



# Engineering our future

Spirax Group Annual Report 2023



**Our colleagues**  
Empowering future  
leaders

+ See pages 16-17



**Our customers**  
Developing  
solutions for future  
customer needs

+ See pages 58-59



**Our communities**  
Enabling future  
generations

+ See pages 82-83

# Engineering our future through continuity and progression

The decisions we have taken over the course of our history enable our sustainable growth, influence the value we create and have a lasting impact for our stakeholders in the future.



**Our environment**  
The future of  
sustainable steam

+ See pages 92-93



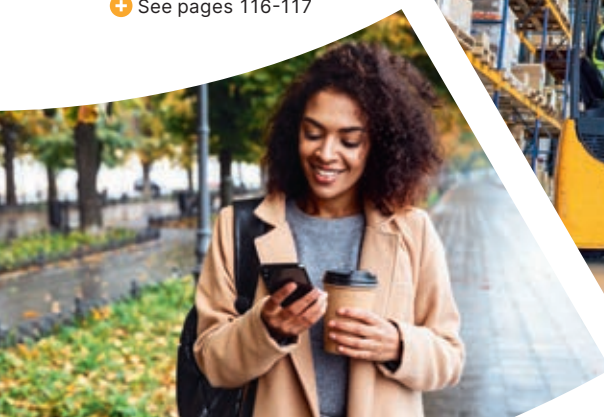
**Our suppliers**  
Embedding  
sustainability into  
our future

+ See pages 96-97



**Our shareholders**  
Engineering our  
future, together

+ See pages 116-117



# Financial Statements

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# Independent Auditor's Report

## To the members of Spirax-Sarco Engineering plc

### Report on the audit of the Financial Statements

#### 1. Opinion

In our opinion:

- the Financial Statements of Spirax-Sarco Engineering plc (the 'Parent Company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023 and of the Group's profit for the year then ended;
- the Group Financial Statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the Parent Company Financial Statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the Financial Statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the Financial Statements which comprise:

- the Consolidated and Parent Company Statements of Financial Position;
- the Consolidated Income Statement;
- the Consolidated Statement of Comprehensive Income;
- the Consolidated and Parent Company Statements of Changes in Equity;
- the Consolidated Statement of Cash Flows;
- the related notes 1 to 27 to the Consolidated Financial Statements and 1 to 11 for the Parent Company Financial Statements.

The financial reporting framework that has been applied in the preparation of the Group Financial Statements is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the Parent Company Financial Statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

#### 2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the Financial Statements section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the Financial Statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and Parent Company for the year are disclosed in note 6 to the Financial Statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the Parent Company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### 3. Summary of our audit approach

<b>Key audit matters</b>	The key audit matters that we identified in the current year were: <ul style="list-style-type: none"> <li>• goodwill valuation for the Electric Thermal Solutions (ETS) group cash generating units (CGU);</li> <li>• defined benefit pension liability valuation for certain schemes; and</li> <li>• revenue recognition in relation to cut off for certain components.</li> </ul>
<b>Materiality</b>	The materiality that we used in the current year was £16.0m (2022: £17.8m) which was determined on the basis of 5% of forecast adjusted profit before tax.
<b>Scoping</b>	We completed full scope audit work on 24 reporting entities and specified audit procedures were performed on 16 reporting entities. Our full scope and specified audit procedures covered 72% of total Group revenue and 81% of adjusted profit before tax.
<b>Significant changes in our approach</b>	In the prior year, we identified the purchase price accounting for the acquisition of Vulcanic as a key audit matter but this has been removed given there have been no significant acquisitions for the Group during 2023.

#### 4. Conclusions relating to going concern

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.

Our evaluation of the Directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included:

- evaluated the financing facilities available to the Group including nature of facilities, repayment terms and covenants;
- considered the business model and principal risks and uncertainties;
- challenged the assumptions used in the forecasts by reference to historical performance, trading run rate, and other supporting evidence, such as the current macroeconomic environment;
- recalculated and assessed the amount of headroom in the forecasts (cash and covenants);
- performed a sensitivity analysis to consider specific scenarios including a reverse stress test; and
- assessed the appropriateness of the going concern 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 Parent 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 relation to the reporting on how the Group has 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.

#### 5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) that we identified. These matters included 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 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.

##### 5.1. Goodwill valuation for the Electrical Thermal Solutions (ETS) group of CGU

<b>Key audit matter description</b>	<p>The Group holds £680.5m (2022: £703.3m) of goodwill. The value of goodwill for the ETS group of CGU as at the balance sheet date was £494.7m (2022: £514.9m). Management performs an impairment review of the carrying value of each CGU on an annual basis in line with the requirements of IAS 36. The impairment assessment involves judgement in considering whether the carrying value of the CGU is recoverable.</p> <p>There is a high level of judgement surrounding the valuation of goodwill due to the significant growth anticipated in management forecasts. Key judgements include assumptions in estimating future revenue and earnings before interest and tax (EBIT) margins in the short term (2024-2028), alongside setting an appropriate discount rate. We have identified a key audit due to sensitivity of these assumptions.</p> <p>The Audit Committee Report on page 138 refers to impairment of goodwill and other intangibles as an area considered by the Audit Committee. Note 1 to the Consolidated Financial Statements sets out the Group's accounting policy for testing of goodwill for impairment. The basis for the impairment reviews is outlined in Note 14 to the Consolidated Financial Statements, including details of the discount rates and growth rates used. Note 14 to the Consolidated Financial Statements also includes details of the extent to which the CGU to which the goodwill and other intangible assets are allocated are sensitive to changes in the key inputs.</p>
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## Independent Auditor's Report continued

<b>How the scope of our audit responded to the key audit matter</b>	<p>In response to the key audit matter identified, we performed the following procedures:</p> <ul style="list-style-type: none"> <li>• obtained an understanding and assessed relevant controls relating to the goodwill impairment review process;</li> <li>• assessed the integrity of management's impairment model through testing of the mechanical accuracy and evaluating the application of the input assumptions;</li> <li>• assessed the revenue and EBIT growth assumptions, held meetings with finance and commercial management and visited two facilities within the ETS Business (Ogden and Durex Industries) to challenge and understand the growth assumptions within the impairment model;</li> <li>• considered external evidence, such as forecast IP and GDP growth, market reports and order intake, to assess accuracy and reasonableness of management's forecasts;</li> <li>• compared the change in model assumptions from 2022 and understood the driver of any variances;</li> <li>• evaluated historical forecasting accuracy by comparing prior year plans to actual results achieved;</li> <li>• with the involvement from our internal valuations specialist, we assessed the discount rate used utilising their knowledge and expertise;</li> <li>• performed a sensitivity analysis on the assumptions used within the model;</li> <li>• completed a stand back review by evaluating the reasonableness of the assumptions in aggregate, by comparing the EBIT multiple of ETS to the EBIT multiple of the Group and enterprise value to the value in use; and</li> <li>• assessed the appropriateness of the related disclosures.</li> </ul>
<b>Key observations</b>	<p>From the work performed above we are satisfied that the value in use used in the goodwill impairment review for the ETS Group of CGUs supports the carrying value. This was on the basis that the key assumptions, applied, when taken in aggregate, are within our acceptable range. We consider the related disclosures to be appropriate.</p>

### 5.2. Defined benefit pension liability valuation for certain schemes

<b>Key audit matter description</b>	<p>At 31st December 2023 the gross retirement benefit liability recognised in the Consolidated Statement of Financial Position was £388.9m (2022: £393.7m). There is a risk of material misstatement relating to the judgements made by management in valuing the defined benefit pension liabilities including the use of key model input assumptions specifically the discount rates, mortality assumptions and inflation rates over the four main schemes (three in the UK and one in the USA). These variables can have a material impact in calculating the quantum of the retirement benefit liability. Management involved third party actuaries to complete valuations of the pension liabilities.</p> <p>Refer to Note 1 for the Group's policy on defined benefit plans and post-retirement benefit key sources of estimation uncertainty, Note 22 for the financial disclosure including the key estimates and assumptions used in the defined benefit pension plan valuation and the significant issues section of the Audit Committee Report on page 144.</p>
<b>How the scope of our audit responded to the key audit matter</b>	<p>We have obtained an understanding and assessed relevant controls relating to the pensions cycle.</p> <p>We involved our internal actuarial specialists to assess key assumptions applied in determining the pension obligations for the four main pension schemes, and determined whether the key assumptions are reasonable. Testing covered 93.6% (2022: 93.9%) of defined benefit pension liabilities and is explained in more detail below.</p> <p>For each of the four schemes, we challenged management's key assumptions by reference to illustrative benchmark rates, sensitising any difference between management's rates and the illustrative benchmark rates. Additionally, we benchmarked the key assumptions against other listed companies to check for any outliers in the data used.</p> <p>We also evaluated the management expert's competence, capabilities and objectivity and assessed their reports considering compliance with IAS 19 and IFRIC 14 and have considered the appropriateness of the related disclosures.</p>
<b>Key observations</b>	<p>From the work performed, we are satisfied that the valuation of the defined benefit pension liability is appropriate and the key assumptions applied in respect of the valuation of the schemes' liabilities are reasonable.</p>

