.3		272.0
	249.2	228.1		477.3
Central assets			9.7	9.7
Cash and cash equivalents			83.9	83.9
Pension asset			2.3	2.3
Current and deferred tax assets			12.5	12.5
Total assets	249.2	228.1	108.4	585.7
Segment liabilities	(70.5)	(42.9)		(113.4)
Central liabilities			(10.6)	(10.6)
Other financial liabilities			(126.6)	(126.6)
Current and deferred tax liabilities			(31.5)	(31.5)
Total liabilities	(70.5)	(42.9)	(168.7)	(282.1)
Net assets/(liabilities)	178.7	185.2	(60.3)	303.6

2022	Magnetics & Controls £m	Sensing & Connectivity £m	Unallocated £m	Total £m
Assets and liabilities				
Segment assets (excluding goodwill and other intangible assets)	126.3	69.4		195.7
Goodwill and other intangible assets	126.7	136.6		263.3
	253.0	206.0		459.0
Central assets			11.4	11.4
Cash and cash equivalents ¹			108.8	108.8
Pension asset			2.7	2.7
Current and deferred tax assets			10.8	10.8
Total assets	253.0	206.0	133.7	592.7
Segment liabilities	(77.5)	(41.9)		(119.4)
Central liabilities			(15.1)	(15.1)
Other financial liabilities ¹			(139.0)	(139.0)
Current and deferred tax liabilities			(28.8)	(28.8)
Total liabilities	(77.5)	(41.9)	(182.9)	(302.3)
Net assets/(liabilities)	175.5	164.1	(49.2)	290.4

¹ Prior year amounts restated, please refer to note 2 for details on restatement.

NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS

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for the year ended 31 March 2023

5. Operating segment information continued

Other segment information

	Depreciation and amortisation ¹		Additions to non current assets ¹	
	2023 £m	2022 £m	2023 £m	2022 £m
Magnetics & Controls	12.9	10.8	5.9	76.1
Sensing & Connectivity	13.7	13.1	25.4	34.4
Central	0.3	0.3	0.3	0.8
	26.9	24.2	31.6	111.3

¹ Includes right of use assets, goodwill, acquired intangibles and related amortisation.

Magnetics & Controls additions comprised intangible assets £nil (2022: £26.3m), goodwill £nil (2022: £37.0m), right of use assets £1.8m (2022: £9.3m) and tangible assets £4.1m (2022: £3.5m). Sensing & Connectivity additions comprised intangible assets £10.5m (2022: £13.1m), goodwill £11.5m (2022: 16.7m), right of use assets £1.2m (2022: £3.3m) and tangible assets £2.2m (2022: £1.3m). Central additions comprised right of use assets £0.2m (2022: £nil), intangible assets £nil (2022: £0.2m) and tangible assets £0.1m (2022: £0.6m).

Geographical information

The Group's revenue from external customers based on customer locations and information about its segment assets (excluding pension asset) by geographical location are detailed below:

	Revenue from external customers		Non current assets	
	2023 £m	2022 £m	2023 £m	2022 £m
UK	49.6	41.8	77.0	79.9
Europe	221.1	181.2	157.5	145.4
North America, Asia and Rest of world	178.2	156.2	99.1	98.9
	448.9	379.2	333.6	324.2

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 from continuing operations excluding acquisition-related costs (namely amortisation of acquired intangible assets and acquisition expenses).

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

Underlying EBITDA

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



6. Underlying performance measures continued

Underlying operating margin

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

Underlying profit before tax

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

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

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

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

Underlying profit after tax

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

Underlying earnings per share

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

Underlying operating cash flow / Underlying operating cash flow conversion

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

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

Free cash flow / Free cash flow conversion

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

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

Return on capital employed ("ROCE")

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

Organic and CER revenue growth

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

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

Gearing ratio

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



NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS

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for the year ended 31 March 2023

6. Underlying performance measures continued

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

Underlying operating profit / Underlying EBITDA

Underlying operating profit and EBITDA are calculated as follows:

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

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

During the prior year there were £6.5m of acquisition and merger-related expenses, of which £2.6m related to transaction costs incurred for the acquisition of CPI, Antenova, Beacon and ongoing transactions; £3.5m charge related to the movement in fair value of contingent consideration and assets acquired on past acquisitions; and £0.4m charge in relation to the integration of acquired businesses in North America.

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

Underlying profit before tax

Underlying profit before tax is calculated as follows:

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

Underlying effective tax rate

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

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



6. Underlying performance measures continued

Underlying profit after tax / Underlying earnings per share

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

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

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

Underlying operating cash flow / Free cash flow

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

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

ROCE

ROCE is calculated as follows:

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



NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 March 2023

6. Underlying performance measures continued Organic and CER revenue growth

Organic and CER revenue growth are calculated as follows:

	2023 £m	2022 £m	%
Revenue	448.9	379.2	18%
FX translation impact	–	10.2	
Underlying (CER) revenue	448.9	389.4	15%
Acquisitions	(14.9)	5.7	
Organic revenue	434.0	395.1	10%

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

Gearing ratio

Gearing ratio is calculated as follows:

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

7. Operating profit

Amounts charged/(credited) to the consolidated Statement of Profit or Loss are as follows:

	2023 £m	2022 £m
Employee costs (note 8)	99.1	86.0
Depreciation of property, plant and equipment (note 15)	4.6	4.7
Depreciation of right of use assets (note 16)	5.8	5.1
Amortisation of other intangible assets (note 19)	16.5	14.9
Expected credit losses (note 21)	0.6	1.2
Net foreign exchange differences	0.3	(0.2)
Inventories:		
Cost of inventories	249.3	227.2
Write-down of inventories to net realisable value	1.5	2.6
Auditors' remuneration:		
Audit of the Group Financial Statements (including Parent Company)	0.7	0.6
Audit of local subsidiary Financial Statements	0.9	0.8

The fee for non-audit services was £119k (2022: £4k), of which £110k (2022: nil) relates to interim review and £9k (2022: £4k) relates to reporting required by regulators in overseas countries.



8. Employee costs and Directors' emoluments

	2023 £m	2022 £m
Wages and salaries	82.1	70.6
Social security costs	10.8	10.3
Other pension costs	4.0	3.2
Share-based payments (note 31)	2.2	1.9
	99.1	86.0

The average monthly number of employees (including Executive Directors) during the year was as follows:

	2023	2022
Sales and marketing	277	264
Manufacturing and services	4,075	3,779
Administration	511	479
	4,863	4,522

At 31 March 2023 the Group had 4,697 employees (2022: 4,886).

	2023 £	2022 £
Directors' emoluments		
Aggregate emoluments in respect of qualifying services	1,760,013	1,980,849
Aggregate contribution to defined contribution scheme	94,225	94,671
	1,854,238	2,075,520
Highest paid Director		
Emoluments in respect of qualifying services	1,099,011	1,236,618
Pension contributions to the defined contribution scheme	67,534	73,514
	1,166,545	1,310,132

Retirement benefits are accruing to two Directors under a defined contribution pension scheme (2022: two).

Aggregate emoluments for the Non-Executive Directors were £398,167 (2022: £329,175). Further details of all Directors' emoluments are provided in the Remuneration Report on pages 125 to 146.

9. Finance income/(costs)

	2023 £m	2022 £m
Interest receivable and similar income	1.6	0.4
Finance income	1.6	0.4
Finance costs on bank loans and overdrafts	(5.9)	(3.1)
Finance costs on lease liabilities	(0.6)	(0.6)
Amortisation of borrowing costs	(0.6)	(0.5)
Finance costs	(7.1)	(4.2)



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for the year ended 31 March 2023

10. Tax expense

The major components of the corporation tax expense are summarised below:

	2023 £m	2022 £m
Current taxation:		
UK corporation tax	0.4	(0.1)
UK adjustments in respect of prior years	0.2	0.2
	0.6	0.1
Overseas tax	11.9	8.6
Overseas adjustments in respect of prior years	0.1	0.1
	12.0	8.7
Total current taxation expense	12.6	8.8
Deferred taxation		
Origination and reversal of temporary differences within the UK	(1.3)	(1.3)
Origination and reversal of temporary differences overseas	(1.8)	(1.0)
Adjustment in respect of prior years	(1.2)	–
Increased recognition of historic losses	(0.3)	0.2
Impact of tax rate changes	(0.2)	0.7
Total deferred taxation credit	(4.8)	(1.4)
Tax expense reported in the consolidated Statement of Profit or Loss	7.8	7.4

	2023 £m	2022 £m
Tax recognised in other comprehensive expense		
Decrease/(increase) in deferred tax liability on pension	0.1	(0.5)
Current tax credited in respect of defined benefit pension scheme	0.2	–
Tax reported in other comprehensive expense	0.3	(0.5)

	2023 £m	2022 £m
Tax recognised in equity		
Increase in deferred tax asset on share-based payments	0.4	1.5
Tax reported in equity	0.4	1.5

The effective rate of taxation for the year is higher (2022: higher) than the standard rate of taxation in the UK of 19% (2022: 19%). A reconciliation of the tax expense applicable to the profit before tax, at the statutory tax rate, to the actual tax expense at the Group's effective tax rate for the years ended 31 March 2023 and 31 March 2022 respectively is presented below:

	2023 £m	2022 £m
Profit before tax	29.1	17.1
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19 (2022: 19%)	5.5	3.2
<i>Effect of:</i>		
Different tax rates in overseas companies	1.8	1.5
Tax losses not recognised	0.6	0.3
Non-deductible expenses	1.3	1.1
(Increased)/decreased recognition of historic losses	(0.3)	0.2
Impact of tax rate changes on deferred tax	(0.2)	0.7
Adjustments to deferred taxation expense in respect of prior years	(1.2)	–
Adjustments to current taxation expense in respect of prior years	0.3	0.4
Total tax reported in the consolidated Statement of Profit or Loss	7.8	7.4



10. Tax expense continued

Adjustments to deferred taxation expense in respect of prior years includes a credit of £0.6m in respect of deferred tax assets not previously recognised on acquisition of Beacon. The deferred tax assets in question were identified following the filing of the corporation tax return for the Company for the pre-acquisition period.

Deferred tax

	2023 £m	2022 £m
<i>Deferred tax liabilities</i>		
Accelerated capital allowances	(0.5)	(0.8)
Intangibles	(18.3)	(18.3)
Pensions	(0.6)	(0.6)
Other temporary differences	(1.7)	(1.4)
Gross deferred tax liabilities	(21.1)	(21.1)
<i>Deferred tax assets</i>		
Decelerated capital allowances	0.1	–
Pensions	0.5	0.4
Tax losses	3.2	3.4
Share-based payment plans	4.4	3.8
Other temporary differences	3.0	1.6
Gross deferred tax assets	11.2	9.2

£3.6m of deferred tax assets (2022: £2.6m) and £4.4m of deferred tax liabilities (2022: £3.6m) are expected to be recovered or settled no more than 12 months after the reporting period. £7.6m of deferred tax assets (2022: £6.6m) and £16.7m of deferred tax liabilities (2022: £17.5m) are expected to be recovered or settled more than 12 months after the reporting period.

Movements in deferred tax

	Accelerated capital allowances £m	Intangibles £m	Pensions £m	Tax losses £m	Share-based payments £m	Other temporary differences £m	Total £m
At 1 April 2021	(0.1)	(11.0)	0.7	2.2	3.5	0.1	(4.6)
(Charged)/credited							
– to profit and loss	(0.5)	1.2	(0.3)	2.1	(1.2)	0.2	1.5
– to other comprehensive income	–	–	(0.5)	–	–	–	(0.5)
– directly to equity	–	–	–	–	1.5	–	1.5
Discontinued operations	(0.2)	–	(0.1)	(0.9)	–	(0.1)	(1.3)
Acquisition-related movements	–	(8.5)	–	–	–	–	(8.5)
At 31 March 2022	(0.8)	(18.3)	(0.2)	3.4	3.8	0.2	(11.9)
(Charged)/credited							
– to profit and loss	0.5	3.2	–	(0.2)	0.2	1.1	4.8
– to other comprehensive income	–	–	0.1	–	–	–	0.1
– directly to equity	–	–	–	–	0.4	–	0.4
Transfers	(0.1)	–	–	–	–	0.1	–
Exchange differences on translation of foreign subsidiaries	–	(0.5)	–	–	–	(0.1)	(0.6)
Acquisition-related movements	–	(2.7)	–	–	–	–	(2.7)
At 31 March 2023	(0.4)	(18.3)	(0.1)	3.2	4.4	1.3	(9.9)

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for the year ended 31 March 2023

10. Tax expense continued

At 31 March 2023, £2.8m (2022: £3.0m) of the deferred tax asset in respect of tax losses relates to tax jurisdictions in which tax losses were incurred in the current or preceding period. The recognition of the deferred tax asset is supported by forecasts of sufficient future taxable profits in the relevant jurisdictions.

At 31 March 2023, the Group had not recognised any deferred tax asset in respect of tax losses of approximately £24.2m (2022: £23.1m). Deferred tax assets are not recognised where there is insufficient evidence that losses will be utilised.

At 31 March 2023, a £1.0m deferred tax liability (2022: £0.6m) has been recognised for withholding taxes payable on the remittance of certain of the Group's overseas subsidiaries' unremitted earnings. The aggregate amount of unremitted earnings on which deferred tax has not been recognised is £23.7m (2022: £18.9m). No deferred tax has been recognised on this amount as the Group is able to control the timing of these distributions and is not expecting to distribute these profits in the foreseeable future.

An increase in the UK corporation tax rate to 25% had been substantively enacted at 31 March 2022, with effect from 1 April 2023. A rate of 25% has been applied in the measurement of the Group's UK-based deferred tax assets and liabilities at 31 March 2023.