**5. Key audit matters** continued

**5.3. Revenue recognition in relation to cut off for certain components**

<b>Key audit matter description</b>	<p>The Group policy is to recognise revenue when performance obligations have been fulfilled which, in the majority of cases, is at time of dispatch ('ex works') or at time of delivery ('FOB'). We have identified a key audit matter relating to a risk of material misstatement due to fraud in relation to cut off for revenue recognition.</p> <p>In particular, we have identified a risk on revenue in components where external revenue recognised in December 2023 is both above the component's materiality and contributes a higher proportion (10% or more) of annual external revenue compared to the rest of the year. The risk for these components focuses on the recognition of revenue by reference to the contracted shipping terms and meeting the performance obligations for product despatches and deliveries spanning year end.</p> <p>Refer to Note 1 for the Group's revenue recognition policy and the significant issues section of the Audit Committee Report on page 144.</p>
<b>How the scope of our audit responded to the key audit matter</b>	<p>Our audit response at the relevant components consisted of several procedures including:</p> <ul style="list-style-type: none"> <li>• obtained an understanding and assessed relevant controls relating to the revenue cycle;</li> <li>• evaluated the product despatch cycle and revenue recognition profile across the year-end period;</li> <li>• evaluated a sample of items by assessing whether the performance obligation was met in line with the revenue recognition date in accordance with the terms of trade with customers; and</li> <li>• assessed the appropriateness of the related disclosures.</li> </ul>
<b>Key observations</b>	<p>From the procedures performed above, we consider that revenue across the Group has been appropriately recognised and that the year-end cut off is materially accurate.</p>

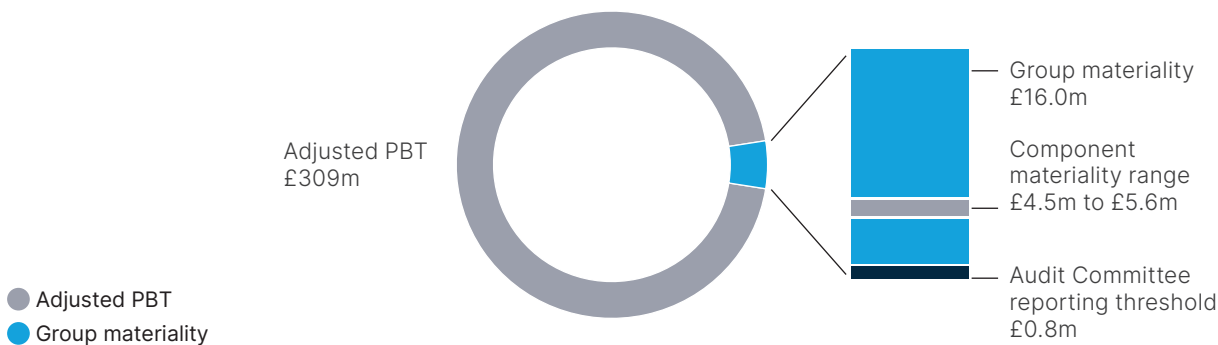
**6. Our application of materiality**

**6.1. Materiality**

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

	<b>Group Financial Statements</b>	<b>Parent Company Financial Statements</b>
<b>Materiality</b>	£16.0m (2022: £17.8m)	£5.6m (2022: £6.2m)
<b>Basis for determining materiality</b>	We determined materiality on the basis of 5% of forecasted adjusted profit before tax (2022: 5% of forecast adjusted profit before tax), this represents 5.2% of final adjusted profit before tax, as defined in the Alternative Performance Measures appendix.	Parent Company materiality is set at 3% of net assets (2022: 3% of net assets), which is capped at 50% of the Group performance materiality. This is consistent with prior year.
<b>Rationale for the benchmark applied</b>	We have used adjusted profit before tax for determining materiality. This is considered to be a key benchmark as this metric is important to the users of the Financial Statements (investors and analysts being the key users for a listed entity) because it portrays the performance of the business and hence its ability to pay a return on investment to the investors.	We have considered net assets as the appropriate measure given the Parent Company is primarily a holding Company for the Group.



## Independent Auditor’s Report continued

### 6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the Financial Statements as a whole.

	Group Financial Statements	Parent Company Financial Statements
<b>Performance materiality</b>	70% (2022: 70%) of Group materiality	70% (2022: 70%) of Parent Company materiality
<b>Basis and rationale for determining performance materiality</b>	In determining performance materiality, we considered our risk assessment, including our assessment of the Group’s overall control environment and the level of corrected and uncorrected misstatements identified in previous audits. We have also considered changes in key management personnel of the Group.	

### 6.3. Error reporting threshold

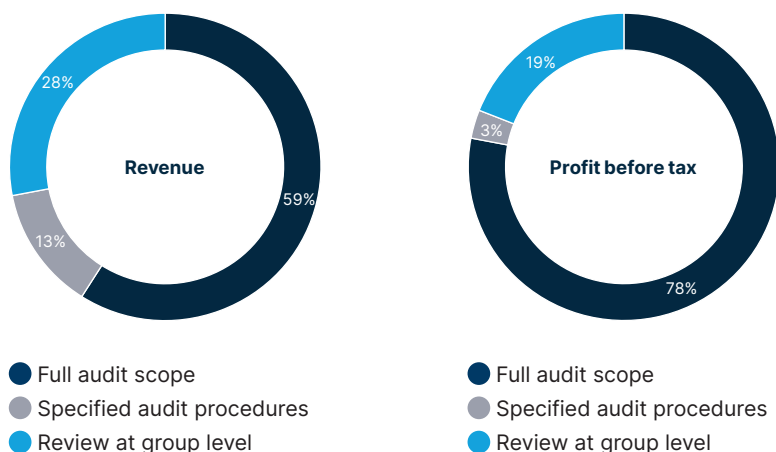
We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £800,000 (2022: £890,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the Financial Statements.

## 7. An overview of the scope of our audit

### 7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Based on that assessment, we focused our Group audit scope primarily on the audit work at 40 components (2022: 34 components). 24 (2022: 24) of these were subject to a full audit, whilst the remaining 16 components (2022: 10 components) were subject to specified audit procedures where the extent of our testing was based on our assessment of the risks of material misstatement and of the materiality of the Group’s operations at those components. These components represent the principal business units and account for 72% (2022: 73%) of the Group’s revenue and 81% (2022: 85%) of the adjusted profit before tax. They were also selected to provide an appropriate basis for undertaking audit work to address the risks of material misstatement identified above. Our Group audit scoping remained consistent with prior year, except for changes made to reflect the material contribution from the Vulcanic and Durex Industries acquisitions which ensured that we maintained our overall coverage, particularly within the ETS division. The Parent Company is located in the UK and is audited directly by the Group audit team. Our work on the components, including the Parent Company, was executed at levels of materiality applicable to each individual component, which were lower than Group materiality and ranged from £4.5m to £5.6m (2022: £5.0m to £6.2m).

At the Parent Company level, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.





## 7. An overview of the scope of our audit continued

### 7.2. Our consideration of the control environment

The Group operates a range of IT systems which underpin the financial reporting processes. This can vary by geography and/or reporting entity. For certain components subject to full scope audits, we identified relevant IT systems for the purpose of our audit work. These were typically the principal Enterprise Resource Planning (ERP) systems for each relevant component that govern the general ledger and transaction accounting balances and also included the Group's consolidation system. Our approach was principally designed to inform our risk assessment and, as such, with the involvement of our IT specialists we obtained an understanding of relevant IT controls and tested the general IT controls for some operating entities.

In the current year we did not plan to rely on the operating effectiveness of controls (automated or otherwise). This strategy reflected our historical knowledge of the: disaggregated nature of the control environment, which brings inherent segregation of duty challenges in certain smaller businesses; limited formality of the control environment specifically around retention of evidence of a control's operation sufficient for testing purposes; and our understanding of the Group's business transformation programme to upgrade legacy systems, including gaps in associated user access and change management controls. This understanding was reconfirmed in the current year and was factored into our planned audit approach and risk assessment.

The Group-wide G3 programme seeks to enhance the internal control framework and has both IT and business control aspects that span multi-years. Therefore, in addition to the audit work on IT controls described above, additional audit work on controls was limited to obtaining an understanding of the relevant controls in key financial reporting process cycles to inform our risk assessment.

The Group continues to invest time in responding to and addressing our observations on IT and entity level controls. Management determines their response to these observations and continues to monitor their resolution with reporting to and oversight from the Audit Committee as explained in the Audit Committee report on page 138, which includes consideration of developments in control in the context of the recent FRC guidance and changes to the Combined Code. As management develops and completes the business transformation project, we expect our audit approach to evolve in future years alongside these developments in the internal control environment.

### 7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Group's business and its Financial Statements.

The Group has assessed the risk and opportunities relevant to climate change which has been included as an emerging risk across the Group. This risk has also been considered and embedded into the businesses as explained in the Strategic Report on page 99.

As a part of our audit procedures, we have obtained management's risk register and held discussions with those charged with governance to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group's Financial Statements. While management has acknowledged that the transition and physical risks posed by climate change have the potential to impact the medium to long term success of the business, they have assessed that there is no material impact arising from climate change on the judgements and estimates determining the valuations within the Financial Statements as at 31 December 2023 as explained in Note 1.

We performed our own qualitative risk assessment of the potential impact of climate change on the Group's account balances and classes of transaction, and did not identify any additional risks of material misstatement. We have also evaluated the appropriateness of disclosures included in the Financial Statements and read climate-related disclosures included in the Strategic Report to consider whether they are materially consistent with the disclosures made in Financial Statements and our knowledge obtained in the audit.

### 7.4. Working with other auditors

The Group audit was conducted exclusively by a global network of Deloitte member firms under the direction and supervision of the UK Group audit team. Dedicated members of the Group audit team were assigned to each component to facilitate an effective and consistent approach to component oversight. We reviewed the work performed by component teams and discussed the results with them. We maintained regular communication between the Group and component teams and remote access to relevant documents was provided.

## 8. Other information

The other information comprises the information included in the annual report, other than the Financial Statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the Financial Statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the Financial Statements themselves. 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 in this regard.

## Independent Auditor's Report continued

### 9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 Parent 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 and the Parent Company or to cease operations, or have no realistic alternative but to do so.

### 10. Auditor's 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 auditor's 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.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### 11. Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

#### 11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board on 6 March 2024;
- results of our enquiries of management, internal audit, the Directors and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, pensions and IT specialists regarding how and where fraud might occur in the Financial Statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: revenue recognition in relation to cut-off for certain components. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the Financial Statements. The key laws and regulations we considered in this context included the Companies Act, Listing Rules, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the Financial Statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

## 11. Extent to which the audit was considered capable of detecting irregularities, including fraud *continued*

### 11.2. Audit response to risks identified

As a result of performing the above, we identified revenue recognition in relation to cut-off for certain components as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the Financial Statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the Financial Statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialist and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

## Report on other legal and regulatory requirements

### 12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

### 13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

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 with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 41;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 42;
- the directors' statement on fair, balanced and understandable set out on page 108;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 152;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on pages 152 and 153; and
- the section describing the work of the Audit Committee set out on page 138.

## Independent Auditor's Report continued

### 14. Matters on which we are required to report by exception

#### 14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company Financial Statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

#### 14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

### 15. Other matters which we are required to address

#### 15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Directors and subsequently at the Annual General Meeting on 11 May 2014 to audit the Financial Statements for the year ending 31 December 2014 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 10 years, covering the years ending 31 December 2014 to 31 December 2023.

#### 15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

#### 16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.15R – DTR 4.1.18R, these Financial Statements will form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

#### Andrew Bond, FCA

(Senior statutory auditor)

For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom

6 March 2024

# Consolidated Statement of Financial Position

at 31st December 2023

	Notes	2023 £m	2022 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12	415.1	384.5
Right-of-use assets	13	98.4	67.2
Goodwill	14	680.5	703.3
Other intangible assets	14	448.8	500.3
Prepayments		1.9	2.0
Investment in Associate	11	3.0	—
Taxation recoverable		4.9	5.1
Deferred tax assets	15	31.0	69.0
		<b>1,683.6</b>	1,731.4
<b>Current assets</b>			
Inventories	16	285.2	290.0
Trade receivables	27	299.8	341.1
Other current assets	17	71.4	79.6
Taxation recoverable		8.7	13.9
Cash and cash equivalents	23	359.7	328.9
		<b>1,024.8</b>	1,053.5
<b>Total assets</b>		<b>2,708.4</b>	2,784.9
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	251.2	283.0
Provisions	19	9.5	12.0
Bank overdrafts	23	146.9	85.1
Current portion of long-term borrowings	23	3.6	202.9
Short-term lease liabilities	23	14.5	14.1
Current tax payable		28.3	40.4
		<b>454.0</b>	637.5
<b>Net current assets</b>		<b>570.8</b>	416.0
<b>Non-current liabilities</b>			
Long-term borrowings	23	875.9	731.3
Long-term lease liabilities	23	82.2	51.1
Deferred tax liabilities	15	68.2	128.1
Post-retirement benefits	22	51.4	52.1
Provisions	19	7.6	6.2
Long-term payables		11.4	8.8
		<b>1,096.7</b>	977.6
<b>Total liabilities</b>		<b>1,550.7</b>	1,615.1
<b>Net assets</b>	2	<b>1,157.7</b>	1,169.8
<b>Equity</b>			
Share capital	20	19.8	19.8
Share premium account		90.1	88.1
Translation reserve	20	(60.4)	17.5
Other reserves	20	(12.9)	(23.4)
Retained earnings		1,120.3	1,067.0
Equity shareholders' funds		<b>1,156.9</b>	1,169.0
Non-controlling interest		0.8	0.8
<b>Total equity</b>		<b>1,157.7</b>	1,169.8
<b>Total equity and liabilities</b>		<b>2,708.4</b>	2,784.9

These Financial Statements of Spirax-Sarco Engineering plc, company number 00596337, were approved by the Board of Directors and authorised for issue on 6th March 2024 and signed on its behalf by:

**N.B. Patel**  
Director

## Consolidated Income Statement

for the year ended 31st December 2023

	Notes	2023 £m	2022 £m
<b>Revenue</b>	2	<b>1,682.6</b>	1,610.6
Operating costs	3	<b>(1,398.2)</b>	(1,291.8)
<b>Operating profit</b>	2	<b>284.4</b>	318.8
Financial expenses		<b>(51.2)</b>	(16.3)
Financial income		<b>11.3</b>	5.6
Net financing expense	2, 5	<b>(39.9)</b>	(10.7)
Share of profit/(loss) of Associate	11	<b>—</b>	—
<b>Profit before taxation</b>	6	<b>244.5</b>	308.1
Taxation	8	<b>(60.5)</b>	(83.1)
<b>Profit for the year</b>		<b>184.0</b>	225.0
Attributable to:			
Equity shareholders		<b>183.6</b>	224.7
Non-controlling interest		<b>0.4</b>	0.3
<b>Profit for the year</b>		<b>184.0</b>	225.0
<b>Earnings per share</b>	9		
Basic earnings per share		<b>249.5p</b>	305.1p
Diluted earnings per share		<b>248.9p</b>	304.4p
<b>Dividends</b>	10		
Dividends per share		<b>160.0p</b>	152.0p
Dividends paid during the year (per share)		<b>155.5p</b>	140.0p

The Notes on pages 200 to 239 form an integral part of the Financial Statements.

## Consolidated Statement of Comprehensive Income

for the year ended 31st December 2023

	Notes	2023 £m	2022 £m
<b>Profit for the year</b>		<b>184.0</b>	225.0
Items that will not be reclassified to profit or loss:			
Remeasurement loss on post-retirement benefits	22	(3.8)	(8.3)
Deferred tax on remeasurement loss on post-retirement benefits	22	1.1	1.8
		<b>(2.7)</b>	(6.5)
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation and net investment hedges (loss)/gain	20	(77.9)	54.8
Transfer to Consolidated Income Statement of cumulative translation differences on disposal of subsidiaries	26	—	3.2
Gain/(loss) on cash flow hedges net of tax	20, 27	5.0	(3.5)
		<b>(72.9)</b>	54.5
<b>Total comprehensive income for the year</b>		<b>108.4</b>	273.0
Attributable to:			
Equity shareholders		<b>108.0</b>	272.7
Non-controlling interest		<b>0.4</b>	0.3
<b>Total comprehensive income for the year</b>		<b>108.4</b>	273.0

## Consolidated Statement of Changes in Equity

for the year ended 31st December 2023

	Notes	Share capital £m	Share premium account £m	Translation reserve £m	Other reserves £m	Retained earnings £m	Equity shareholders' funds £m	Non-controlling interest £m	Total equity £m
<b>Balance at 1st January 2023</b>		<b>19.8</b>	<b>88.1</b>	<b>17.5</b>	<b>(23.4)</b>	<b>1,067.0</b>	<b>1,169.0</b>	<b>0.8</b>	<b>1,169.8</b>
<b>Profit for the year</b>		—	—	—	—	<b>183.6</b>	<b>183.6</b>	<b>0.4</b>	<b>184.0</b>
Other comprehensive (expense)/ income:									
Foreign exchange translation and net investment hedges loss*									
	20	—	—	(77.9)	—	—	(77.9)	—	(77.9)
	22	—	—	—	—	(3.8)	(3.8)	—	(3.8)
	15, 22	—	—	—	—	1.1	1.1	—	1.1
	20, 27	—	—	—	5.0	—	5.0	—	5.0
<b>Total other comprehensive (expense)/ income for the year</b>		—	—	(77.9)	5.0	(2.7)	(75.6)	—	(75.6)
<b>Total comprehensive (expense)/ income for the year</b>		—	—	(77.9)	5.0	180.9	108.0	0.4	108.4
Contributions by and distributions to owners of the Company:									
Dividends paid									
	10	—	—	—	—	(114.5)	(114.5)	(0.4)	(114.9)
Equity settled share plans net of tax									
	20	—	2.0	—	—	(13.1)	(13.1)	—	(13.1)
Employee Benefit Trust shares									
	20	—	—	—	5.5	—	5.5	—	5.5
<b>Balance at 31st December 2023</b>		<b>19.8</b>	<b>90.1</b>	<b>(60.4)</b>	<b>(12.9)</b>	<b>1,120.3</b>	<b>1,156.9</b>	<b>0.8</b>	<b>1,157.7</b>

\* During the year, there has been a reclassification in relation to prior year deferred tax on cash flow hedges of £0.9m

Other reserves represent the Group's cash flow hedges, capital redemption and Employee Benefit Trust reserves (see Note 20). The non-controlling interest is a 2.5% share of Spirax Sarco Korea Ltd.