11. Business combinations

Acquisitions in the year ended 31 March 2023

Acquisition of CDT

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

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

	Provisional fair value recognised at acquisition £m
Intangible assets – other (customer relationships)	2.0
Right of use assets	0.2
Inventories	0.9
Trade and other receivables	0.3
Net cash	0.3
Trade and other payables	(0.3)
Current tax liabilities	(0.3)
Deferred tax liabilities	(0.5)
Lease liabilities	(0.2)
Total identifiable net assets	2.4
Provisional goodwill arising on acquisition	2.6
Total investment	5.0
<i>Discharged by</i>	
Cash	5.0
	5.0



11. Business combinations continued

Net cash outflows in respect of the acquisition comprise:

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

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

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

From the date of acquisition to 31 March 2023, CDT contributed £2.0m to revenue and loss of £0.1m to profit after tax of the Group. If the business combination had taken place at the beginning of the year, the consolidated revenue for the Group would have been £449.8m and the consolidated profit after tax for the Group would have been £21.5m.

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

All the acquired receivables are expected to be collected.

Acquisition of Magnasphere

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

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

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

	Provisional fair value recognised at acquisition £m
Property, plant and equipment	0.3
Intangible assets – other (customer relationships)	8.2
Intangible assets – other (patents)	0.2
Right of use assets	0.3
Inventories	1.7
Trade and other receivables	1.3
Net cash	2.6
Trade and other payables	(2.3)
Current tax liabilities	(0.1)
Deferred tax liabilities	(2.0)
Lease liabilities	(0.3)
Total identifiable net assets	9.9
Provisional goodwill arising on acquisition	8.9
Total investment	18.8
<i>Discharged by</i>	
Cash	18.8
	18.8



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for the year ended 31 March 2023

11. Business combinations continued

Net cash outflows in respect of the acquisition comprise:

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

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

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

From the date of acquisition to 31 March 2023, Magnasphere contributed £1.1m to revenue and loss of £0.2m to profit after tax of the Group. If the business combination had taken place at the beginning of the year, the consolidated revenue for the Group would have been £454.5m and the consolidated profit after tax for the Group would have been £21.5m.

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

All the acquired receivables are expected to be collected.

Acquisitions in the year ended 31 March 2022

There have been no changes to the provisional fair values of the assets and liabilities acquired in the prior year.

Acquisition of CPI

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

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

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

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



11. Business combinations continued

Net cash outflows in respect of the acquisition comprise:

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

¹ Acquisition costs of £nil and £0.4m were expensed as incurred in the period ended 31 March 2023 and the year ended 31 March 2022, respectively. These were included within operating costs.

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

From the date of acquisition to 31 March 2022, CPI contributed £5.7m to revenue and £0.7m to profit after tax of the Group. If the business combination had taken place at the beginning of the year ending 31 March 2022, the consolidated revenue for the Group would have been £379.7m and the consolidated profit after tax for the Group would have been £9.8m.

Included in the £5.2m of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree, due to their nature. These include the value of expected benefits that are not easily quantifiable.

All the acquired receivables are expected to be collected.

Acquisition of Antenova

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

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

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

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

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for the year ended 31 March 2023

11. Business combinations continued

Net cash outflows in respect of the acquisition comprise:

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

¹ Acquisition costs of £nil and £0.6m were expensed as incurred in the period ended 31 March 2023 and the year ended 31 March 2022, respectively. These were included within operating costs.

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

From the date of acquisition to 31 March 2022, Antenova contributed £4.8m to revenue and £0.3m to profit after tax of the Group. If the business combination had taken place at the beginning of the year ending 31 March 2022, the consolidated revenue for the Group would have been £382.9m and the consolidated profit after tax for the Group would have been £10.2m.

Included in the £10.7m of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree, due to their nature. These include the value of expected benefits that are not easily quantifiable.

All the acquired receivables are expected to be collected.

Acquisition of Beacon

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

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

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

	Fair value recognised at acquisition £m
Property, plant and equipment	0.4
Intangible assets – other (customer relationships)	25.1
Right of use assets	2.2
Inventories	2.9
Trade and other receivables	1.9
Trade and other payables	(3.6)
Provisions	(0.2)
Deferred tax liabilities	(6.3)
Lease liabilities	(2.2)
Total identifiable net assets	20.2
Goodwill arising on acquisition	37.0
Total investment	57.2
<i>Discharged by</i>	
Initial cash consideration	57.7
Working capital purchase price adjustment	(0.5)
	57.2



11. Business combinations continued

Net cash outflows in respect of the acquisition comprise:

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

¹ Acquisition costs of £nil and £0.9m were expensed as incurred in the period ended 31 March 2023 and year ended 31 March 2022, respectively. These were included within operating costs.

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

From the date of acquisition to 31 March 2022, Beacon contributed £9.0m to revenue and loss of £1.3m to profit after tax of the Group. If the business combination had taken place at the beginning of the year ending 31 March 2022, the consolidated revenue for the Group would have been £386.9m and the consolidated profit after tax for the Group would have been £10.3m.

Included in the £37.0m of goodwill recognised above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree, due to their nature. These include the value of expected benefits that are not easily quantifiable.

All the acquired receivables are expected to be collected.

12. Discontinued operations

Disposals in the year ended 31 March 2023

The Group has not disposed of any business in the year ended 31 March 2023.

Disposals in the year ended 31 March 2022

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

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

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

Deferred consideration is included within non-current assets under other receivables.

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for the year ended 31 March 2023

12. Discontinued operations continued

The disposal group generated a profit on disposal of £6.6m in the year ended 31 March 2022, which is summarised below:

Year ended 31 March 2022	Total £m
Net consideration	44.8
Net assets disposed of	(33.1)
Cumulative exchange loss reclassified from equity to the consolidated Statement of Profit or Loss	(2.0)
Transaction costs	(3.1)
Profit on disposal	6.6
Consideration received:	
Net upfront cash consideration received	38.9
Deferred consideration	5.9
Net consideration receivable	44.8
Net assets disposed of:	
Property, plant and equipment	1.4
Right of use assets	6.6
Intangible assets – goodwill	9.4
Intangible assets – other	1.0
Inventories	13.7
Trade and other receivables	34.8
Cash	1.6
Trade and other payables	(26.4)
Current tax liabilities	(1.4)
Lease liability	(5.9)
Provisions	(2.0)
Deferred tax assets	0.3
Net assets disposed of	33.1
Net cash inflow from disposal:	
Cash consideration	38.9
Cash disposed	(1.6)
Transaction costs of disposal (included in operating cash flows)	(2.4)
Net cash inflow on disposal	34.9

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

Year ended 31 March 2022	Total £m
Revenue	162.7
Operating costs	(150.3)
Operating profit	12.4
Finance costs	(0.2)
Profit before tax from operating activities	12.2
Tax expense	(2.9)
Profit for the year from operating activities	9.3
Gain on sale of discontinued operations	6.6
Tax expense on gain on sale of discontinued operations	(0.4)
Profit for the year from discontinued operations	15.5



12. Discontinued operations continued

Earnings per share

Basic profit per share on discontinued operations	16.7p
Diluted profit per share on discontinued operations	16.2p

The operating profit for the year ended 31 March 2022 excludes £1.0m of depreciation charge on non-current assets as a result of them being classified as held for sale as at 30 September 2022.

Operating costs for the year ended 31 March 2022 include £0.1m for auditors' remuneration in relation to discontinued operations.

Cash flows relating to trading activity of discontinued operations

Year ended 31 March 2022	Total £m
Net cash inflow from operating activities	5.9
Net cash outflows from investing activities	(0.3)
Net cash outflows from financing activities	(2.1)
Net increase in cash and cash equivalents	3.5

13. Dividends

Dividends recognised in equity as distributions to equity holders in the year:	2023 £m	2022 £m
Equity dividends on ordinary shares:		
Final dividend for the year ended 31 March 2022 of 7.45p (2021: 7.0p)	7.1	6.2
Interim dividend for the year ended 31 March 2023 of 3.55p (2022: 3.35p)	3.4	3.2
Total amounts recognised as equity distributions during the year	10.5	9.4
Proposed for approval at AGM:	2023 £m	2022 £m
Equity dividends on ordinary shares:		
Final dividend for the year ended 31 March 2023 of 7.90p (2022: 7.45p)	7.6	7.1
Summary		
Dividends per share declared in respect of the year	11.45p	10.8p
Dividends per share paid in the year	11.00p	10.35p
Dividends paid in the year	£10.5m	£9.4m



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for the year ended 31 March 2023

14. Earnings per share

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

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

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2023 £m	2022 £m
Profit for the year attributable to equity holders of the parent:		
Continuing operations	21.3	9.7
Discontinued operations	–	15.5
Profit after tax for the year	21.3	25.2
	Number	Number
Weighted average number of shares for basic earnings per share	95,426,255	93,015,684
Effect of dilution – share options	2,917,061	2,783,673
Adjusted weighted average number of shares for diluted earnings per share	98,343,316	95,799,357
Basic earnings per share from continuing operations	22.3p	10.4p
Diluted earnings per share from continuing operations	21.7p	10.1p
Basic earnings per share	22.3p	27.1p
Diluted earnings per share	21.7p	26.3p

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



15. Property, plant and equipment

	Land and buildings £m	Leasehold improvements £m	Plant and equipment £m	Total £m
Cost				
At 1 April 2021	10.7	4.4	34.6	49.7
Additions	–	0.9	4.5	5.4
Disposals	–	–	(0.6)	(0.6)
Business acquired (note 11)	0.1	–	0.6	0.7
Business disposed (note 12)	(2.0)	(1.6)	(2.4)	(6.0)
Exchange adjustments	–	0.2	0.3	0.5
At 31 March 2022	8.8	3.9	37.0	49.7
Additions	0.2	0.2	5.0	5.4
Disposals	–	–	(0.2)	(0.2)
Business acquired (note 11)	–	–	0.3	0.3
Exchange adjustments	0.4	–	1.0	1.4
At 31 March 2023	9.4	4.1	43.1	56.6
Accumulated depreciation				
At 1 April 2021	3.8	2.2	20.2	26.2
Charge for the year	0.4	0.4	3.9	4.7
Disposals	(0.1)	–	(0.4)	(0.5)
Business disposed (note 12)	(1.5)	(1.3)	(1.8)	(4.6)
Exchange adjustments	–	0.1	0.3	0.4
At 31 March 2022	2.6	1.4	22.2	26.2
Charge for the year	0.3	0.5	3.8	4.6
Disposals	–	–	(0.2)	(0.2)
Exchange adjustments	0.2	–	0.6	0.8
At 31 March 2023	3.1	1.9	26.4	31.4
Net book value at 31 March 2023	6.3	2.2	16.7	25.2
Net book value at 31 March 2022	6.2	2.5	14.8	23.5

Land and buildings includes land with a cost of £0.4m (2022: £0.4m) that is not subject to depreciation.

At 31 March 2023 the Group had contractual capital expenditure commitments for plant and equipment and leasehold improvements of £nil (2022: £0.6m) for which no provision has been made.



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16. Leases

16.1 Leasing arrangements

The Group leases manufacturing and warehousing facilities, offices and various items of plant, machinery, equipment and vehicles.

Manufacturing and warehouse facilities generally have lease terms between three and ten years. Lease contracts generally include extension and termination options.

16.2 Carrying value of right of use assets

Set out below are the carrying amounts of right of use assets recognised and movements during the year:

	Land and buildings £m	Plant and machinery £m	Total £m
At 1 April 2021	19.9	2.5	22.4
Additions/modifications	8.8	1.0	9.8
Depreciation charge	(4.8)	(1.3)	(6.1)
Terminations	(0.5)	(0.2)	(0.7)
Business acquired (note 11)	1.9	1.2	3.1
Business disposed (note 12)	(5.5)	(1.1)	(6.6)
At 31 March 2022	19.8	2.1	21.9
Exchange adjustments	(0.2)	0.1	(0.1)
Additions/modifications	1.8	1.0	2.8
Depreciation charge	(4.7)	(1.1)	(5.8)
Terminations	(0.1)	–	(0.1)
Business acquired (note 11)	0.5	–	0.5
At 31 March 2023	17.1	2.1	19.2

16.3 Carrying value of lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Total £m
At 1 April 2021	(21.5)
Additions/modifications	(9.3)
Interest for the year	(0.8)
Lease payments	7.2
Terminations	0.7
Business acquired (note 11)	(3.1)
Business disposed (note 12)	5.9
Exchange adjustments	(0.2)
At 31 March 2022	(21.1)
Additions/modifications	(2.4)
Interest for the year	(0.6)
Lease payments	5.8
Business acquired (note 11)	(0.5)
At 31 March 2023	(18.8)



16. Leases continued

	2023 £m	2022 £m
Current liabilities	4.0	4.7
Non-current liabilities	14.8	16.4
	18.8	21.1

Payment of lease liabilities is shown under Financing Activities in the consolidated Statement of Cash Flows.

16.4 Amounts recognised in the consolidated Statement of Profit or Loss

	2023 £m	2022 ¹ £m
Depreciation of right of use assets	5.8	5.1
Interest expense (included in finance costs)	0.6	0.6
	6.4	5.7

¹ The amounts presented for the prior year exclude discontinued operation.

During the year ended 31 March 2023, a total of £0.2m was recognised in the consolidated Statement of Profit of Loss relating to payments under short-term and low-value leases.

16.5 Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. Extension and termination options with a high probability of being exercised are included in the measurement of the lease liability and right of use asset.

There are no lease contracts in place as at 31 March 2023 which include variable lease payments.

17. Intangible assets – goodwill

Cost	£m
At 1 April 2021	164.7
Business acquired (note 11)	53.7
Business disposed (note 12)	(46.2)
Exchange adjustments	3.5
At 31 March 2022	175.7
Business acquired (note 11)	11.5
Exchange adjustments	0.9
At 31 March 2023	188.1
Impairment	£m
At 31 March 2022 and at 31 March 2023	–
Net book value at 31 March 2023	188.1
Net book value at 31 March 2022	175.7

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18. Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to cash-generating units ("CGUs") and tested annually for impairment. Newly acquired entities might be a single CGU until such time as they can be integrated. The Group's operations are organised into two distinct divisions, Magnetics & Control ("M&C") and Sensing & Connectivity ("S&C"). Within each division are aggregated business units which generate largely independent cash inflows and are considered to be individual CGUs from an impairment testing perspective.

The carrying value of goodwill is analysed as follows:

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

The movement in goodwill compared to prior year relates to the movement in foreign exchange rates and to CDT and Magnasphere which were acquired in the year (note 11).

The significant amounts of goodwill are analysed below:

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

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

The recoverable amount of each CGU is based on value-in-use calculations. The key assumptions used in these calculations relate to future revenue, discount rates and long-term growth rates. Cash flow forecasts for the five-year period from the reporting date are based on the FY 2023/24 Board approved budget and management projections thereon, which are based on historical experience and market outlook.

Cash flow projections included in the impairment review models include management's view of the impact of climate change, including costs related to the effects of climate change, as well as the future costs of the Group's commitment to achieve net zero carbon emissions by 2030. The potential increased costs, less any benefits that may occur, to meet these commitments are not expected to be material and have therefore resulted in no impairments during the year ended 31 March 2023.

Long-term growth rate ("LTGR") beyond the five-year period of 2% has been applied consistently across all CGUs (2022: 2%) and is based on the average long-term inflation targets.

Discount rates reflect the current market assessment of the risks specific to each CGU. The discount rate was estimated based on the average percentage of a weighted average cost of capital for the industry and then further adjusted for country-specific risk.

The table below discloses the discount rates and short-term growth rates for each significant CGU:

	Pre-tax discount rate		5-year sales CAGR	
	2023 %	2022 %	2023 %	2022 %
Noratel	17.3	13.4	6.0	5.5
Beacon	13.3	11.7	13.6	11.8
Sens-Tech	13.3	12.5	13.0	11.5

The double-digit sales CAGR for Beacon and Sens-Tech reflects ongoing projects and the recovery from supply chain disruptions.



18. Impairment testing of goodwill continued Sensitivity to changes in assumptions

The Group's forecast is based on a range of assumptions to determine the value of expected future cash flows. Deviations against those plans and assumptions in terms of revenue and margin projections, operating and capital costs and successful achievement of strategic objectives are all inherently uncertain. Headroom in the impairment test for each CGU has been tested for sensitivity to adverse changes in forecast cash flows, discount rates and growth rate. Overall, adequate headroom is available against material impairment risk.

Management has identified two CGUs within the Sensing & Connectivity division, which represent 6% and 3% of the total carrying amount of goodwill in the Group as at 31 March 2023, where changes in the value-in-use assumptions may lead to the recoverable amount of the CGU to be less than its carrying value. The assumptions made in estimating the value of the future cash flow for these two CGUs are pre-tax discount rates of 13.0% and 12.1% respectively, 5-year sales CAGR of 6.9% and 7.3% respectively and an LTGR of 2% for both CGUs. The headroom for these two CGUs are £6.3m and £11.6m at the date of the assessment.

A reduction in LTGR of 0.5% reduces the headroom in the two CGUs by £1.1m and £1.4m respectively. An increase of one percentage point in the pre-tax discount rate reduces the headroom in the two CGUs by £2.0m and £3.0m respectively and a reduction in the 5-year sales CAGR of 3.4% reduces the headroom in the two CGUs by £4.2m and £7.6m respectively.

None of the changes to individual assumptions above would lead to the carrying amount of the two CGUs exceeding their recoverable amount.

The assumptions that would result in the recoverable amount equalling the carrying amount are 5-year sales CAGR of 3.5% (a reduction of 3.4 percentage points), long-term growth rate of 1.5% (a reduction of 0.5 percentage points), and a pre-tax discount rate of 13.5% (an increase of 0.5 percentage points) for the CGU representing 6% of the total carrying value of the Group goodwill, and 5-year sales CAGR of 3.9% (a reduction of 3.4 percentage points), long-term growth rate of 1.5% (a reduction of 0.5 percentage points), and a pre-tax discount rate of 13.8% (an increase of 1.7 percentage points) for the CGU representing 3% of the total carrying value of the Group goodwill.

For all other CGUs it can be demonstrated that, under reasonable downside sensitivity, there remains sufficient headroom in the recoverable amount of the CGU goodwill balances.



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19. Intangible assets – other

	Acquired intangibles			Total £m
	Software & development £m	Customer relationships £m	Patents & brands £m	
Cost				
At 1 April 2021	13.7	96.2	5.5	115.4
Business acquired (note 11)	0.1	37.7	–	37.8
Additions	0.8	–	–	0.8
Disposals	(0.2)	–	–	(0.2)
Business disposed (note 12)	(9.2)	(3.8)	–	(13.0)
Exchange adjustment	–	2.3	–	2.3
At 31 March 2022	5.2	132.4	5.5	143.1
Business acquired (note 11)	–	10.2	0.2	10.4
Additions	0.2	–	–	0.2
Disposals	(0.7)	–	–	(0.7)
Exchange adjustment	–	1.5	–	1.5
At 31 March 2023	4.7	144.1	5.7	154.5
Accumulated amortisation				
At 1 April 2021	10.8	39.6	2.1	52.5
Charge for the year	0.5	13.5	0.5	14.5
Business disposed (note 12)	(8.2)	(3.8)	–	(12.0)
Exchange adjustment	–	0.5	–	0.5
At 31 March 2022	3.1	49.8	2.6	55.5
Charge for the year	0.7	15.3	0.5	16.5
Disposals	(0.1)	–	–	(0.1)
Exchange adjustment	(0.2)	(1.1)	–	(1.3)
At 31 March 2023	3.5	64.0	3.1	70.6
Net book value at 31 March 2023	1.2	80.1	2.6	83.9
Net book value at 31 March 2022	2.1	82.6	2.9	87.6

20. Inventories

	2023 £m	2022 £m
Finished goods and goods for resale	37.9	33.2
Raw materials and work in progress	52.1	44.6
Total inventories	90.0	77.8

At 31 March 2023, the provision for realisable value against total inventories was £8.0m (2022: £6.9m).



21. Trade and other receivables

	2023 £m	2022 £m
<i>Current</i>		
Trade receivables	62.4	63.8
Other receivables	9.4	11.2
Prepayments	2.8	3.0
	74.6	78.0

Trade receivables are non-interest bearing; are generally on 30 to 60 days' terms and are shown net of expected credit losses.

All of the Group's trade and other receivables are regularly reviewed for indicators of impairment. The credit risk exposure inherent in the Group's trade receivables is measured and recognised as an impairment provision on initial recognition, based on the expected credit loss method, as required by IFRS 9. Specific provision for impairment may also be required where a specific increase in credit risk is identified, or a credit event has occurred. Provisions for general credit risk exposure is measured with reference to the age of a receivable as debts which are overdue present a specific impairment risk indicator regarding recoverability.

In total, the Group has recognised impairment provisions of £2.2m (2022: £1.6m), against trade receivables. This includes a total of £1.1m (2022: £1.3m) of specific provisions for impairment due to increased default risk and unresolved disputes, as well as provision for expected credit losses of £1.1m (2022: £0.3m). Across the Group, general expected credit loss risk has been assessed to be low due to the size, nature and diversification of customers across the divisions. The increase during the year is mainly attributable to macro-economic factors such as increase in interest rates, which are incorporated in the assessment of the Group's expected credit losses performed annually.

The movements in the impairment provisions for trade receivables during the year were as follows:

	2023 £m	2022 £m
At 1 April	1.6	1.2
Charge for the year	0.6	1.2
Business disposals	–	(0.8)
At 31 March	2.2	1.6

Details of the net trade receivables ageing are set out below:

	Total £m	Not yet due £m	<30 days £m	30–60 days £m	Overdue 60–90 days £m	90–120 days £m	>120 days £m
2023	62.4	51.9	8.6	0.9	0.5	0.5	–
2022	63.8	56.1	6.7	0.7	0.2	–	0.1

	2023 £m	2022 £m
<i>Non-Current</i>		
Other receivables	6.0	5.9

The other receivables amount of £6.0m (2022: £5.9m) relates to deferred consideration receivable in relation to the disposal of the Acal BFi business and Vertec Scientific SA Proprietary Limited.



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22. Cash and cash equivalents

	2023 £m	Restated 2022 £m
Cash at bank and in hand	83.9	108.8

Cash at bank earns interest at floating rates, based on daily bank deposit rates. The Group only deposits cash surpluses with major banks of high credit standing (£60.0m with financial institutions with credit rating of AA- (2022: £84.6m), £11.8m with financial institutions with credit rating of A+ (2022: £10.9m), £0.2m with financial institutions with credit rating BBB- (2022: £nil), and the remaining balance of £11.9m with various financial institutions with credit rating of A- or higher (2022: £13.3m)) in line with its treasury policy. The fair value of cash and cash equivalents is £83.9m (2022: £108.8m).

23. Other financial liabilities

	Effective interest rate %	Maturity	Current		Non-current	
			2023 £m	Restated 2022 £m	2023 £m	2022 £m
Bank overdrafts	Variable	On demand	40.5	71.9	–	–
Unsecured bank loans	Variable		–	–	–	2.3
Revolving Credit Facility ("RCF")	Variable		–	–	88.1	65.5
Capitalised debt costs			(0.6)	(0.5)	(1.4)	(0.2)
Total other financial liabilities			39.9	71.4	86.7	67.6
Lease liabilities			4.0	4.7	14.8	16.4
Trade and other payables			78.8	87.9	4.1	2.7
Total			122.7	164.0	105.6	86.7

Interest on overdrafts is based on floating rates linked to SONIA, SOFR and EURIBOR.

Included in unsecured bank loans are USD-denominated loans of £nil (2022: £2.2m) carrying floating interest rates linked to SOFR and Euro-denominated loans of £nil (2022: £0.1m).

At 31 March 2023, the RCF drawdowns of £88.1m (2022: £65.5m) were denominated in Sterling, US Dollars and Euros which bear interest based on SONIA, SOFR and EURIBOR, plus a facility margin.

Trade and other payables above include only contractual obligations.

The maturity of the gross contractual financial liabilities is as follows:

	Within 1 year £m	2-5 years £m	>5 years £m	Total £m
At 31 March 2023				
Fixed and floating rate	39.9	86.7	–	126.6
Lease liabilities	6.0	11.7	5.1	22.8
Trade and other payables	78.8	4.1	–	82.9
	124.7	102.5	5.1	232.3
	Within 1 year £m	2-5 years £m	>5 years £m	Total £m
At 31 March 2022				
Fixed and floating rate (restated)	71.4	67.6	–	139.0
Lease liabilities	5.4	13.3	5.1	23.8
Trade and other payables	87.9	2.7	–	90.6
	164.7	83.6	5.1	253.4



23. Other financial liabilities continued

The carrying amount of the Group's other financial liabilities excluding lease liabilities is denominated in the following currencies:

	2023 £m	Restated 2022 £m
Sterling	55.8	73.8
Euro	55.9	62.7
US dollar	67.9	59.8
Other currencies	29.9	33.3
	209.5	229.6

24. Movements in cash and net debt

	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)

Bank loans over one year above include £88.1m (2022: £65.5m) drawn down against the Group's revolving credit facility. Bank overdrafts reflect the aggregated gross overdrawn balances of Group companies (even if those companies have other positive cash balances). The overdrafts and cash and cash equivalents are held with the Group's relationship banks with a legal right to offset.

	Restated 1 April 2021 £m	Cash flow £m	Non-cash changes £m	Restated 31 March 2022 £m
Year to 31 March 2022				
Cash and cash equivalents ¹	101.8	5.8	1.2	108.8
Bank overdrafts ¹	(73.6)	1.8	(0.1)	(71.9)
Net cash	28.2	7.6	1.1	36.9
Bank loans under one year	(0.3)	0.3	–	–
Bank loans over one year	(76.3)	7.9	0.6	(67.8)
Capitalised debt costs	1.2	–	(0.5)	0.7
Total loan capital	(75.4)	8.2	0.1	(67.1)
Net debt	(47.2)	15.8	1.2	(30.2)
Lease liability	(21.5)	7.2	(6.8)	(21.1)
Net debt (incl. lease liability)	(68.7)	23.0	(5.6)	(51.3)

¹ Amounts restated. Refer to note 2 to the consolidated Financial Statements.



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25. Reconciliation of cash flows from operating activities

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



26. Provisions

	Retirement and severance indemnity £m	Dilapidation £m	Other £m	Total £m
At 1 April 2021	3.7	2.0	1.5	7.2
Arising during the year	0.4	0.4	1.2	2.0
Arising from business combinations	–	0.3	–	0.3
Business disposed (note 12)	(1.4)	(0.5)	(0.1)	(2.0)
Utilised	(0.2)	–	(0.9)	(1.1)
Released	(0.3)	(0.1)	(0.2)	(0.6)
Exchange difference	0.1	–	–	0.1
At 31 March 2022	2.3	2.1	1.5	5.9
Arising during the year	–	0.4	0.4	0.8
Arising from business combinations	–	0.2	–	0.2
Utilised	(0.3)	–	(0.2)	(0.5)
Released	(0.1)	–	(0.4)	(0.5)
Exchange difference	0.1	–	(0.1)	–
At 31 March 2023	2.0	2.7	1.2	5.9
Analysis of total provisions:				
			2023	2022
			£m	£m
Current			1.7	1.7
Non-Current			4.2	4.2
			5.9	5.9

The retirement indemnity provision of £1.9m (2022: £2.2m), relates to retirement and leaving indemnity schemes in Sri Lanka £0.9m (2022: £0.9m), India £0.8m (2022: £0.7m), Norway £nil (2022: £0.3m), France £0.1m (2022: £0.2m), Netherlands £0.1m (2022: £nil) and Germany £nil (2022: £0.1m). The schemes are unfunded. The service cost, representing deferred salaries accruing to employees, is included as an operating expense and determined by reference to local laws and actuarial assumptions where applicable.

The severance provision of £0.1m (2022: £0.1m) relates to severance costs payable to employees.

The dilapidation provision of £2.7m (2022: £2.1m) relates to exit costs to be incurred at the end of leasehold contracts for properties within the Group.