## Consolidated Statement of Changes in Equity

for the year ended 31st December 2022

	Notes	Share capital £m	Share premium account £m	Translation reserve £m	Other reserves £m	Retained earnings £m	Equity shareholders' funds £m	Non- controlling interest £m	Total equity £m
<b>Balance at 1st January 2022</b>		19.8	86.3	(40.5)	(17.7)	961.1	1,009.0	1.0	1,010.0
<b>Profit for the year</b>		—	—	—	—	224.7	224.7	0.3	225.0
Other comprehensive income/ (expense):									
Foreign exchange translation and net investment hedges gain	20	—	—	54.8	—	—	54.8	—	54.8
Transfer to Consolidated Income Statement of cumulative translation differences on disposal of subsidiaries	20,26	—	—	3.2	—	—	3.2	—	3.2
Remeasurement loss on post-retirement benefits	22	—	—	—	—	(8.3)	(8.3)	—	(8.3)
Deferred tax on remeasurement loss on post-retirement benefits	15,22	—	—	—	—	1.8	1.8	—	1.8
Loss on cash flow hedges net of tax	20,27	—	—	—	(3.5)	—	(3.5)	—	(3.5)
<b>Total other comprehensive income/ (expense) for the year</b>		—	—	58.0	(3.5)	(6.5)	48.0	—	48.0
<b>Total comprehensive income/ (expense) for the year</b>		—	—	58.0	(3.5)	218.2	272.7	0.3	273.0
Contributions by and distributions to owners of the Company:									
Dividends paid	10	—	—	—	—	(103.1)	(103.1)	(0.5)	(103.6)
Equity settled share plans net of tax		—	—	—	—	(9.2)	(9.2)	—	(9.2)
Issue of share capital	20	—	1.8	—	—	—	1.8	—	1.8
Employee Benefit Trust shares	20	—	—	—	(2.2)	—	(2.2)	—	(2.2)
<b>Balance at 31st December 2022</b>		19.8	88.1	17.5	(23.4)	1,067.0	1,169.0	0.8	1,169.8



# Consolidated Statement of Cash Flows

for the year ended 31st December 2023

	Notes	2023 £m	2022 £m
<b>Cash flows from operating activities</b>			
Profit before taxation		244.5	308.1
Depreciation, amortisation and impairment	2,3	112.7	81.0
Loss/(profit) on disposal of property, plant and equipment	6	0.1	(1.4)
Cash payments to the pension schemes greater than the charge to operating profit	22	(5.7)	(5.3)
(Profit)/loss on disposal of businesses		(0.4)	7.0
Acquisition-related costs		4.3	3.8
Restructuring-related provisions and current asset impairments		(3.0)	10.2
Equity settled share plans	22	6.1	8.9
Net financing expense	5	39.9	10.7
<b>Operating cash flow before changes in working capital and provisions</b>		<b>398.5</b>	423.0
Decrease/(increase) in trade and other receivables		12.6	(56.3)
(Increase)/decrease in inventories		(13.1)	(58.3)
Increase/(decrease) in provisions		2.9	(0.8)
(Decrease)/increase in trade and other payables		(11.6)	23.5
<b>Cash generated from operations</b>		<b>389.3</b>	331.1
Income taxes paid		(90.7)	(90.0)
<b>Net cash from operating activities</b>		<b>298.6</b>	241.1
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	12	(84.0)	(104.3)
Proceeds from sale of non-current assets		3.1	4.0
Purchase of software and other intangibles	14	(14.2)	(8.9)
Development expenditure capitalised	14	(7.2)	(4.3)
Disposal of businesses		0.5	(2.8)
Acquisition of businesses net of cash acquired	25	(5.2)	(460.3)
Interest received	5	11.3	5.6
<b>Net cash used in investing activities</b>		<b>(95.7)</b>	(571.0)
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	20	2.0	1.8
Employee Benefit Trust share purchase		(12.8)	(20.8)
Repaid borrowings	23	(221.1)	(511.1)
New borrowings	23	192.8	1,008.8
Interest paid and interest on lease liabilities	5	(49.1)	(15.5)
Repayment of lease liabilities	23	(16.1)	(12.9)
Dividends paid (including minorities)		(114.9)	(103.6)
<b>Net cash used in financing activities</b>		<b>(219.2)</b>	346.7
<b>Net change in cash and cash equivalents</b>	23	<b>(16.3)</b>	16.8
Net cash and cash equivalents at beginning of the year	23	243.8	219.0
Exchange movement	23	(14.7)	8.0
<b>Net cash and cash equivalents at end of the year</b>	23	<b>212.8</b>	243.8
Borrowings	23	(879.5)	(934.2)
<b>Net debt at end of the year</b>	23	<b>(666.7)</b>	(690.4)
<b>Lease liabilities</b>	23	<b>(96.7)</b>	(65.2)
<b>Net debt including lease liabilities at end of the year</b>	23	<b>(763.4)</b>	(755.6)

# Notes to the Consolidated Financial Statements

## 1 Accounting policies

### Basis of preparation

The Consolidated Financial Statements have been prepared on a historical cost basis except for items that are required by International Financial Reporting Standards (IFRS) to be measured at fair value, principally certain financial instruments. The Consolidated Financial Statements have been prepared in accordance with IFRS which includes the standards and interpretations issued by the International Accounting Standards Board (IASB) that have been adopted by the United Kingdom (UK).

The preparation of Financial Statements in conformity with IFRS requires the Directors to apply IAS 1 and make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not apparent from other sources. The estimates and associated assumptions are based on historical experiences and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Critical judgements in applying the Group's accounting policies

The Directors have concluded that no critical judgements, apart from those involving estimations (which are dealt with separately below) have been made in the process of applying the Group's accounting policies.

### Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty in the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are outlined below.

#### (i) Post-retirement benefits

The Group's defined benefit obligation is assessed by selecting key assumptions. The selection of mortality rates and inflation are key sources of estimation uncertainty which could lead to material adjustment in the defined benefit obligation within the next financial year. These assumptions are set with close reference to market conditions.

The Group's defined benefit obligation is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, the quality of the bonds and the identification of outliers which are excluded.

The assumptions selected and associated sensitivity analysis are disclosed in Note 22.

### Climate change

Climate change is a global challenge and an emerging risk to businesses, people and the environment across the world. We have a role to play in limiting global warming by improving our energy management, reducing our carbon emissions and helping our customers do the same. Growing awareness of climate change and customer sustainability targets will provide impetus for business growth as we provide products, services and solutions that increase efficiency and reduce customers' energy use and carbon emissions.

In preparing the Consolidated Financial Statements, the Directors have considered the impact of climate change, particularly in the context of risk identified in the TCFD disclosures on pages 84-91. There has been no material impact identified on the financial reporting judgments and estimates. In particular, the Directors have considered the impact of climate change in respect of the following areas:

- Assessment of impairment of goodwill, other intangibles and tangible assets
- Going Concern and viability statements
- Impact on useful economic lives on assets
- Preparation of budgets and cash flow forecasts

Given no material risks have been identified as per the assessment outlined in the TCFD report, no climate change related impact was identified. The Directors are, however, aware of the changing nature of risks associated with climate change and will regularly assess these risks against judgements and estimates made in the preparation of the Group's Financial Statements.

## 1 Accounting policies continued

### Basis of preparation continued

The Group has considerable financial resources together with a diverse range of products and customers across wide geographic areas and industries. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully.

Further information on the Group's business activities, performance and position, together with the financial position of the Group, its capital structure and cash flow are included in the Strategic Report from the inside front cover to page 105. In addition, Note 27 to the Financial Statements discloses details of the Group's financial risk management and credit facilities.

The Consolidated Financial Statements are presented in pounds sterling, which is the Company's functional currency, rounded to the nearest one hundred thousand.

### New standards and interpretations applied in the current year

During the current year, the Group has applied the following amendments to IFRS Standards and Interpretations issued by the International Accounting Standards Board (IASB) effective for annual periods that begin on or after 1st January 2023. Adoption has not had a material impact on the disclosures or on the amounts reported in these Financial Statements:

- IFRS 17 Insurance Contracts
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements: Disclosure of Accounting Policies
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (see Note 15 for further details)
- Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

The economies in Argentina and Turkey are subject to high inflation. IAS 29 (Financial Reporting in Hyperinflationary Economies) requires the following application:

- Adjustment of historical cost non-monetary assets and liabilities for the change in purchasing power caused by inflation from the date of initial recognition to the balance sheet date;
- Adjustment of the Consolidated Income Statement for inflation during the period; and
- Translation of the Consolidated Income Statement at the period-end foreign exchange rate instead of an average rate.

At 31st December 2023 the Group have performed a review of the impact of the application of IAS 29 and concluded that the adoption of IAS 29 is not required as its impact on the Consolidated Financial Statements is not material. The Group will continue to monitor and assess this position going forward.

### New standards and interpretations not yet applied

At the date of authorisation of these Financial Statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current
- Amendments to IAS 1: Non-current Liabilities with Covenants
- Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the Financial Statements of the Group in future periods.

### Basis of accounting

#### (i) Subsidiaries

The Group Consolidated Financial Statements include the results of the Company and all its subsidiary undertakings. Subsidiaries are entities controlled by the Group. Control is achieved when the Group has power over an entity, is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to use its power to affect those returns. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

#### (ii) Associates

Associates are those entities for which the Group has significant influence, but not control, over the financial and operating policies. The Financial Statements include the Group's share of the total recognised income and expense of Associates on an equity accounted basis, from the date that significant influence commenced until the date that significant influence ceases.

## Notes to the Consolidated Financial Statements continued

### 1 Accounting policies continued

#### Basis of accounting continued

##### (iii) Transactions eliminated on consolidation

Intra-Group balances, and any unrealised gains and losses or income and expenses arising from intra-Group transactions, are eliminated in preparing the Group Consolidated Financial Statements. Unrealised gains arising from transactions with Associates are eliminated to the extent of the Group's interest in the entity.

#### Foreign currency

##### (i) On consolidation

The assets and liabilities of foreign operations are translated into sterling at exchange rates ruling at the date of the Consolidated Statement of Financial Position (closing rate). The revenues, expenses and cash flows of foreign operations are translated into sterling at average rates of exchange ruling during the year. Where the Notes to the Group Consolidated Financial Statements include tables reconciling movements between opening and closing balances, opening and closing assets and liabilities are translated at closing rates and revenue, expenses and all other movements are translated at average rates, with the exchange differences arising being disclosed separately.

Exchange differences arising from the translation of the assets and liabilities of foreign operations are taken to a separate translation reserve within equity. They are recycled and recognised in the Consolidated Income Statement upon disposal of the operation. Any differences that have arisen before 1st January 2004, the date of transition to IFRS, are not presented as a separate component of equity.

##### (ii) Foreign currency transactions

Transactions in foreign currencies are translated to the respective currencies of the Group entities at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities at the date of the Statement of Financial Position denominated in a currency other than the functional currency of the entity are translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the Consolidated Income Statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at foreign exchange rates ruling at the dates fair value was determined.

#### Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a highly probable forecasted transaction, the effective part of any gain or loss on the derivative financial instrument is recognised in other comprehensive income and presented in the cash flow hedges reserve. The associated gain or loss is removed from equity and recognised in the Consolidated Income Statement in the period in which the transaction to which it relates occurs.

#### Net investment hedge accounting

The Group uses foreign currency denominated borrowings as a hedge against translation exposure on the Group's net investment in overseas companies. Where the hedge is fully effective at hedging, the variability in the net assets of such companies caused by changes in exchange rates and the changes in value of the borrowings are recognised in the Consolidated Statement of Comprehensive Income and accumulated in the net investment hedge reserve. The ineffective part of any changes in value caused by changes in exchange rates is recognised in the Consolidated Income Statement.

#### Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at the fair value of consideration received, less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost with any difference between cost and redemption value being recognised in the Consolidated Income Statement over the period of the borrowings on an effective interest basis.

#### Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis. The effective interest method is a method of calculating the amortised cost of the financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Group has not participated in any supplier financing arrangements during the current or prior year.

## 1 Accounting policies continued

### Property, plant and equipment

Items of property, plant and equipment are stated at cost or deemed cost, less accumulated depreciation. Depreciation is charged to the Consolidated Income Statement on a straight-line basis at rates which write down the value of assets to their residual values over their estimated useful lives. Land is not depreciated.

The annual principal rates are as follows:

Freehold buildings	1.5–4.0%
Leasehold buildings	Over life of lease
Plant and machinery	6.66–10%
Office furniture and fittings	10%
Office equipment	12.5–33.3%
Motor vehicles	20%
Tooling and patterns	10%

The depreciation rates are reassessed annually.

### Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method of accounting. Identified assets acquired and liabilities assumed are measured at their respective acquisition date fair values. The excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired is recorded as goodwill. Acquisition-related costs are expensed as incurred. The operating results of the acquired business are reflected in the Group's Consolidated Financial Statements after the date of acquisition.

The cost of the acquisition is measured as the cash paid and also includes the fair value of any asset or liability resulting from a contingent consideration arrangement at the acquisition date.

### Intangible assets

#### (i) Goodwill

Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment (see Note 14 for more detail). Annual impairment tests are performed on goodwill by comparing the carrying value with the recoverable amount, being the higher of the fair value less cost to sell and value in use, discounted at an appropriate discount rate, of future cash flows in respect of goodwill for the relevant cash-generating unit.

#### (ii) Research and development

Expenditure on R&D is charged to the Consolidated Income Statement in the period in which it is incurred except when development expenditure is capitalised where the development costs meet certain distinct criteria for capitalisation. These criteria include demonstration of the technical feasibility, intent of completing a new intangible asset that is separable, the ability to measure reliably the expenditure attributable to the intangible asset during its development phase and that the asset will generate probable future economic benefits. The expenditure capitalised includes staff costs and related expenses. Capitalised development expenditure is stated at cost less accumulated amortisation (see below) and any impairment losses.

#### (iii) Other intangible assets

Intangible assets other than goodwill that are acquired by the Group are stated at cost less accumulated amortisation (see below) and any impairment losses.

Where computer software is cloud based and the Group does not have control of the software, the configuration and customisation costs are expensed over either:

- The period the services are received, where costs are distinct from the underlying software
- The period of the SaaS arrangement, where costs are not distinct from the underlying software

## Notes to the Consolidated Financial Statements continued

### 1 Accounting policies continued

#### Intangible assets continued

##### (iv) Amortisation

Amortisation is charged to the Consolidated Income Statement on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date they are available for use. The annual principal amortisation rates are as follows:

Capitalised development costs	20%
ERP systems and software	12–33%
Brand names and trademarks	5–33%
Manufacturing designs and core technology	6–50%
Non-compete undertakings and other	20–100%
Customer relationships	6–33%

#### Inventories

Inventories are measured at the lower of cost and net realisable value. Inventory cost is calculated on both first in, first out and weighted average methodologies depending on which is deemed most appropriate. The cost of inventories includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

#### Trade receivables and other receivables

Trade receivables are carried at original invoice amount (which is considered a reasonable proxy for fair value) and are subsequently held at amortised cost less a loss allowance. Other receivables are initially measured at fair value. The loss allowance of trade receivables is based on lifetime expected credit losses. Lifetime expected credit losses are calculated by assessing historic credit loss experience, adjusted for factors specific to the receivable and operating company. The movement in the provision is recognised in the Consolidated Income Statement.

#### Trade and other payables

Trade and other payables are recognised at fair value and subsequently held at amortised cost.

#### Provisions and contingent liabilities

A provision is recognised in the Consolidated 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 resources, which can be reliably measured, will be required to settle the obligation. If the obligation is expected to be settled within 12 months of the reporting date, the provision is included within current liabilities and if expected to be settled after 12 months, it is included in non-current liabilities.

In respect of product warranties, a provision is recognised when the underlying products or services are sold. Obligations arising from restructuring plans are recognised when detailed formal plans have been established and there is a valid expectation that such a plan will be carried out. Provisions are recognised at an amount equal to the best estimate of the expenditure required to settle the Group's liability. If the likelihood of having to settle the obligation is less than probable but more than remote, or the amount of the obligation cannot be measured reliably, then a contingent liability is disclosed.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less, and are held at amortised cost. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

#### Going concern

The Group's principal objective when managing liquidity is to safeguard the ability to continue as a going concern for at least 12 months from the date of signing the 2023 Annual Report. The Group retains sufficient resources to remain in compliance with all the required terms and conditions within its borrowing facilities with material headroom and no material uncertainties have been identified. The Group continues to conduct ongoing risk assessments on its business operations and liquidity. Consideration has also been given to reverse stress tests, which seek to identify factors that might cause the Group to require additional liquidity and form a view as to the probability of these occurring.

The Group's financial position remains robust, with the next maturity of our committed debt facilities being \$150 million of Bank Term loan which matures in October 2025 and which are accounted for within the cash flow forecast model. The Group's debt facilities contain a leverage covenant of up to 3.5x. Certain debt facilities also contain an interest cover covenant of a minimum of 3.0x. The Group regularly monitors its financial position to ensure that it remains within the terms of these debt covenants. At 31st December 2023 leverage (net debt excluding lease liabilities divided by adjusted earnings before interest, tax, depreciation and amortisation) was 1.7x (2022: 1.7x), Interest cover (adjusted earnings before interest, tax, depreciation and amortisation divided by net bank interest) was 10x (2022: 58x).

## 1 Accounting policies continued

### Going concern continued

Reverse 'stress testing' was also performed to assess the level of business under performance would be required for a breach of the financial covenants to occur, the results of which evidenced that no reasonably possible change in future forecast cash flows would cause a breach of these covenants. In addition, the reverse stress test cash flow modelling does not take into account any mitigating actions which the Group would implement in the event of a severe and extended revenue and profitability decline. Such actions would serve to further increase covenant headroom.

Having assessed the relevant business risks as discussed in our principal risks on pages 101-105 and having considered the potential impact of any climate change related risks as outlined within the Task Force on Climate-related Financial Disclosures section on pages 84-91, and in the context of the liquidity and covenant headroom available under several alternative scenarios as set out in the viability assessment on pages 42-43, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the financial statements.