Other provisions relates primarily to warranty provisions £0.7m (2022: £0.5m), restructuring provisions of £0.1m (2022: £0.1m) and other provisions of £0.4m (2022: £0.9m). The provisions greater than one year are expected to be utilised within one to three years.



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27. Financial risk controls

Management of financial risk

The main financial risks faced by the Group are credit risk, liquidity risk and market risk, which include interest rate risk and currency risk. The Board regularly reviews these risks and has approved written policies covering the use of financial instruments to manage these risks.

The Group Finance Director retains the overall responsibility and management of financial risk for the Group. Most of the Group's financing and interest rate and foreign currency risk management is carried out centrally at Group head office. The Board approves policies and procedures setting out permissible funding and hedging instruments, exposure limits and a system of authorities for the approval of transactions.

Interest rate benchmark reform – phase 2

As a result of the interest rate benchmark reform - phase 2, effective from periods beginning on or after 1 April 2021, the Group has assessed the impact of changes to the benchmark rates used required as a direct consequence of the IBOR reform on its financial instruments. No further changes were necessary during the year ended 31 March 2023.

During the prior year, the Group's overdraft facility agreement was amended to reflect the changes required as a direct consequence of the IBOR reform. The agreement sets out the terms and conditions upon which the bank has agreed to make available to the Group a committed multi-option facility. The interest on overdraft facilities is payable by the Group and is calculated by the bank, using its normal practices for calculation, on a daily basis.

The interest charge for the Group's RCF drawdowns denominated in Sterling and USD is calculated based on the risk-free reference rate SONIA (Sterling overnight index average) and the secured overnight financing rate (SOFR) administered by the Federal Reserve Bank of New York, respectively.

Included in the unsecured bank loans are Euro-denominated loans and USD-denominated loans with fixed interest rates. These are not linked to a benchmark rate affected by the reform and, therefore, no changes were necessary.

Management of interest rate risk

The Group has exposure to interest rate risk arising principally from changes in Euro, Sterling and US Dollar interest rates. The Group does not have any hedges in place at the year-end against exposure to interest rate risk.

A 1% increase in interest rates on the Group's debt position during the year ended 31 March 2023, would have decreased the Group's profit before tax by approximately £0.7m (2022: £0.3m).

Management of foreign exchange risk

The Group's Shareholders' equity, earnings and cash flows are exposed to foreign exchange risks, due to the mismatch between the currencies in which it purchases inventory and the final currency of sale to its customers.

It is Group policy to hedge identified significant foreign exchange exposure on its committed operating cash flows. This is carried out centrally based on forecast orders and sales.

The US Dollar and Euro represent the main foreign exchange translational exposures for the Group. The following table demonstrates the sensitivity of the Group's profit before tax to a 10% weakening in the US Dollar and Euro against Sterling.

	2023 £m	2022 £m
Profit before tax – gain/(loss)		
10% weakening in the Euro	(0.7)	(0.5)
10% weakening in the US Dollar	(0.5)	(0.1)

Management of credit risk

Credit risk exists in relation to customers, banks and insurers. Exposure to credit risk is mitigated by maintaining credit control procedures across a wide customer base.

The Group is exposed to credit risk that is primarily attributable to its trade and other receivables. This is minimised by dealing with recognised creditworthy third parties who have been through a credit verification process. The maximum exposure to credit risk is limited to the carrying value of trade and other receivables.

As well as credit risk exposures inherent within the Group's outstanding receivables, the Group is exposed to counterparty credit risk arising from the placing of deposits and entering into derivative financial instrument contracts with banks and financial institutions. The Group manages exposure to this credit risk by entering into financial instrument contracts only with highly credit-rated authorised counterparties which are reviewed and approved annually by the Board.

Counterparties' positions are monitored on a regular basis to ensure that they are within the approved limits and that there are no significant concentrations of credit risks. The Group's largest customer is approximately 5% (2022: 8%) of Group sales.



27. Financial risk controls continued

Management of liquidity risk

The Group manages its exposure to liquidity risk and maximises its flexibility in meeting changing business needs through the cash generation of its operations, combined with bank borrowings and access to long-term debt. In its funding strategy, the Group's objective is to maintain a balance between the continuity of funding and flexibility through the use of overdrafts, bank loans and facilities.

At 31 March 2023, the Group had net cash of £43.4m (2022: £36.9m). The Group had total working capital facilities available of £246.3m (2022: £200.2m) with a number of major UK and overseas banks, of which £240m (2022: £180m) were committed facilities. The Group had drawn £88.1m against total facilities at 31 March 2023 (2022: £70.3m). In addition, the Group has an £80m accordion facility that it can use to extend the total facility up to £320m. The syndicated facility is available both for acquisitions and for working capital purposes. The facilities are subject to certain financial covenants, which had significant headroom at 31 March 2023.

Management of capital

The Group's objective when managing capital is to safeguard its ability to continue as a going concern and to maintain robust capital ratios to support the development of the business with a view to providing strong returns to Shareholders. In order to maintain or adjust the capital structure, the Group increases bank borrowings, issues new shares or changes the amount of dividends paid to Shareholders. In respect to this objective, the Group has a target gearing range of between 1.5 and 2.0 times. Gearing at 31 March 2023 was below the range at 0.7 times.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 23, cash and cash equivalents in note 22 and equity attributable to Shareholders.

28. Financial assets and liabilities

Fair values

The Group's principal non-derivative financial instruments comprise bank loans and overdrafts, cash and short-term borrowings. The Group also holds other financial instruments such as trade receivables and trade payables that arise directly from the Group's trading operations.

Derivative financial instruments are represented by short-term foreign currency forward contracts placed by the Group with external banks as part of the Group's cash management and foreign currency risk management activities. The fair value of derivative foreign exchange instruments is determined on initial recognition at forward market exchange rates at inception of the contract and subsequently remeasured based on forward market exchange rates at the balance sheet date. As at 31 March 2023, the fair value of derivatives was £0.1m (2022: £nil) and is included within other receivables in note 21.

The carrying value of the Group's trade and other receivables and trade and other payables are disclosed in notes 21 and 29. The carrying value of these items approximates book value due to the short maturity of these instruments.

The carrying value of the Group's other financial assets and financial liabilities are set out below by category. Carrying values for all financial assets and liabilities are equivalent to fair values.

	Carrying amount 2023 £m	Fair value 2023 £m	Carrying amount 2022 £m	Fair value 2022 £m
Financial assets				
Cash at bank and in hand (restated)	83.9	83.9	108.8	108.8
Financial assets at amortised cost				
Deferred consideration	6.0	6.0	5.9	5.9
Financial liabilities at amortised cost				
Bank overdrafts and short-term borrowings (restated)	(40.5)	(40.5)	(71.9)	(71.9)
Non-current interest-bearing loans and borrowings:				
Fixed and floating rate borrowings	(86.1)	(86.1)	(67.1)	(67.1)
Lease liabilities	(18.8)	(18.8)	(21.1)	(21.1)
Financial liabilities at fair value through profit and loss ("FVTPL")				
Contingent consideration	(4.1)	(4.1)	(8.8)	(8.8)



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28. Financial assets and liabilities continued

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

All material changes in fair value of financial instruments as at the balance sheet date have been recognised in the consolidated Statement of Profit or Loss. Impairment reviews did not identify any material impairment of financial assets from carrying values as reported at the balance sheet date and, as such, no material impairments are included in the consolidated Statement of Profit or Loss.

Fair value methods and assumptions

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

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

Fair value hierarchy

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

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

The valuation techniques used by the Group for the measurement of derivative financial instruments, loans and deferred consideration are considered to be within Level 2, which includes inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.

Contingent consideration is included in Level 3 of the fair value hierarchy. The fair value is determined considering the expected payment, discounted to present value using a risk-adjusted discount rate. The expected payment is determined separately in respect of each individual earn-out agreement taking into consideration the expected level of profitability of each acquisition. The unobservable inputs are the projected forecast measures that are assessed on an annual basis. Changes in the fair value of contingent consideration relating to updated projected forecast performance measures are recognised in the consolidated Statement of Profit or Loss in the period that the change occurs.

Reconciliation of Level 3 fair value for contingent consideration payable on acquisitions:

	2023 £m	2022 £m
At 1 April	8.8	3.4
Contingent consideration arising from current year acquisitions payable in future years	–	2.4
Contingent consideration paid in the current year relating to previous years' acquisitions	(6.3)	–
Costs charged to the consolidated Statement of Profit or Loss:		
Subsequent adjustments on acquisitions	1.3	3.0
Exchange difference	0.3	–
At 31 March	4.1	8.8

Subsequent adjustments on acquisitions of £1.3m and exchange differences of £0.3m are included within operating costs.

Contingent consideration is sensitive to forecast operating profits of the relevant acquired businesses. At 31 March 2023, the estimated fair value of contingent consideration payable on acquisitions would increase/(decrease) by £1.0m if their projected forecast profits were lower/higher by c.20%.



29. Trade and other payables

Current

	2023 £m	2022 £m
Trade payables	51.6	56.0
Other payables	26.1	33.8
Accrued expenses and contract liabilities	17.5	15.0
	95.2	104.8

Trade payables are non-interest bearing and are settled in accordance with credit terms. Other payables and accrued expenses are non-interest bearing and are settled throughout the year. Included in current year other payables is contingent consideration of £nil. Prior year other payables includes contingent consideration of £4.0m which related to the acquisition of Cursor Controls and £2.2m which related to the acquisition of CPI, which were both paid during the year.

Contract liabilities relate to contracts with customers, recognised and measured in accordance with the requirements of IFRS 15, and relate to either advance payments received for goods to be delivered in the future or amounts invoiced in respect of performance obligations which are not yet satisfied in full and due to be satisfied within a period of 12 months from the reporting date.

Contract liabilities as at 31 March 2023 amounted to £1.1m (2022: £1.1m). Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period amounted to £1.0m (2022 : £1.1m).

Certain businesses in the Group participate in supply chain finance arrangements whereby suppliers may elect to receive early payment of their invoices from a bank by factoring their receivable from discoverIE entities. Included within trade payables is £2.3m (2022: £0.9m) subject to such an arrangement.

Non-Current

	2023 £m	2022 £m
Other payables	4.1	2.7

Included in non-current trade and other payables is £4.1m contingent consideration relating to the acquisitions of Limitor, Phoenix and CPI (2022: £2.7m).

30. Share capital

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

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

31. Share-based payment plans

The Group operates various share-based payment plans. The various schemes are explained below and have been separated into two separate disclosures. The charge to the consolidated Statement of Profit or Loss in respect of each of these schemes is:

	2023 £m	2022 £m
a) discoverIE Group plc long-term incentive plan ("the LTIP")	2.2	2.1
b) Approved and unapproved executive share option schemes	-	-
	2.2	2.1



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31. Share-based payment plans continued

a) The LTIP

Since 2008, the Group has operated the LTIP as a replacement for the approved and unapproved executive share option scheme detailed above. The LTIP involves a conditional award of shares on a grant of a nil-cost option. The award of shares to Executive Directors and senior management is recommended by the Remuneration Committee on the basis of such factors as their contribution to the Group's success. The LTIPs are equity-settled and there are no cash-settled alternatives. The vesting of an award is dependent on the individual's continued employment for a three-year period from the date of grant and the satisfaction by the Company of certain performance conditions. The exercise of the awards is also subject to a two-year holding period from the date of vesting.

For awards made in the year ended 31 March 2023, the performance conditions are as follows:

- 50% of the award is based on the Company's comparative total shareholder return ("TSR") against a comparator group made up of the constituents of the FTSE250 Index;
- 50% of the award is based on the Company's absolute earnings per share ("EPS") performance.
- For certain operational management, 25% of the award is based on the Company's absolute earnings per share ("EPS") performance and 75% of the award is based on local earnings targets.

Awards are valued using the Monte Carlo Simulation and Discounted Share Price models. No non-market performance conditions were included in the fair value calculations. The fair value per award granted and the assumptions used in the calculation are as follows:

Awards granted in the year ended 31 March 2023:

Grant date	21 June 2022 TSR	21 June 2022 EPS	21 June 2022 EPS/Local
Share price at grant date	£6.5	£6.5	£6.5
Exercise price	nil	nil	nil
Number of employees	14	14	19
Shares under option	245,981	245,981	105,716
Vesting period (years)	3	3	3
Expected volatility	41.5%	41.5%	41.5%
Option life (years)	10	10	10
Expected life (years)	5	5	5
Risk-free rate of return	2.5%	2.5%	2.5%
Expected dividend yield	1.7%	1.7%	1.7%
Fair value	£3.25	£5.71	£5.71

Awards granted in the year ended 31 March 2022:

Grant date	29 July 2021 TSR	29 July 2021 EPS	29 July 2021 EPS/Local	26 August 2021 Local
Share price at grant date	£10.4	£10.4	£10.4	£9.9
Exercise price	nil	nil	nil	nil
Number of employees	10	10	13	2
Shares under option	141,886	141,886	42,582	47,316
Vesting period (years)	3	3	3	3
Expected volatility	36.9%	36.9%	36.9%	n/a
Option life (years)	10	10	10	10
Expected life (years)	5	5	5	3
Risk-free rate of return	0.1%	0.1%	0.1%	n/a
Expected dividend yield	1.0%	1.0%	1.0%	1.0%
Fair value	£7.64	£9.25	£9.28	£9.60



31. Share-based payment plans continued

The expected volatility is based on historical volatility over the period of time commensurate with the expected term immediately prior to the date of grant. The expected life is the average expected period to exercise. The risk-free rate of return used in the valuation is the rate of interest obtainable from government securities over a period commensurate with the expected term of the equity incentive.

The total charge for the year relating to the LTIP schemes was £2.2m (2022: £2.1m).

Outstanding LTIP

A summary of the awards that have been granted under the LTIP and remain outstanding is given below:

At 31 March 2023

Outstanding at 1 April 2022	Granted during the year	Forfeited during the year	Exercised during the year	Outstanding at 31 March 2023	Exercise dates
74,067	–	–	(68,567)	5,500	2022–2026
733,347	–	–	(104,207)	629,140	2023–2027
465,795	–	–	(74,871)	390,924	2023–2028
704,630	–	–	(83,687)	620,943	2024–2029
585,286	–	(1,360)	(36,059)	547,867	2025–2030
373,670	–	(1,931)	–	371,739	2026–2031
–	597,678	(5,592)	–	592,086	2027–2032
2,936,795	597,678	(8,883)	(367,391)	3,158,199	

At 31 March 2022

Outstanding at 1 April 2021	Granted during the year	Forfeited during the year	Exercised during the year	Outstanding at 31 March 2022	Exercise dates
581,344	–	–	(581,344)	–	2021–2025
590,796	–	–	(516,729)	74,067	2022–2026
761,616	–	–	(28,269)	733,347	2023–2027
611,118	–	(131,283)	(14,040)	465,795	2023–2028
718,219	–	(5,404)	(8,185)	704,630	2024–2029
626,873	–	(37,703)	(3,884)	585,286	2025–2030
–	373,670	–	–	373,670	2026–2031
3,889,966	373,670	(174,390)	(1,152,451)	2,936,795	

The weighted average remaining contractual life for the share options outstanding at 31 March 2023 is 6.5 years (2022: 6.8 years) and the weighted average share price for the exercises during the year ended 31 March 2023 was £7.89.

The range of exercise prices for options outstanding at the end of the year was £nil (2022: £nil).

b) Approved and unapproved executive share option schemes

The Group operates an approved and an unapproved executive share option scheme, the rules of which are similar in all material respects. The grant of options to Executive Directors and senior management is recommended by the Remuneration Committee on the basis of their contribution to the Group's success. The options vest after three years.

The exercise price of the options is equal to the closing mid-market price of the shares on the trading day prior to the date of the grant. Exercise of all options is subject to continued employment. The life of each option granted is ten years. There are no cash settlement alternatives.

Options are valued using the binomial option-pricing model. No non-market performance conditions were included in the fair value calculations.



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31. Share-based payment plans continued

The fair value per option granted during the year and the assumptions used in the calculation are as follows:

Grant date	21 June 2022
Share price at grant date	£6.5
Exercise price	£6.87
Number of employees	7
Shares under option	15,179
Vesting period (years)	3
Expected volatility	40.8%
Option life (years)	10
Expected life (years)	6.5
Risk-free rate of return	2.5%
Expected dividends expressed as a dividend yield	1.7%
Fair value	£2.31

The expected volatility is based on historical volatility over the period of time commensurate with the expected term immediately prior to the date of grant. The expected life is the average expected period to exercise. The risk-free rate of return used in the valuation is the rate of interest obtainable from government securities over a period commensurate with the expected term of the equity incentive.

The total charge for the year relating to the approved and unapproved share option schemes was £nil (2022: £nil).

Outstanding share options

A summary of the options over ordinary shares that have been granted under various Group share option schemes and remain outstanding is given below:

At 31 March 2023

Outstanding at 1 April 2022	Forfeited during the year	Exercised during the year	Granted during the year	Outstanding at 31 March 2023	Exercise price (pence)	Exercise dates
1,691	–	–	–	1,691	219.50	2020–2027
9,580	–	–	–	9,580	402.00	2021–2028
12,673	–	(1,980)	–	10,693	421.17	2022–2029
12,731	–	(1,357)	–	11,374	603.60	2023–2030
11,731	–	–	–	11,731	803.00	2024–2031
–	–	–	15,179	15,179	686.80	2025–2032
48,406	–	(3,337)	15,179	60,248		

At 31 March 2022

Outstanding at 1 April 2021	Forfeited during the year	Exercised during the year	Granted during the year	Outstanding at 31 March 2022	Exercise price (pence)	Exercise dates
1,691	–	–	–	1,691	219.50	2020–2027
9,580	–	–	–	9,580	402.00	2021–2028
12,789	(116)	–	–	12,673	421.17	2022–2029
14,247	(1,516)	–	–	12,731	603.60	2023–2030
–	(1,934)	–	13,665	11,731	803.00	2024–2031
38,307	(3,566)	–	13,665	48,406		



31. Share-based payment plans continued Changes in share options

A reconciliation of option movements over the year to 31 March 2023 is shown below:

	2023		2022	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 April	48,406	£5.51	38,307	£4.75
Granted	15,179	£6.87	13,665	£8.03
Exercised	(3,337)	£4.95	–	–
Forfeited	–	–	(3,566)	£7.06
Outstanding at 31 March	60,248	£5.88	48,406	£5.51
Exercisable at 31 March	21,964	£3.97	11,271	£3.75

The weighted average remaining contractual life for the share options outstanding at 31 March 2023 is 7.3 years (2022: 7.7 years).

The range of exercise prices for options outstanding at the end of the year was £2.20 to £8.03 (2022: £2.20 to £8.03).

32. Pension Defined contribution schemes

The Group makes payments to various defined contribution pension schemes, the assets of which are held in separately administered funds. In the United Kingdom, the relevant scheme is the discoverIE Group plc Employee Pension Scheme ("the discoverIE scheme"). Contributions by both employees and Group companies are held in externally invested trustee-administered funds.

The Group contributes a specified percentage of earnings for members of the discoverIE scheme, and thereafter has no further obligations in relation to the discoverIE scheme. At 31 March 2023, 91 employees were active members of the discoverIE scheme (2022: 190). Prior year numbers included the active employees from the disposed businesses which were excluded from the scheme during the year. The total cost charged to the consolidated Statement of Profit or Loss in relation to the UK-based discoverIE scheme was £595,000 (2022: £362,000). Employer contributions in respect of other UK-based schemes and overseas pension schemes were £730,000 (2022: £447,000) and £2,587,000 (2022: £2,364,000) respectively. Total contributions payable in the next financial year are expected to be at rates broadly similar to those in FY 2022/23 but based on actual salary levels in FY 2023/24.

Defined benefit schemes

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

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

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

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

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32. Pension continued

The estimated amount of total employer contributions expected to be paid to the Sedgemoor Scheme during FY 2023/24 is £nil (FY 2022/23 actual: £1.6m). £2.0m is expected to be paid into the escrow account in FY 2023/24 (FY 2022/23 actual: £0.2m).

There is a risk that adverse experience could lead to a requirement for Sedgemoor Limited to make additional contributions to recover any deficit that arises.

The main actuarial assumptions used are set out as follows:

	2023	2022
Rate of increase of salaries	n/a	n/a
Rate of increase of pensions in payment	2.5%	2.6%
Discount rate	4.8%	2.8%
Inflation assumption – RPI	3.5%	3.8%
Inflation assumption – CPI ¹	2.4%	2.7%

¹ 3.4% from 2031

The discount rate is based on the yields on AA grade Sterling corporate bonds at the reporting date.

Pensioner mortality assumptions are based on 110% of the "S3NA" table, projected from 2013 and with long-term improvement rates in line with CMI 2021 core projections based on each member's actual date of birth with a long-term annual rate of improvement of 1.25% p.a., allowing for a 10% weighting of 2021 mortality data reflecting the best estimate impact on long-term mortality trends brought about by the Covid-19 pandemic.

The weighted average duration of the defined benefit obligation at 31 March 2023 was 10 years (2022: 12 years).

The Directors consider that, were a pension asset to be realised in respect of this scheme after all member benefits have been paid and after the scheme is wound up, this would be fully recoverable by the Group in line with the rules of the scheme. Therefore, the IAS 19 surplus is recognised in full under current accounting standards.

The investment strategy is set by the Trustees of the Sedgemoor Scheme in consultation with the Company. The current strategy is to invest in liability-driven investments, corporate bonds, asset-backed securities and liquidity funds. As part of this strategy, the Trustees hedge the Scheme against future changes in gilt market-implied interest rate and inflation expectations relative to a prudent valuation of the liabilities based on the yield on gilts (as such, the Scheme over-hedges these risks relative to the IAS 19 liability value).

The Scheme fully redeemed its investment in the JP Morgan Infrastructure Investments Fund on 31 March 2023. The cash proceeds from this are expected to settle by the end of June 2023 and the Trustees' intention is to invest these in asset-backed securities and liquidity funds.

As the Sedgemoor Scheme mostly invests in pooled funds, the fair value of assets reflects the fund managers' valuation rather than quoted prices in active markets, however, the fund values are all based on the prices of the underlying investments within each fund. Remeasurements are recognised immediately through other comprehensive income.

The charges recognised in the consolidated Statement of Profit or Loss in respect of defined benefit schemes are as follows:

	2023 £m	2022 £m
Pension charge (recognised in operating costs)	0.7	0.6

Past service cost

The charges recognised in the consolidated Statement of Comprehensive Income are as follows:

	2023 £m	2022 £m
Remeasurement (losses)/gains:		
Return on plan assets (excluding amounts included in net interest expense)	(7.9)	0.3
Actuarial changes arising from changes in actuarial assumptions	6.7	2.0
Actuarial (loss)/gain recorded in the consolidated Statement of Comprehensive Income	(1.2)	2.3

An additional actuarial loss of £nil (2022: £0.1m) relating to the unfunded retirement and leaving indemnity schemes (note 26) is recorded in the consolidated Statement of Comprehensive Income.



32. Pension continued

The fair value of assets and expected rates of return used to determine the amounts recognised in the consolidated Statement of Financial Position are as follows:

	2023 £m	2022 £m
Equities	-	3.0
Bonds	8.4	9.4
Property	-	4.9
Diversified growth fund	-	5.8
Cash	1.2	0.4
Liability-driven investments	7.8	5.0
Infrastructure	4.7	4.5
Asset-backed security	8.8	6.0
Fair value of scheme assets	30.9	39.0
Present value of funded defined benefit obligations	(28.6)	(36.3)
Asset recognised in the consolidated Statement of Financial Position	2.3	2.7

Over the year to 31 March 2023, the surplus reduced from £2.7m to £2.3m. The movement related to pension administration costs of £0.6m and actuarial losses of £1.2m recognised in OCI, offset by £1.4m of employer contributions.

Changes in the present value of the defined benefit obligation are as follows:

	2023 £m	2022 £m
Opening defined benefit obligations	36.3	39.6
Net interest cost	1.0	0.7
Actuarial losses/(gains) due to:		
Experience on benefit obligation	0.4	0.7
Changes in financial assumptions	(7.1)	(3.0)
Changes in demographic assumptions	-	0.3
Benefits paid	(2.0)	(2.0)
Closing defined benefit obligations	28.6	36.3

Changes in the fair value of the scheme assets are as follows:

	2023 £m	2022 £m
Opening fair value of scheme assets	39.0	38.6
Interest on scheme assets	1.0	0.8
Actual return on plan assets less interest on plan assets	(7.9)	0.3
Pension administration costs	(0.7)	(0.6)
Contributions	1.5	1.9
Benefits paid	(2.0)	(2.0)
Closing fair value of scheme assets	30.9	39.0

Sensitivities

The sensitivity of the 2023 pension liabilities to changes in assumptions are as follows:

Assumption	Change in assumption	Increase in scheme deficit £m
Discount rate	Decrease by 0.5%	1.4
Inflation	Increase by 0.5%	0.5
Life expectancy	Increase by 1 year	1.4

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33. Related party disclosures

As at 31 March 2023 the Group's subsidiaries are set out below. Unless otherwise stated, the Group holds (directly or indirectly) 100% of the total voting rights of all subsidiaries.

Except where noted, all material subsidiaries have a 31 March year-end and the shares carry the same voting rights as their effective interest.

UK-registered subsidiaries exempt from audit: discoverIE Nordic Holdings Limited (company no. 09056483); discoverIE Electronics Limited (company no. 06556285); Contour Holdings Limited (company no. 06846542); Variom Holdings Limited (company no. 05783452); Xi-Tech Limited (company no. 07068708), Cursor Controls Holdings Limited (company no. 09472278), Positek Limited (company no. 02746707), Herga Technology Limited (company no. 00533707), Heason Technology Limited (company no. 06322037), CDT123 Limited (company no. 09637514) and CustomDesignTechnologies Ltd (company no. 02081576) qualify to take the statutory audit exemption as set out within section 479A of the Companies Act 2006 for the year ended 31 March 2023. discoverIE Group plc will guarantee the debts and liabilities of those companies at the balance sheet date in accordance with section 479C of the Companies Act 2006.