### Alternative performance measures

The Group reports under International Financial Reporting Standards (IFRS) and also uses alternative performance measures where the Board believes that they help to effectively monitor the performance of the Group and users of the Financial Statements might find them informative. Certain alternative performance measures also form a meaningful element of Executive Directors' variable remuneration. A definition of the alternative performance measures included in the Annual Report and a reconciliation to the closest IFRS equivalent are disclosed in the Appendix. Adjusted performance measures are not considered to be a substitute for, or superior to, IFRS measures.

### Employee benefits

#### (i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the Consolidated Income Statement as incurred.

#### (ii) Defined benefit plans

The costs of providing pensions under defined benefit schemes are calculated in accordance with the advice of qualified actuaries and spread over the period during which benefit is expected to be derived from the employees' services. The Group's net obligation or surplus in respect of defined benefit pensions is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. Past service costs are recognised straight away.

That benefit is discounted at rates reflecting the yields on AA credit rated corporate bonds that have maturity dates approximating the terms of the Group's obligations to determine its present value. Pension scheme assets are measured at fair value at the Statement of Financial Position date. Actuarial gains and losses, differences between the expected and actual returns, and the effect of changes in actuarial assumptions are recognised in the Statement of Comprehensive Income in the year they arise. Any scheme surplus (to the extent it is considered recoverable under the provisions of IFRIC 14) or deficit is recognised in full in the Statement of Financial Position.

The costs of other post-employment liabilities are calculated in a similar way to defined benefit pension schemes and are spread over the relevant period, in accordance with the advice of qualified actuaries.

#### (iii) Employee share plans

Incentives in the form of shares are provided to employees under share award schemes. The fair value of these awards at their date of grant is charged to the Consolidated Income Statement over the relevant vesting periods with a corresponding increase in equity. The value of the charge is adjusted to reflect share awards vesting.

#### (iv) Long-term share incentive plans

The fair value of awards is measured at the date of grant and the cost spread over the vesting period. The amount recognised as an expense is not adjusted to reflect market-based performance conditions, but is adjusted for non-market-based performance conditions. Awards can vest in the form of shares, a nil-cost option or, exceptionally, cash.

### Revenue

The Group applies the following five-step framework when recognising revenue:

Step 1: Identify the contracts with customers.

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 entity satisfies a performance obligation.

The criteria the Group uses to identify the performance obligations within a contract are:

- The customer must be able to benefit from the goods or services either on its own or in combination with other resources available to the customer and
- The entity's promise to transfer the good or service to the customer is separable from other promises in the contract

## Notes to the Consolidated Financial Statements continued

### 1 Accounting policies continued

#### Revenue continued

The transaction price is the value that the Group expects to be entitled to from the customer and includes discounts, rebates, credits, price concessions, incentives, performance bonuses, penalties and liquidated damages, but is not reduced for bad debts. It is net of any value-added tax (VAT) and other sales-related taxes. Variable consideration that is dependent on certain events is estimated, and then constrained to the extent that it is highly probable.

Revenue is recognised over time as the product is being manufactured or a service is being provided if any of the following criteria are met:

- The Group is creating a bespoke item which does not have an alternative use to the Group (i.e. we would incur a significant loss to rework and/or sell to another customer) and the entity has a right to payment for work completed to date including a reasonable profit
- The customer controls the asset that is being created or enhanced during the manufacturing process, i.e. the customer has the right to significantly modify and dictate how the product is built during construction
- As customers receive services provided by the Group, they simultaneously consume the benefit of such services

Judgement is made when determining if a product is bespoke and the value of revenue to recognise over time as products are being manufactured. However, due to the low value of orders for bespoke items in progress at the 31st December 2023 where we have a right to payment of costs plus a reasonable profit, this is not considered a critical judgement.

The value of revenue to be recognised over time for goods being manufactured is calculated using a cost-based input approach. This is considered a faithful depiction of the transfer of the goods as the costs incurred, total costs expected to be incurred and order value are known. Each month progress on manufacturing contracts is reviewed and a contract asset or liability recognised for any work performed to date. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If an interim payment exceeds the revenue recognised to date under the cost-based input method then the Group recognises a contract liability for the difference.

The value of revenue to be recognised over time for services being provided is calculated based on the stage of completion. This is assessed by reference to the contractual performance obligations with each separate customer and the costs incurred on the contract to date in comparison to the total forecast costs of the contract. Payment for such services is not due from the customer until they are complete and therefore a contract asset is recognised over the period in which the services are performed representing the entity's right to consideration for the services performed to date.

If the criteria to recognise revenue over time are not met then revenue is recognised at a point in time when the customer obtains control of the asset and the performance obligation is satisfied. The customer obtains control of the asset when the customer can direct the use of the asset and obtain the benefits from the asset.

Factors the Group considers when determining the point in time when control of the asset has passed to the customer and revenue recognised include:

- The Group has a right to payment
- Legal title is transferred to the customer
- Physical possession of the asset has been transferred to the customer
- The customer has the significant risks and rewards of ownership
- The customer has accepted the asset

Control normally passes and revenue is recognised when the goods are either dispatched or delivered to the customer (in accordance with the terms and conditions of the sale) or the installation and testing are completed. Until this point, no revenue is recognised on point in time sales. Due to this, a contract liability may be recognised at the time of the initial sales transaction if a payment in advance, or deposit is received.

A large proportion of the Group's revenue qualifies for recognition on dispatch or delivery of the goods to the customer as this is when the performance obligation is satisfied. This is normally the trigger point for raising an invoice per the terms and conditions of the order. Therefore invoicing for a large proportion of the Group's revenue occurs at the same time as when the performance obligation is satisfied. Contract assets at 31st December 2023 were £17.0m (1.0% of total revenue) (2022: £11.7m (0.7% of total revenue)).

All revenue recognised by the Group is generated through contracts with customers.

When the unavoidable costs of fulfilling the contract exceed the revenue to be recognised the contract is loss making and the expected loss is recognised in the Consolidated Consolidated Income Statement immediately.

Warranties that give assurance that a product meets agreed-upon specifications are accounted for as a cost provision and do not impact the timing and value of revenue. The Group does not have any material warranties that promise more than just providing assurance that a product meets agreed-upon specifications.

Costs of obtaining a contract, which are only incurred because the contract was obtained, are capitalised and expensed at a later date. At 31st December 2023 no costs of obtaining a contract were capitalised. All other assets recognised to fulfil a contract are within the scope of other accounting standards and policies.



## 1 Accounting policies continued

### Leases

The Group assesses whether a contract is or contains a lease at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (assets with a value of less than £5,000). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

For new leases entered into, the lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the incremental borrowing rate for the related geographical location unless the rate implicit in the lease is readily determinable. The incremental borrowing rate is calculated at the rate of interest at which the company would have been able to borrow for a similar term and with a similar security the funds necessary to obtain a similar asset in a similar market.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in substance fixed payments), less any lease incentives receivable
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date
- The amount expected to be payable by the Company under residual value guarantees
- The exercise price of purchase options, if the Company is reasonably certain to exercise the options
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option
- The lease payments change due to changes in an index or rate or a change in expected payment under a residual guarantee value

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

Judgement is required when determining whether to include or exclude optional extension periods within the lease term, and estimation is required when calculating the incremental borrowing rate used to discount the future lease cash flows. These are not considered critical judgements or a key source of estimation uncertainty.

### Taxation

The tax charge comprises current and deferred tax. Income tax expense is recognised in the Consolidated Income Statement unless it relates to items recognised directly in equity or in other comprehensive income, when it is also recognised in equity or other comprehensive income respectively. Current tax is the expected tax payable on the profit for the year and any adjustments in respect of previous years using tax rates enacted or substantively enacted at the reporting date. Tax positions are reviewed to assess whether a provision should be made on prevailing circumstances. Tax provisions are included within current taxation payable. Deferred tax is provided on temporary differences arising between the tax base of assets and liabilities, and their carrying amounts in the Financial Statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax is provided using rates of tax that have been enacted or substantively enacted at the date of the Statement of Financial Position or the date that the temporary differences are expected to reverse. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### Share capital and repurchased shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares or placed in an Employee Benefit Trust and are presented as a deduction from total equity.

## Notes to the Consolidated Financial Statements continued

### 2 Segmental reporting

As required by IFRS 8 Operating Segments, the segmental structure reflects the current internal reporting provided to the Chief Operating Decision Maker (considered to be the Board) on a regular basis to assist in making decisions on resource allocation to each segment and to assess performance.

The Group is organised into 3 segments with the following core product expertise:

- Steam Thermal Solutions - Industrial and commercial steam systems
- Electric Thermal Solutions - Electrical process heating and temperature management solutions
- Watson-Marlow - Peristaltic and niche pumps and associated fluid path technologies

No changes to the structure of operating segments have been made during the current period.