Name and nature of business	Registered address	Country of incorporation and registration
Management services – Head Office		
discoverIE Management Services Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
Operating companies		
Antenova Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
Calculagraph Company (trading as Control Products Inc)	280 Ridgedale Avenue, East Hanover, New Jersey 07936	USA
Coil-Mag LLC (trading as IMAG Electronics)	160 South Illinois Street, Hobart, Indiana, 46342-4512	USA
Coil-Tran de Mexico SA de CV ²	Calle Matamoros 124, Colonia Centro, Municipio Aguileguas, Nuevo Leon, Mexico, CP 65800	Mexico
Coil-Tran LLC (trading as Hobart Electronics)	160 South Illinois Street, Hobart, Indiana, 46342-4512	USA
Contour Electronics Asia Limited	Room 601, 6/F Shing Yip Industrial Building, 19-21 Shing Yip Street, Kwun Teng, Kowloon	Hong Kong
Contour Electronics Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
Cursor Controls Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
CustomDesignTechnologies Ltd	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford Surrey GU2 7AH	England
Danselbud Noratel Transformator sp. z o.o.	ul. Szczecinska 1K, Dobra Szczecinska PL-72-003	Poland
EMC Innovation Limited	Woolim Lions Valley C-409, 283 Bupyeong-daero, Bupyeong-gu, Cheongcheon-Dong, Incheon	South Korea
Flux A/S	Industrivangen 5, 4550 Asnaes	Denmark
Flux International Limited	41/27, 23 Village No. 6, Phuncaroen Lane, Bangna-Trad Km 16.5, Bang Chalong (Bangkok), Bang Phli District, Samut Prakan Province, 10540	Thailand
Foshan Noratel Electric Co Limited ¹	NO 22-2 Xingye Road, Zone C Shishan Science & Technology Industrial Park, Nanhai Distric, Foshan City, Guangdong Province 528225	China
Foss Fiberoptisk Systemsalg AS	Dansrudveien 45, N-3036 Drammen	Norway
Foss Fibre Optics s.r.o	Odborarska 52, 831 02 Bratislava	Slovakia
Hectronic AB	P.O. Box 3002, 750 03 Uppsala, Sweden	Sweden
Herga Technology Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
Limitor GmbH	Dieselstraße 22, 73660 Urbach, Germany	Germany
Limitor Hungaria Kft	Pécs, Makay István út 13/b, 7634 Hungary	Hungary
Limitor Solutions GmbH	Dieselstraße 22, 73660 Urbach, Germany	Germany



33. Related party disclosures continued

Name and nature of business	Registered address	Country of incorporation and registration
Logic PD Inc (trading as Beacon Embedded Works)	6201 Bury Drive, Eden Prairie, MN 55346	USA
Magnasphere Corporation	850 New Burton Road, Suite 201, Dover DE 19904	USA
MTC Micro Tech Components GmbH	Hausener Straße 9, 89407 Dillingen a.d., Donau	Germany
Myrra Deutschland GmbH	Lebacher Strabe 4, 66113 Saarbrücken	Germany
Myrra Hong Kong Limited	42/F Central Plaza, 18 Harbour Road, Wanchai, Hong Kong	Hong Kong
Myrra Power sp. z o.o.	Ul Warszawska 1, 05-310 Kaluszyn	Poland
Myrra SAS	2 Boulevard de La Haye, 77600 Bussy-Saint-Georges	France
Noratel AS	Elektroveien 7, 3300 Hokksund	Norway
Noratel Canada Inc	267 Matheson Boulevard East, Unit 2, Mississauga, ON L4Z 1X8	Canada
Noratel Denmark A/S	Naverland 15, 2600 Glostrup, Copenhagen	Denmark
Noratel Finland OY	Kiertokatu 5, PB 11, 24280, Salo Helsinki	Finland
Noratel Germany AG	Elsenthal 53, DE-94481 Grafenau, Bremen	Germany
Noratel India Power Components Pvt Limited	Nila Technopark, Trivandrum, Kerala, 695581	India
Noratel International (Private) Limited	P.O Box 15, Phase 2 KEPZ, Katunayake	Sri Lanka
Noratel North America LLC	850 New Burton Road, Suite 201, Dover, DE 19904	USA
Noratel Power Engineering LLC	850 New Burton Road, Suite 201, Dover, DE 19904	USA
Noratel sp. z o.o.	ul. Szczecinska 1K, Dobra Szczecinska PL-72-003	Poland
Noratel Sweden AB	Lars Lindahlsväg 2, Bo Lars Lindahlsväg 2, Box 108, Laxå 69522 x 108, Laxå 69522	Sweden
Noratel UK Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
NSI bvba	Haakstraat 1A, 3740 Bilzen, Belgium	Belgium
Phoenix America LLC	850 New Burton Road, Suite 201, Dover, DE 19904	USA
Santon Circuit Breaker Services B.V.	Hekendorpstraat 69, 3079 DX Rotterdam	Netherlands
Santon GmbH	Oberstrasse 1, Altes Rathaus Hinsbeck, Postfach 5217, 41334 Nettetal	Germany
Santon Group B.V.	Hekendorpstraat 69, 3079 DX Rotterdam	Netherlands
Santon Hekendorpstraat B.V.	Hekendorpstraat 69, 3079 DX Rotterdam	Netherlands
Santon Holland B.V.	Hekendorpstraat 69, 3079 DX Rotterdam	Netherlands
Santon International B.V.	Hekendorpstraat 69, 3079 DX Rotterdam	Netherlands
Santon Switchgear Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
Sens-Tech Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
Stortech Electronics Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
Variohm-Eurosensor Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
Vertec Scientific Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
Zhongshan Myrra Electronic Co Limited ¹	39-2 Industrial Road, Xiaolan Industrial Park, Xiaolan Town, 528400, Zhongshan, Guangdong Province	China

¹ Zhongshan Myrra Electronic Co Limited and Foshan Noratel Electric Co Limited have 31 December year ends

² 15% of Coil-Tran de Mexico SA de CV is owned by local management



NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 March 2023

33. Related party disclosures continued

Name and nature of business	Registered address	Country of incorporation and registration
Holding companies		
Aramys SAS	2 Boulevard de La Haye, 77600 Bussy-Saint-Georges	France
CDTI23 Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford Surrey GU2 7AH	England
Contour Holdings Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
Cursor Controls Holdings Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
discoverIE BV	Luchthavenweg 53, 5657 EA Eindhoven	Netherlands
discoverIE Electronics Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
discoverIE Europe Holding BV	Luchthavenweg 53, 5657 EA Eindhoven	Netherlands
discoverIE France Holdings SAS	4 Allée du Cantal – ZI Petite Montagne Sud – 91090 Lisses, Evry	France
discoverIE Holdings Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
discoverIE Nordic Holdings Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
DiscoverIE US Holdings Inc.	850 New Burton Road, Suite 201, Dover, DE 19904	USA
EWAC Holding B.V.	Hekendorpstraat 69, 3079 DX Rotterdam	Netherlands
Sedgemoor Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
Trafo Holding AS	Elektroveien 7, Hokksund, 3300	Norway
Variohm Holdings Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
Xi-Tech Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
Dormant companies		
Acal BFI Iberia SL	C/Anabel Segura, 7, Planta Acceso, 28108 Alcobendas, Madrid	Spain
Acal Electronics Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
Actech Holdings Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
Advanced Crystal Technology Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
Amega Electronics Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
Amega Group Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
BFI Optilas Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
Bosunmark Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
Cabcon (UK) Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
DiscoverIE North America LLC	850 New Burton Road, Suite 201, Dover, DE 19904	USA
Gothic Crellon Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England



33. Related party disclosures continued

Name and nature of business	Registered address	Country of incorporation and registration
Heason Technology Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
Myrra Hispania Srl	c/Mataro 43 Pol. Ind. les Grases, 08980 Saint Feliu De Llobregat, Barcelona	Spain
Positek Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
Radiatron Components Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
Radiatron Holdings Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
Sedgemoor Group Pension Trustees Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
Sedgemoor Group Supplementary Pension Trustees Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
Sedgemoor Holdings Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England
Townsend-Coates Limited	2 Chancellor Court, Occam Road, Surrey Research Park, Guildford GU2 7AH	England

Related parties

Remuneration of key management personnel

The Group considers key management personnel as defined in IAS 24 "Related Party Disclosures" to be the members of the Group Management Committee (2022: Group Executive Committee) as set out on page 110. Remuneration is set out below in aggregate. The charge for share-based payments of £1.8m (2022: £1.6m) relates to the Group's LTIP as detailed in note 31.

	2023 £m	2022 £m
Short-term employee benefits	5.0	3.1
Pension benefits	0.2	0.2
Share-based payments	1.8	1.6
	7.0	4.9

Terms and conditions of transactions with related parties

All transactions with related parties were on an arm's length basis. Outstanding balances at year-end are unsecured and settlement occurs in cash.

Transactions with other related parties

There were no transactions with Directors (other than the payment of salaries and fees and the provision of employee benefits as outlined in the Remuneration Report) during the year.



NOTES TO THE GROUP CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 March 2023

34. Exchange rates

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

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

35. 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 IAS10 "Events after the Reporting Period". The following important non-adjusting events should be noted:

Dividends

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



COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 March 2023

	Notes	2023 £m	Restated ¹ 2022 £m
Non-current assets			
Investments	5	187.0	203.4
		187.0	203.4
Current assets			
Debtors	6	106.9	81.3
Cash at bank and in hand		18.2	31.8
		125.1	113.1
Total assets		312.1	316.5
Current liabilities			
Creditors: amounts falling due within one year	7	(37.8)	(50.3)
		(37.8)	(50.3)
Non-current liabilities			
Other financial liabilities	8	(3.6)	–
		(3.6)	–
Total liabilities		(41.4)	(50.3)
Net assets		270.7	266.2
Capital and reserves			
Called up share capital	9	4.8	4.7
Share premium account		192.0	192.0
Merger reserve		2.9	10.5
Profit and loss account		71.0	59.0
Total Shareholders' funds		270.7	266.2

¹ Refer to note 1 to the Company Financial Statements.

The profit of the Company for the financial year ended 31 March 2023 was £12.7m (2022: £10.2m profit).

These Financial Statements on pages 217 to 221 were approved by the Board of Directors on 7 June 2023 and signed on its behalf by

Nick Jefferies
Group Chief Executive

Simon Gibbins
Group Finance Director



COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 March 2023

	Share capital £m	Share premium £m	Merger reserve £m	Profit and loss account £m	Total £m
At 1 April 2021	4.4	138.8	19.9	46.9	210.0
Profit for the year	–	–	–	10.2	10.2
Share-based payments	–	–	–	1.9	1.9
Shares issued (note 9)	0.3	53.2	–	–	53.5
Transfer to profit or loss account	–	–	(9.4)	9.4	–
Dividends	–	–	–	(9.4)	(9.4)
At 31 March 2022	4.7	192.0	10.5	59.0	266.2
Profit for the year	–	–	–	12.7	12.7
Share-based payments	–	–	–	2.2	2.2
Shares issued (note 9)	0.1	–	–	–	0.1
Transfer to profit or loss account	–	–	(7.6)	7.6	–
Dividends	–	–	–	(10.5)	(10.5)
At 31 March 2023	4.8	192.0	2.9	71.0	270.7

At 31 March 2023, an amount of £50.0m out of the total £71.0m in the profit and loss account is available for distribution, subject to filing these Financial Statements with Companies House. When making a distribution to Shareholders, the Directors determine profits available for distribution by reference to guidance on realised and distributable profits under the Companies Act 2006 issued by the Institute of Chartered Accountants in England and Wales and the Institute of Chartered Accountants of Scotland in April 2017. The profits of the Company have been received in the form of dividends from subsidiary companies which have been paid to the Company in cash. The availability of distributable reserves in the Company is dependent on dividends received from subsidiary companies meeting the definition of qualifying consideration within the guidance referred to above, and on the available cash resources of the Group and other accessible sources of funds. The level of distributable reserves is subject to any future restrictions or limitations at the time such distribution is made.



NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 March 2023

1. Basis of preparation

The separate Financial Statements of the Company have been prepared for all periods presented, in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") and in accordance with the Companies Act 2006. These Financial Statements are prepared on the going concern basis and under the historical cost convention modified for fair values, as described in note 2 to the consolidated Financial Statements.

Prior year restatement

During the year the Financial Reporting Council ("FRC") reviewed the Group's Annual Report and Accounts for the year ended 31 March 2022. Following completion of the review, the Directors have concluded that the overdraft balances should be separately presented gross on the Statement of Financial Position, rather than netted off against cash and cash equivalents with the same bank. These overdrafts are held with the Company's relationship banks. In addition to that, the balances for the bank accounts for the Company's fellow group undertakings that sweep into the Company's bank accounts at the balance sheet date should be presented as part of the Company's cash at bank and in hand and amounts owed to subsidiary undertakings.

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

Company Statement of Financial Position	As reported 2022 £m	Impact of restatement 2022 £m	Restated 2022 £m
Current assets			
Cash at bank and in hand	16.8	15.0	31.8
Current liabilities			
Bank loans and overdrafts (note 7)	(8.4)	(1.2)	(9.6)
Amounts owed to subsidiary undertakings (note 7)	(24.1)	(13.8)	(37.9)
Net assets	(15.7)	–	(15.7)

The restatement did not result in any change to reported profit and net assets in the FY 2021/22 financial year.

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

Company Statement of Financial Position	As reported 2021 £m	Impact of restatement 2021 £m	Restated 2021 £m
Current assets			
Cash at bank and in hand	3.1	12.0	15.1
Current liabilities			
Bank loans and overdrafts (note 7)	(1.9)	(7.9)	(9.8)
Amounts owed to subsidiary undertakings (note 7)	(12.0)	(4.1)	(16.1)
Net assets	(10.8)	–	(10.8)

2. Summary of significant accounting policies

The summary of significant accounting policies for the Company is described in note 2 to the consolidated Financial Statements.

3. Profit of the Company

The profit of the company for the financial year was £12.7m (2022: £10.2m). By virtue of section 408(3) of the Companies Act 2006, the Company is exempt from presenting a separate Statement of Profit or Loss.

4. Employees

The Directors also provide services to other group undertakings and received remuneration from a fellow group undertaking, discoverIE Management Services Limited in respect of services to the Group. Directors' emoluments are shown in note 8 to the consolidated Financial Statements.



NOTES TO THE COMPANY FINANCIAL STATEMENTS

CONTINUED

for the year ended 31 March 2023

5. Investments

	Subsidiary undertakings £m
At 1 April 2021	201.3
Share-based payments	2.1
At 31 March 2022	203.4
Transfer of investment	(18.6)
Share-based payments	2.2
At 31 March 2023	187.0

Details of all direct and indirect holdings in subsidiaries are provided in note 33 of the consolidated Financial Statements.

Equity investments in subsidiary undertakings are reviewed annually for indicators of impairment of the carrying value, measured at cost less accumulated impairment losses. Where the net assets of a subsidiary fall below the carrying amount of the investment, an impairment test is performed. The impairment test compares the carrying amount to the estimated recoverable amount, calculated based on value in use of the forecast business cash flows, discounted at the Company's pre-tax discount rate.

During the year ended 31 March 2023, the indirectly held investment in Contour Electronics Limited was transferred at carrying value to a fellow subsidiary undertaking, discoverIE Holdings Limited.

6. Debtors

	2023 £m	2022 £m
Amounts owed by subsidiary undertakings	101.5	78.5
Corporation tax	1.2	1.9
Other debtors	1.3	0.8
Prepayments	0.1	0.1
Deferred tax asset	2.8	–
	106.9	81.3

Amounts owed by subsidiary undertakings bore interest at a Sterling base rate plus a margin of 1.75% (2022: 1.75%) and at USD one month SOFR plus a margin of 2% (2022: 2%). All amounts are repayable on demand. There are no material expected credit losses recognised for these receivables.

At 31 March 2023, the Company has recognised a deferred tax asset of £2.8m (2022: £nil) in respect of losses. Deferred tax assets are recognised to the extent that there are sufficient forecast future taxable profits against which the Company's losses can be offset. At 31 March 2023, the Company had not recognised a deferred tax asset in respect of tax losses of approximately £7.3m (2022: £3.1m).

7. Creditors: amounts falling due within one year

	2023 £m	2022 £m
Bank loans and overdrafts	3.6	9.6
Amounts owed to subsidiary undertakings	31.6	37.9
Other payables	1.4	1.3
Accruals	1.2	1.5
	37.8	50.3

Amounts owed to subsidiary undertakings bore interest at a nil rate and are repayable on demand.

8. Other financial liabilities

Other financial liabilities of £3.6m at 31 March 2023 (2022: £nil) comprise drawdowns on the Group's revolving credit facility (see note 23 to the consolidated Financial Statements). The amount was denominated in Sterling and bore interest based on SONIA.



9. Called up share capital

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

During the year to 31 March 2023, 900,000 shares were issued to the Group's Employee Benefit Trust (2022: 650,000).

At 31 March 2023, there were outstanding options for employees of subsidiaries to purchase up to 3,218,447 (2022: 2,985,201) ordinary shares of 5p each between 2020 and 2032 at prices ranging from £nil per share to £8.03 per share. These are subject to certain performance conditions as disclosed in note 31 of the consolidated Financial Statements. During the year to 31 March 2023, employees exercised 378,334 share options under the terms of the various schemes (2022: 1,170,882). The shares exercised during the year ended 31 March 2023 were settled by the Trust.

10. Related parties

The Company is exempt under the terms of FRS 101 from disclosing related party transactions with wholly owned entities that are part of the Group as these transactions are fully eliminated on consolidation.

11. Financial guarantees

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings. Borrowings by subsidiary undertakings totalling £88.1m (2022: £65.5m) which are included in the Group's borrowings (note 23) have been guaranteed by the Company.

12. Share-based payments

For detailed disclosures of share-based payments granted to the employees of subsidiaries refer to note 31 of the consolidated Financial Statements.

13. Post balance sheet events

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

Dividends

A final dividend of 7.90p per share (2022: 7.45p), amounting to a dividend of £7.6m (2022: £7.1m) and bringing the total dividend for the year to 11.45p (2022: 10.8p), was declared by the Board on 31 May 2023.



FIVE YEAR RECORD

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Consolidated Statement of Profit or Loss – continuing operations					
Revenue	448.9	379.2	302.8	303.3	268.2
Underlying operating profit	51.8	41.4	30.8	30.8	22.5
Underlying profit before tax	46.3	37.6	27.2	26.5	19.0
Profit before tax	29.1	17.1	13.5	13.2	11.2
Profit for the year from continuing operations	21.3	9.7	9.5	9.3	8.6
Earnings per share – continuing operations					
Underlying earnings per share	35.2p	29.4p	22.4p	24.4p	19.0p
Diluted earnings per share	21.7p	10.1p	10.3p	10.6p	11.3p
Dividend per share	11.45p	10.8p	10.15p	2.97p	9.55p
Consolidated Statement of Financial Position					
Net debt	(42.7)	(30.2)	(47.2)	(61.3)	(63.3)
Non-current assets	335.9	326.5	244.6	236.4	149.2
Net assets	303.6	290.4	208.4	200.5	134.7

The figures for 2020 onwards included the impact of the adoption of IFRS 16.



PRINCIPAL LOCATIONS

Group head office

Location	Company	City
United Kingdom	discoverIE Group plc	Guildford
	discoverIE Management Services	Guildford

Operating companies

Location	Company	City
United Kingdom	Antenova	Hatfield
	CDT	Brackley
	Contour Electronics	Hook
	Cursor Controls	Newark
	Heason Technology	Horsham
	Herga Technology	Bury St. Edmunds
	Noratel UK	Nantwich
	Positek	Egham
	Sens-Tech	Cheltenham
	Stortech Electronics	Harlow
	Variohm-Eurosensor	Towcester, Cheltenham, Horsham
	Vertec Scientific	Reading
Belgium	NSI	Bilzen
Canada	Noratel Canada	Ontario
China Mainland	Foshan Noratel Electric	Foshan
	Zhongshan Myrra Electronic	Zhongshan
Denmark	Noratel Denmark	Glostrup
	Flux	Asnaes
Finland	Noratel Finland	Salo
France	Myrra SAS	Bussy-Saint-Georges
Germany	Limiter	Urbach
	MTC Micro Tech Components	Dillingen
	Noratel Germany	Grafenau, Bremen
	Santon	Nettetal
	Variohm-Eurosensor	Heidelberg
Hong Kong	Contour Asia	Kowloon
	Myrra Hong Kong	Wanchai
Hungary	Limiter Hungary	Pecs
India	Noratel India Power Components	Kerala, Bangalore
Mexico	Hobart Electronics	Agualeguas, Nogales
Netherlands	Santon	Rotterdam
Norway	Foss	Drammen
	Noratel Norway	Hokksund, Hamar
Poland	Myrra Poland	Kaluszyn
	Noratel Poland	Szczecinska
Slovakia	Foss Fibre Optics	Bratislava
South Korea	EMC Innovation	Cheongcheon-Dong
Sri Lanka	Noratel International	Katunayake
Sweden	Hectronic	Uppsala
	Noratel Sweden	Laxa, Vaxjo
Taiwan	Antenova Asia	Taipei
Thailand	Flux International	Bangkok
USA	Beacon EmbeddedWorks	Eden Prairie, MN
	Control Products Inc (CPI)	East Hanover, NJ
	Hobart Electronics	Hobart, IN
	IMAG Electronics	Tempe, AZ
	Magnasphere	Waukesha, WI and Goshen, IN
	Noratel Power Engineering	Long Beach, CA
	Phoenix America	Fort Wayne, IN



FINANCIAL CALENDAR 2023/24

Annual General Meeting

24 July 2023

Results

Interim results for the six months to 30 September 2023
Preliminary announcement for the year to 31 March 2024
Annual Report 2024

Early December 2023
Early June 2024
Late June 2024

CORPORATE INFORMATION

Registered office

discoverIE Group plc
2 Chancellor Court
Occam Road
Surrey Research Park
Guildford
Surrey GU2 7AH

Telephone: 01483 544500

Incorporated in England and Wales
with registered number: 02008246

Auditors

PricewaterhouseCoopers LLP

Corporate solicitors

White & Case LLP

Principal bankers

Bank of Ireland
Clydesdale Bank plc
Citibank NA Inc
Danske Bank A/S
Fifth Third Commercial Bank
HSBC Bank UK plc
KBC Bank NV

Registrar

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
Telephone: 0371 384 2001

Stockbroker

Peel Hunt LLP





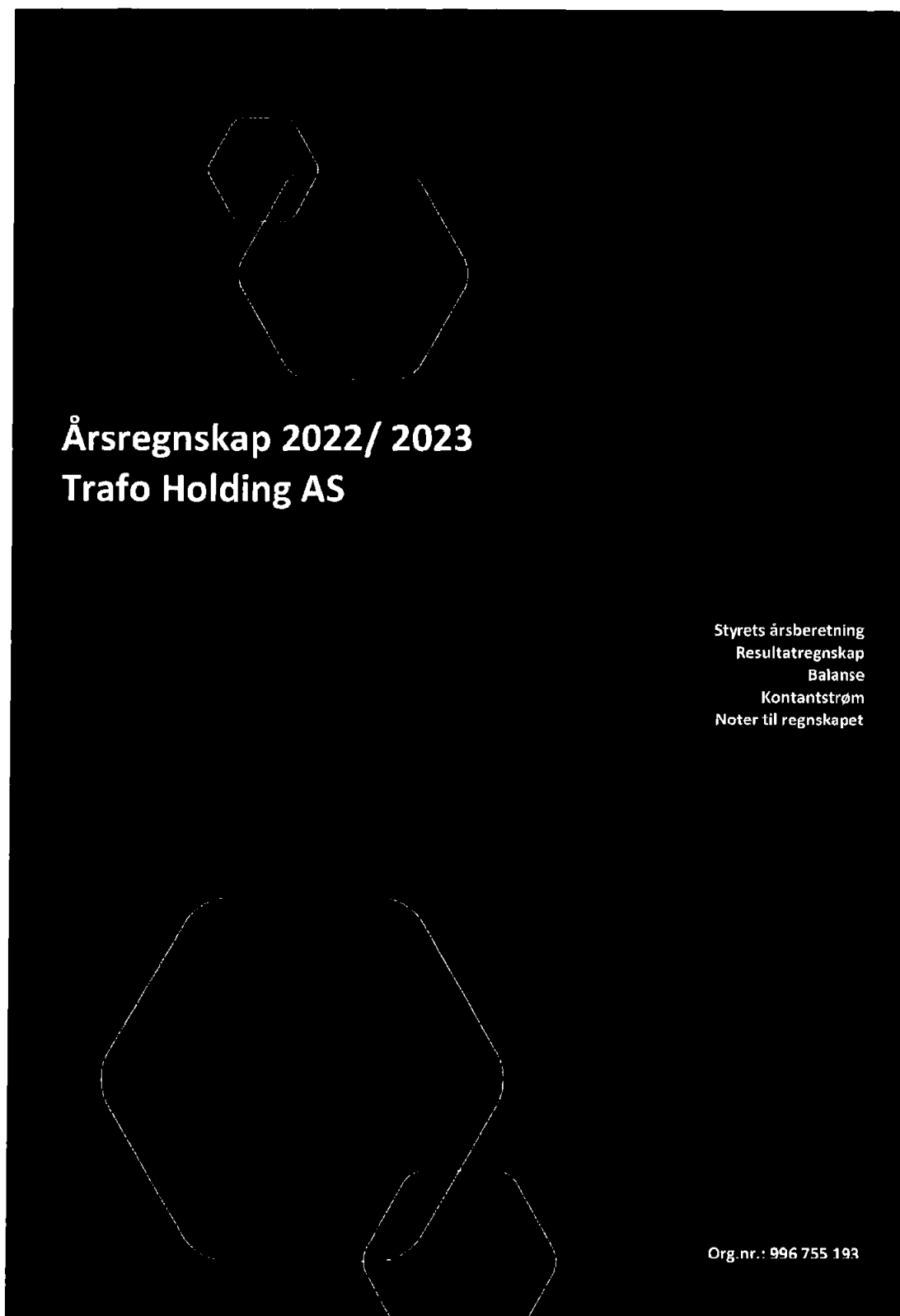
discoverIE Group plc

2 Chancellor Court
Occam Road, Surrey Research Park
Guildford, Surrey
GU2 7AH

Telephone +44 (0)1483 544500

www.discoverIEplc.com





Årsregnskap 2022/ 2023

Trafo Holding AS

Styrets årsberetning
Resultatregnskap
Balanse
Kontantstrøm
Noter til regnskapet

Org.nr.: 996 755 193



Årsberetning 2022/2023 for Trafo Holding AS

Virksomhetens art og hvordan den drives:

Trafo Holding AS er morselskap for Noratel Gruppen. Noratel Gruppen er leverandør av transformatorer, DC-strømforsyninger og andre vikledde komponenter fra egen produksjon og fra samarbeidspartnere. Hovedmarkedet er i Europa, men salget foregår til kunder i hele verden. Gruppen har produksjon i Norge, Sverige, Finland, Polen, Nord Amerika, Sri Lanka, Kina og India. Selskapet er 100 % eid av DiscoverIE Nordic Holdings Ltd og inngår i DiscoverIE konsernet som er notert på London børsen. Trafo Holding AS avlegger ikke konsernregnskap, men det henvises til konsernregnskapet for DiscoverIE for mer detaljert informasjon om konsernet.

Selskapets virksomhet er lokalisert i Hokksund. Det henvises til årsberetningene for datterselskapene og morselskapet for mer detaljerte opplysninger om hvert enkelt selskap og konsernet. Regnskapsåret omfatter perioden fra 1. april 2022 til 31. mars 2023.

FORTSATT DRIFT:

Forutsetningen om fortsatt drift er til stede, og årsregnskapet for 2022/2023 er satt opp under denne forutsetning. Selskapet vil fremover videreføre samme aktiviteter som tidligere.

ARBEIDSMILJØ:

Trafo Holding AS har ingen ansatte. Selskapene i konsernet fører oversikt over sykefravær blant de ansatte. Det er i konsernet ikke registrert alvorlige skader i løpet av året. Konsernet har som mål å være en arbeidsplass der det er full likestilling mellom kvinner og menn. Alle ansettelsesvilkår og muligheter for øvrig er uavhengig av kjønn.

DISKRIMINERING OG AKTSOMHETSVALDERING:

Selskapet har gjennom datterselskapene virksomhet i mange land der forskjellige nasjonaliteter, språk, religion og livssyn er representert. Selskapet søker å behandle alle likeverdig og forhindre diskriminering og sikre like muligheter for alle. Styret er ikke kjent med diskriminerende forhold i virksomheten. Det er derfor ikke gjennomført eller iverksatt særskilte tiltak for å fremme formålet i diskrimineringsloven.

Selskapet har i henhold til kravene i Åpenhetsloven utført og redegjort for aktsomhetsvurderinger. Rapporten er tilgjengelig på selskapets nettsider www.noratel.no.

FORSIKRINGSDEKNING

Det er tegnet ansvarsforsikring for styret i selskapet. Forsikringen omfatter formuestap som styret påfører selskapet.

YTRE MILJØ:

Virksomheten i konsernet har ingen nevneverdige utslipp til luft, vann eller grunn. Virksomheten produserer ikke spesialavfall. Metallavfall fra produksjonen blir levert til gjenvinning hos avfallsforretning. Emballasjeavfall og brennbar/nedbrytbart produksjonsavfall som ikke gjenbrukes/gjenvinnes leveres på godkjent avfallsplass. Det norske selskapet i konsernet er medlem av RENAS AS og Materialretur AS.