#### Analysis by operating segment 2023

	Revenue £m	Total operating profit £m	Operating margin %
Steam Thermal Solutions	910.1	205.2	22.5%
Electric Thermal Solutions	378.5	25.8	6.8%
Watson-Marlow	394.0	81.2	20.6%
Corporate	—	(27.8)	
<b>Total</b>	<b>1,682.6</b>	<b>284.4</b>	<b>16.9%</b>
Net financing expense		(39.9)	
Share of (loss)/profit of Associate		—	
<b>Profit before tax</b>		<b>244.5</b>	

#### 2022

	Revenue £m	Total operating profit £m	Operating margin %
Steam Thermal Solutions	866.0	196.2	22.7%
Electric Thermal Solutions	256.1	7.3	2.9%
Watson-Marlow	488.5	154.4	31.6%
Corporate	—	(39.1)	
<b>Total</b>	<b>1,610.6</b>	<b>318.8</b>	<b>19.8%</b>
Net financing expense		(10.7)	
Share of (loss)/profit of Associate		—	
<b>Profit before tax</b>		<b>308.1</b>	

The following table details the split of revenue by geography for the combined Group:

	2023 £m	2022 £m
Europe, Middle East and Africa	718.7	649.6
Asia Pacific	357.4	384.3
Americas	606.5	576.7
<b>Total revenue</b>	<b>1,682.6</b>	<b>1,610.6</b>

Revenue generated by Group companies based in the USA is £454.2m (2022: £433.0m), in China is £177.8m (2022: £213.2m), in Germany is £153.2m (2022: £134.3m), in the UK is £110.0m (2022: £115.7m) and in the rest of the world is £787.4m (2022: £714.4m).

## 2 Segmental reporting continued

### Net financing income and expense

	2023 Income £m	2023 Expense £m	2023 Net £m	2022 Income £m	2022 Expense £m	2022 Net £m
Steam Thermal Solutions	4.1	(3.3)	0.8	3.6	(1.8)	1.8
Electric Thermal Solutions	0.8	(1.6)	(0.8)	0.3	(0.5)	(0.2)
Watson-Marlow	0.9	(1.2)	(0.3)	0.3	(0.6)	(0.3)
Corporate	5.5	(45.1)	(39.6)	1.4	(13.4)	(12.0)
<b>Total net financing expense</b>	<b>11.3</b>	<b>(51.2)</b>	<b>(39.9)</b>	5.6	(16.3)	(10.7)

### Net assets

	2023 Assets £m	2023 Liabilities £m	2022 Assets £m	2022 Liabilities £m
Steam Thermal Solutions	714.1	(203.7)	756.8	(219.2)
Electric Thermal Solutions	1,128.8	(82.7)	1,171.9	(80.2)
Watson-Marlow	429.3	(43.6)	423.8	(55.3)
Corporate*	31.9	(1.1)	15.5	(7.4)
	<b>2,304.1</b>	<b>(331.1)</b>	2,368.0	(362.1)
Liabilities		(331.1)		(362.1)
Net deferred tax		(37.2)		(59.1)
Net tax payable		(14.7)		(21.4)
Net debt including lease liabilities		(763.4)		(755.6)
<b>Net assets</b>	<b>1,157.7</b>		1,169.8	

\* In order to align with how we manage net assets across the Group, we have reallocated specific assets and liabilities to the corporate operating segment in both the current period and the comparative periods. In the prior year, for assets, £9.6m has been allocated out of Steam Thermal Solutions with the remaining balance split between Electric Thermal Solutions and Watson-Marlow. For liabilities, £7.6m has been allocated out of Steam Thermal Solutions with the remaining adjustment split between Electric Thermal Solutions and Watson-Marlow.

Non-current assets in the USA were £689.1m (2022: £686.8m), in France were £388.7m (2022: £403.1m), in the UK were £251.1m (2022: £284.1m), in Germany were £161.0m (2022: £165.6m) and in the rest of the world were £193.7m (2022: £191.8m).

### Capital additions, depreciation, amortisation and impairment

	2023 Capital additions £m	2023 Depreciation, amortisation and impairment £m	2022 Capital additions £m	2022 Depreciation, amortisation and impairment £m
Steam Thermal Solutions	48.2	47.9	43.8	32.9
Electric Thermal Solutions	32.2	40.3	285.4	24.7
Watson-Marlow	66.6	24.5	76.4	19.0
Corporate*	14.1	—	3.3	4.4
<b>Group total</b>	<b>161.1</b>	<b>112.7</b>	408.9	81.0

\* In order to align with how we manage net assets across the Group, we have reallocated specific capital additions, depreciation, amortisation and impairment to the corporate operating segment in both the current period and the comparative periods. In the prior year, both capital additions and depreciation, amortisation and impairment have been allocated out of Steam Thermal Solutions.

Capital additions include property, plant and equipment of £84.0m (2022: £135.0m) and intangible assets of £25.0m (2022: £258.3m). Right-of-use asset additions of £52.1m (2022: £15.6m) occurred during the 12-month period to 31st December 2023. Capital additions split between the USA, UK and rest of the world are USA £68.7m (2022: £186.4m), UK £43.6m (2022: £51.8m) and rest of the world £48.8m (2022: £170.7m).

## Notes to the Consolidated Financial Statements continued

## 3 Operating costs

	2023 £m	2022 £m
Cost of inventories recognised as an expense	402.5	385.1
Staff costs (Note 4)	630.4	570.3
Depreciation, amortisation and impairment	112.7	81.0
Other operating charges	252.6	255.4
<b>Total operating costs</b>	<b>1,398.2</b>	1,291.8

Total staff costs includes a credit of £3.8m (2022: £2.0m) relating to amounts capitalised during the year. Excluding this credit, total staff costs were £634.2m (2022: £572.3m).

## 4 Staff costs and numbers

The aggregate payroll costs of persons employed by the Group were as follows:

	2023 £m	2022 £m
Wages and salaries	523.1	463.2
Social security costs	82.0	79.9
Pension costs	29.1	29.2
<b>Total payroll costs</b>	<b>634.2</b>	572.3

The average number of persons employed by the Group (including Directors) during the year was as follows:

	2023	2022
United Kingdom	2,608	2,699
Rest of the world	7,514	6,670
<b>Group average</b>	<b>10,122</b>	9,369

## 5 Net financing income and expense

	2023 £m	2022 £m
<b>Financial expenses</b>		
Bank and other borrowing interest payable	(46.9)	(14.0)
Interest expense on lease liabilities	(2.2)	(1.5)
Net interest on pension scheme liabilities	(2.1)	(0.8)
	<b>(51.2)</b>	(16.3)
<b>Financial income</b>		
Bank interest receivable	11.3	5.6
<b>Net financing expense</b>	<b>(39.9)</b>	(10.7)
Net bank interest	(35.6)	(8.4)
Interest expense on lease liabilities	(2.2)	(1.5)
Net interest on pension scheme liabilities	(2.1)	(0.8)
<b>Net financing expense</b>	<b>(39.9)</b>	(10.7)

## 6 Profit before taxation

Profit before taxation is shown after charging:

	2023 £m	2022 £m
Depreciation of property, plant and equipment	(35.5)	(33.2)
Depreciation of right-of-use assets	(16.2)	(13.5)
Amortisation of acquired intangibles	(37.2)	(23.7)
Amortisation of other intangibles	(8.1)	(8.1)
Non-current asset impairment	(15.7)	(2.5)
Leases exempt from IFRS 16 (short-term, low value or variable lease payments)	(3.1)	(2.5)
Exchange difference gains	1.8	5.1
(Loss)/profit on disposal of non-current assets	(0.1)	1.4
Research and development	(16.8)	(15.8)

	2023 £m	2022 £m
<b>Auditor's remuneration</b>		
Audit of these Financial Statements	0.7	0.4
Amounts receivable by the Company's Auditor and its Associates in respect of:		
Audit of Financial Statements of subsidiaries of the Company	1.9	1.9
<b>Total audit fees</b>	2.6	2.3
Audit-related assurance services	0.2	0.1
<b>Total non-audit fees</b>	0.2	0.1
<b>Total Auditor's remuneration</b>	2.8	2.4

## 7 Directors' emoluments

Directors represent the key management personnel of the Group under the terms of IAS 24 Related Party Disclosures. Total remuneration is shown below.

Further details of salaries and short-term benefits, post-retirement benefits, share plans and long-term share incentive plans are shown in the Annual Report on Remuneration 2023 on pages 162 to 174. The share-based payments charge comprises a charge in relation to the Performance Share Plan and the Employee Share Ownership Plan (as described in Note 22).