FORSKNINGS- OG UTVIKLINGSAKTIVITETER:

Konsernet har ikke hatt vesentlige kostnader til forsknings- og utviklingsaktiviteter i 2022/2023.

ØKONOMISK UTVIKLING

Selskapet hadde ingen omsetning i regnskapsåret og driftsresultatet ble negativt kr. -69 253. Årsresultatet ble kr. 120 182 336. Selskapets likviditet og egenkapital er tilfredsstillende.

**FREMTIDSUTSIKTER:**

Etter styrets mening gir fremlagte resultatregnskaper for selskapet med balanse og tilhørende noter rettvise informasjon om driften og stillingen ved årsskiftet.

FINANSIELL RISIKO:

Selskapet har ubetydelig valutaeksponering. Selskapet har kredittrisiko på utfån til andre selskaper i konsernet. Lånene løper med flytende rente.

Selskapet har betydelig lån og er derved eksponert mot renteendringer i kapitalmarkedet. Selskapets gjeld har flytende rente. Selskapet er i hovedsak finansiert ved lån fra konsernselskaper. Kreditrammene er fullt ut tilfredsstillende for selskapets behov. Det er etablert et konsernkontosystem for å styre likviditetsstrømmene i konsernet. Selskapet har pantsatt aksjer i datterselskapet som sikkerhet ovenfor långivere.

ÅRSRESULTAT OG DISPONERINGER

I 2023 hadde selskapet et resultat etter skattekostnad på kr 120 182 336 som foreslås disponert slik:

Disponering	Beløp
Tilleggsutbytte	109 000 000
Fra annen egenkapital	-11 182 336

Hokksund, 30.05.2023
Styret i Trafo Holding AS

Simon Mark Gibbins
Styreleder

Erling Christian Nasset
Styremedlem

Gregory Dominique Malherbe
Styremedlem



RESULTATREGNSKAP

TRAFO HOLDING AS

DRIFTSINNEKTER OG DRIFTSKOSTNADER	Note	2022/2023	2021/2020
Annen driftskostnad	1	69 253	58 685
Sum driftskostnader		69 253	58 685
Driftsresultat		-69 253	-58 685
FINANSINNEKTER OG FINANSKOSTNADER			
Inntekt på investering i datterselskap	2	123 800 000	115 000 000
Annen renteinntekt		1 438 062	171 607
Rentekostnad til foretak i samme konsern	2	4 926 450	3 373 333
Annen rentekostnad		6 704	0
Resultat av finansposter		120 304 908	111 798 274
Resultat før skattekostnad		120 235 655	111 739 589
Skattekostnad på resultat	3	53 319	2 582 710
Resultat		120 182 336	109 156 879
Årsresultat	4	120 182 336	109 156 879
OVERFØRINGER			
Tilleggsutbytte		109 000 000	72 500 000
Overført fra annen egenkapital		-11 182 336	-36 656 879
Sum overføringer		120 182 336	109 156 879

TRAFO HOLDING AS

SIDE 4



BALANSE

TRAFO HOLDING AS

EIENDELER	Note	31. mars 2023	31. mars 2022
ANLEGGSMIDLER			
FINANSIELLE ANLEGGSMIDLER			
Investeringer i datterselskap	5	353 692 501	353 692 501
Sum finansielle anleggsmidler		353 692 501	353 692 501
Sum anleggsmidler		353 692 501	353 692 501
OMLØPSMIDLER			
Andre kortsiktige fordringer		3 801 250	15 001 250
Sum fordringer		3 801 250	15 001 250
Bankinnskudd, kontanter o.l.		70 934 787	51 420 506
Sum omløpsmidler		74 736 037	66 421 756
Sum eiendeler		428 428 538	420 114 257

TRAFO HOLDING AS

SIDE 5



BALANSE

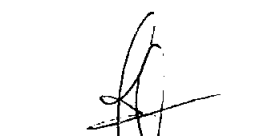
TRAFO HOLDING AS

EGENKAPITAL OG GJELD	Note	31. mars 2023	31. mars 2022
EGENKAPITAL			
INNSKUTT EGENKAPITAL			
Aksjekapital	6	215 545 458	215 545 458
Egne aksjer	6	-11 908	-11 908
Overkurs		72 513 835	72 513 835
Sum innskutt egenkapital		288 047 385	288 047 385
OPPTJENT EGENKAPITAL			
Annen egenkapital		47 839 215	36 656 879
Sum opptjent egenkapital		47 839 215	36 656 879
Sum egenkapital	4	335 886 600	324 704 264
GJELD			
ANNEN LANGSIKTIG GJELD			
Langsiktig konserngjeld	2	91 409 343	90 000 000
Sum annen langsiktig gjeld		91 409 343	90 000 000
KORTSIKTIG GJELD			
Leverandørgjeld		6 250	6 250
Betalbar skatt	3	1 104 057	5 379 833
Annen kortsiktig gjeld		22 288	23 910
Sum kortsiktig gjeld		1 132 595	5 409 993
Sum gjeld		92 541 939	95 409 993
Sum egenkapital og gjeld		428 428 538	420 114 257

Hokksund, 30.05.2023
Styret i Trafo Holding AS


Simon Mark Gibbins
Styreleder


Erling Christian Nesset
Styremedlem


Gregory Dominique Malherbe
Styremedlem

TRAFO HOLDING AS

SIDE 6



INDIREKTE KONTANTSTRØM

TRAFO HOLDING AS

	Note	2022/2023	2021/2022
KONTANTSTRØMMER FRA OPERASJONELLE AKTIVITETER			
Resultat før skattekostnad		120 235 655	111 739 589
Periodens betalte skatt		4 329 095	11 938
Endring i leverandørgjeld		0	6 250
Endring i andre tidsavgrensningsposter		12 607 721	2 747 001
Netto kontantstrøm fra operasjonelle aktiviteter		128 514 281	114 480 902
KONTANTSTRØMMER FRA FINANSIERINGSAKTIVITETER			
Utbetalinger ved nedbetaling av langsiktig gjeld		0	8 453 025
Utbetalinger av utbytte		109 000 000	72 500 000
Netto kontantstrøm fra finansieringsaktiviteter		-109 000 000	-80 953 025
Netto endring i kontanter og kontantekvivalenter		19 514 281	33 527 877
Beh. av kont. og kontantekvivalenter ved per. begynnel		51 420 506	17 892 629
Beh. av kont. og kontantekvivalenter ved per. slutt		70 934 787	51 420 506

TRAFO HOLDING AS

SIDE 7



Regnskapsprinsipper

Årsregnskapet er satt opp i samsvar med regnskapslovens bestemmelser og god regnskapsskikk.

BRUK AV ESTIMATER

I utarbeidelse av årsregnskapet har man brukt estimater og forutsetninger som har påvirket resultatregnskapet og verdsettelsen av eiendeler og gjeld, samt usikre eiendeler og forpliktelser på balansedagen i henhold til god regnskapsskikk. Områder som i stor grad inneholder slike skjønnsmessige vurderinger, høy grad av kompleksitet, eller områder hvor forutsetninger og estimater er vesentlige for årsregnskapet, er beskrevet i notene.

SKATT

Skattekostnaden i resultatregnskapet omfatter både periodens betalbare skatt og endring i utsatt skatt. Utsatt skatt er beregnet med 22 % på grunnlag av de midlertidige forskjeller som eksisterer mellom regnskapsmessige og skattemessige verdier, samt ligningsmessig underskudd til fremføring ved utgangen av regnskapsåret. Skatteøkende og skattereduserende midlertidige forskjeller som reverserer eller kan reverseres i samme periode er utlignet og nettoført. Netto utsatt skattefordel balanseføres i den grad det er sannsynlig at denne kan bli utnyttet.

KLASSIFISERING OG VURDERING AV OMLØPSMIDLER

Omløpsmidler og kortsiktig gjeld omfatter normalt poster som forfaller til betaling innen ett år etter balansedagen, samt poster som knytter seg til varekretsløpet. Omløpsmidler vurderes til laveste verdi av anskaffelseskost og virkelig verdi. Kortsiktig gjeld balanseføres til nominelt beløp på transaksjonstidspunktet.

DATTERSELSKAP OG TILKNYTTET SELSKAP

Datterselskap og tilknyttede selskaper vurderes etter kostmetoden i selskapsregnskapet. Investeringen er vurdert til anskaffelseskost for aksjene med mindre nedskrivning har vært nødvendig. Det er foretatt nedskrivning til virkelig verdi når verdifall skyldes årsaker som ikke kan forventes å være forbigående og det må anses nødvendig etter god regnskapsskikk. Nedskrivninger er reversert når grunnlaget for nedskrivning ikke lenger er til stede.

Utbytte, konsernbidrag og andre utdelinger fra datterselskap er inntektsført samme år som det er avsatt i givers regnskap. Overstiger utbytte / konsernbidraget andelen av opptjent resultat etter anskaffelsestidspunktet, representerer den overskytende del tilbakebetaling av investert kapital, og utdelingene er fratrukket investeringens verdi i balansen til morselskapet.

FORDRINGER

Kundefordringer og andre fordringer oppføres til pålydende etter fradrag for avsetning til forventet tap. Avsetning til tap gjøres på grunnlag av en individuell vurdering av de enkelte fordringene. For øvrige kundefordringer utføres en uspesifisert avsetning for å dekke forventet tap på krav.

KONTANTSTRØMOPPSTILLING

Kontantstrømoppstillingen er utarbeidet etter den indirekte metoden. Kontanter og kontantekvivalenter omfatter kontanter, bankinnskudd og andre kortsiktige, likvide plasseringer.



Note 1 Lønnskostnader

Trafo Holding AS har ikke hatt lønns- eller personalkostnader i 2022/2023 og det foreligger heller ingen slike forpliktelser. Foretaket er således ikke pliktig til å ha tjenstepensjonsordning etter lov om obligatorisk tjenstepensjon.

Godtgjørelse til revisor er fordelt på følgende:

	2022/2023
Lovpålagt revisjon	29 000

Note 2 Nærstående parter

Mellomværende med selskap i samme konsern	31.03.2023	31.03.2022
Gjeld		
Langsiktig lån fra DiscoverIE	-91 409 343	-90 000 000
Sum	-91 409 343	-90 000 000

Lånet fra DiscoverIE er belastet med kr. 4 926 450 i renter for regnskapsåret 2022/2023, for regnskapsåret 2021/2022 ble det belastet kr. 3 373 333.

Det er inntektsført konsernbidrag og utbytte fra datterselskap med kr 123 800 000 for regnskapsåret 2022/2023 og kr 115 000 000 i for regnskapsåret 2021/2022.

Konsernregnskap

Selskapet er morselskap i konsern. Selskapet er datterselskap av Discoverie Nordic Holdings Ltd, England (UK). Selskapet utarbeider ikke eget konsernregnskap da konsernet konsolideres inn i DiscoverIE. Konsernregnskapet er tilgjengelig på morselskapets web-sider.



Note 3 Skatt

Årets skattekostnad	2022/2023	2021/2022
Resultatført skatt på ordinært resultat:		
Betalbar skatt	53 319	2 495 346
Endring i utsatt skattefordel	0	87 364
Skattekostnad ordinært resultat	53 319	2 582 710
Skattepliktig inntekt:		
Ordinært resultat før skatt	120 235 655	111 739 589
Permanente forskjeller	-119 993 296	-100 000 000
Avskåret rentefradrag	0	-397 109
Skattepliktig inntekt	242 359	11 342 480
Betalbar skatt i balansen:		
Betalbar skatt på årets resultat	-782 681	-804 654
Betalbar skatt på mottatt konsernbidrag	836 000	3 300 000
Skyldig ilignet skatt fra tidligere år	1 050 738	2 884 487
Sum betalbar skatt i balansen	1 104 057	5 379 833
Beregning av effektiv skattesats		
Resultat før skatt	120 235 655	111 739 589
Beregnet skatt av resultat før skatt	26 451 844	24 582 710
Skatteeffekt av permanente forskjeller	-26 398 525	-22 000 000
Sum	53 319	2 582 710
Effektiv skattesats	0,0 %	2,3 %

Skatteeffekten av midlertidige forskjeller som har gitt opphav til utsatt skatt og utsatte skattefordeler, spesifisert på typer av midlertidige forskjeller

	31. mars 2023	31. mars 2022	Endring
Utsatt skatt (22 %)	0	0	0

Note 4 Egenkapital

	Aksjekapital	Overkurs	Egne aksjer	Annen egenkapital	Sum egenkapital
Pr 01.04.2022	215 545 458	72 513 835	-11 908	36 656 879	324 704 264
Årets resultat	0	0	0	120 182 336	120 182 336
Utbytte	0	0	0	-109 000 000	-109 000 000
Pr 31.03.2023	215 545 458	72 513 835	-11 908	47 839 215	335 886 600



Note 5 Datterselskap, TS og FKV

	Kontor- kommune	Eier- andel	Anskaffelses kost	Balanseført verdi	Egenkapital	Resultat
Noratel AS	HOKKSUND	100,0 %	353 692 501	353 692 501	237 762 935	182 790 197
Sum			353 692 501	353 692 501	237 762 935	182 790 197

Aksjer i datterselskap er stilt som sikkerhet for konsernets gjeld.

Note 6 Aksjonærer

AKSJEKAPITALEN I TRAFØ HOLDING AS PR. 31.03 BESTÅR AV:

	Antall	Pålydende	Bokført
Ordinære aksjer	215 545 458	1,00	215 545 458
Sum		215 545 458	215 545 458

EIERSTRUKTUR

De største aksjonærene i % pr. 31.03 var:

	Ordinære	Eierandel	Stemmeandel
DISCOVERIE NORDIC HOLDINGS LTD.	215 533 550	100,0	100,0
Sum >1% eierandel	215 533 550	100,0	100,0
Sum øvrige (Egne aksjer)	11 908	0	0
Totalt antall aksjer	215 545 458	100,0	100,0