	2023 £m	2022 £m
Salaries and short-term benefits	2.4	2.9
Post-retirement benefits	0.1	0.2
Share-based payments	0.3	2.0
<b>Total Directors' remuneration</b>	2.8	5.1

## Notes to the Consolidated Financial Statements continued

## 8 Taxation

	2023 £m	2022 £m
<b>Analysis of charge in the year</b>		
UK corporation tax:		
Current tax on income for the year	9.4	7.1
Adjustments in respect of prior years	(0.1)	(0.7)
	9.3	6.4
Foreign tax:		
Current tax on income for the year	75.3	88.6
Adjustments in respect of prior years	(0.7)	(1.3)
	74.6	87.3
Total current tax charge/(credit)	83.9	93.7
UK deferred tax:		
Origination and reversal of timing differences	(11.4)	(0.4)
Adjustment in respect of prior years	0.7	(0.7)
	(10.7)	(1.1)
Foreign deferred tax:		
Origination and reversal of timing differences	(8.6)	(11.9)
Adjustment in respect of prior years	(4.1)	2.4
	(12.7)	(9.5)
Total deferred tax (credit)/charge	(23.4)	(10.6)
<b>Tax on profit on ordinary activities</b>	<b>60.5</b>	<b>83.1</b>

## Reconciliation of effective tax rate

	2023 £m	2022 £m
<b>Profit before tax and share of profit/(loss) of Associate</b>	<b>244.5</b>	<b>308.1</b>
Expected tax at blended rate of 26.6% (2022 : 25.5%)	65.0	78.7
Increased withholding tax on overseas dividends	7.6	6.2
Non-deductible expenditure	0.8	3.6
Overprovided in prior years	(4.2)	(0.3)
Other reconciling items	(8.7)	(5.1)
<b>Total tax in Consolidated Income Statement</b>	<b>60.5</b>	<b>83.1</b>
<b>Effective tax rate</b>	<b>24.7%</b>	<b>27.0%</b>

The Group's tax charge in future years will be affected by the proportion of profits arising and the effective tax rates in the various countries in which the Group operates. The rate may also be affected by the impact of any acquisitions.

The Group is subject to a tax adjustment in Argentina that seeks to offset the impact of inflation upon taxable profits. Given the current high levels of inflation in Argentina, this has a meaningful impact on the group's tax charge. The adjustment gave a reduction in the Group's effective tax rate in the year of 260 bps being £6.4m on a statutory basis (2022 : 180 bps being £5.5m), included within 'Other reconciling items' in the reconciliation above. Whilst we include the expected impact of this adjustment in our guidance for the effective tax rate, this is difficult to accurately forecast given the current volatility of Argentinian inflation.

The Group monitors income tax developments in the territories in which it operates.

On 14th July 2023, the government of the United Kingdom, where the parent company is incorporated, enacted the Pillar Two income taxes legislation effective from 1st January 2024. Under the legislation, the parent company will be required to pay top-up tax on profits of its subsidiaries that are taxed at an effective tax rate of less than 15 per cent. The main jurisdiction where this initiative may impact is Argentina. As noted above, given the volatility of Argentinian inflation it is difficult to accurately forecast the impact that this Base Erosion and Profit Shifting (BEPS) initiative will have on the Group's tax charge. The Group is continuing to assess the impact of the Pillar Two income taxes legislation on its future financial performance.

## 8 Taxation continued

The Group has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

In October 2017, the European Commission (EC) opened a State Aid investigation into the UK's Controlled Foreign Company (CFC) regime. In April 2019, the EC published its final decision that the UK CFC Finance Company Exemption (FCE) constituted State Aid in certain circumstances, following which the UK Government appealed the decision to the EU General Court. In June 2022, the EU General Court dismissed the UK Government's appeal following which the UK Government lodged a further appeal to the European Court of Justice. The UK Government's appeal has been heard but no decision has been released. Like other UK Groups, the Group submitted its own appeal against the EC's decision.

The Group's benefit from the FCE in the period from 1st January 2013 to 31st December 2023 is approximately £8.9m, including compound interest. To date, the Group has received, paid, and appealed Charging Notices totalling £4.9m, assessed for the period from 1st January 2017 to 31st December 2018. The Group expects to recover this in the event of a successful appeal and has recognised a receivable for the full amount at the year end balance sheet date as a non-current asset. The Group has not recognised a receivable for any repayment interest, estimated at £0.2m, on the amount of £4.9m. The Group has not received a Charging Notice for the period prior to 1st January 2017, the benefit for this period being £2.9m. HMRC has enquired into the benefit received during 2019, which the Group estimates to be £1.1m. No provisions have been recognised at the year end balance sheet date for either the Charging Notice amounts or for the estimates for the other periods.

No tax (after double tax relief for underlying tax) is expected to be payable on the future remittance of retained earnings of overseas subsidiaries.

The expected tax at blended rate is the product of accounting profit arising in each country multiplied by the statutory tax rates in each country.

The effective tax rate is calculated as a percentage of profit before tax and share of profit/(loss) of Associates.

## 9 Earnings per share

	2023	2022
Profit attributable to equity shareholders (£m)	183.6	224.7
Weighted average shares (million)	73.6	73.6
Dilution (million)	0.2	0.2
Diluted weighted average shares (million)	73.8	73.8
<b>Basic earnings per share</b>	<b>249.5p</b>	305.1p
<b>Diluted earnings per share</b>	<b>248.9p</b>	304.4p

Basic and diluted earnings per share calculated on an adjusted profit basis are included in the Appendix.

The dilution is in respect of the Performance Share Plan.

## 10 Dividends

	2023 £m	2022 £m
Amounts paid in the year:		
Final dividend for the year ended 31st December 2022 of 109.5p (2021: 97.5p) per share	80.7	71.9
Interim dividend for the year ended 31st December 2023 of 46.0p (2022: 42.5p) per share	33.8	31.2
<b>Total dividends paid</b>	<b>114.5</b>	103.1
Amounts arising in respect of the year:		
Interim dividend for the year ended 31st December 2023 of 46.0p (2022: 42.5p) per share	33.8	31.2
Proposed final dividend for the year ended 31st December 2023 of 114.0p (2022: 109.5p) per share	84.0	80.8
<b>Total dividends arising</b>	<b>117.8</b>	112.0

The proposed dividend is subject to approval in 2024. It is therefore not included as a liability in these Financial Statements. No scrip alternative to the cash dividend is being offered in respect of the proposed final dividend for the year ended 31st December 2023.

## Notes to the Consolidated Financial Statements continued

## 11 Investment in Associate

On 4th July, the Group invested in Kyoto Group AS (Kyoto) for total consideration of 41.1m NOK (£3.0m). Kyoto has specialised skills within thermal energy storage solutions and provides a thermal energy storage solution named the Kyoto **Heatcube**, which enables storage of heat from different power and heat sources for later use and thereby contributing to low cost and low CO<sub>2</sub> emissions. As a result of the rights and powers attached to the Group's shareholding, the Group has concluded that it has significant influence and, as a result, will equity account for its share of Kyoto's results, as an investment in Associate. This investment in Associate is not considered individually material to the Group. As Kyoto is listed on the Oslo Stock Exchange, the Group will report the share of profit/(loss) for the year on a 6 month time lag, this does not have a material impact on the Group's results.

Summarised financial information in respect of the Group's individually immaterial Associate is set out below.

	Associate 2023 £m	Associate 2022 £m
Cost of investment	3.0	1.4
Share of equity	—	(1.4)
<b>Total investment in Associate</b>	<b>3.0</b>	—
Profit for the year	—	0.1

Details of the Group's Associate at 31st December 2023 are as follows:

Name of Associate	Country of incorporation and operation	Proportion of ownership interest and voting power held	Principal activity
Kyoto Group AS	Norway	15.0%	Manufacturing and selling

Details of the Group's Associate at 31st December 2022 are as follows:

Name of Associate	Country of incorporation and operation	Proportion of ownership interest and voting power held	Principal activity
Econotherm (UK) Ltd	UK	14.7%	Manufacturing and selling

On 4th July, the Group disposed of our investments in Econotherm (UK) Ltd (Econotherm) for £0.4m. At the date of the sale, the investment value of Econotherm was £nil with cumulative unrecognised losses of £0.3m. As such, a profit on disposal of £0.4m is recognised within Group operating profit.



## 12 Property, plant and equipment 2023

	Freehold land and buildings £m	Leasehold land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Assets under construction £m	Total £m
Cost:						
At 1st January 2023	165.1	53.6	244.4	121.5	58.2	642.8
Exchange adjustments	(4.4)	(3.3)	(6.6)	(4.5)	(2.0)	(20.8)
	160.7	50.3	237.8	117.0	56.2	622.0
Additions	3.4	1.3	27.9	10.6	40.8	84.0
Transfers	35.9	—	3.1	5.5	(45.8)	(1.3)
Disposals	(2.4)	(1.4)	(14.9)	(7.8)	(0.4)	(26.9)
<b>At 31st December 2023</b>	<b>197.6</b>	<b>50.2</b>	<b>253.9</b>	<b>125.3</b>	<b>50.8</b>	<b>677.8</b>
Depreciation:						
At 1st January 2023	38.5	12.9	139.2	67.7	—	258.3
Exchange adjustments	(1.1)	(0.8)	(3.7)	(2.2)	—	(7.8)
	37.4	12.1	135.5	65.5	—	250.5
Charged in year	4.8	2.1	17.2	11.4	—	35.5
Impairment	—	—	1.8	—	—	1.8
Transfers	—	—	(0.2)	0.3	—	0.1
Disposals	(2.4)	(1.4)	(13.6)	(7.8)	—	(25.2)
<b>At 31st December 2023</b>	<b>39.8</b>	<b>12.8</b>	<b>140.7</b>	<b>69.4</b>	<b>—</b>	<b>262.7</b>
Net book value:						
<b>At 31st December 2023</b>	<b>157.8</b>	<b>37.4</b>	<b>113.2</b>	<b>55.9</b>	<b>50.8</b>	<b>415.1</b>

## 2022

	Freehold land and buildings £m	Leasehold land and buildings £m	Plant and machinery £m	Fixtures, fittings, tools and equipment £m	Assets under construction £m	Total £m
Cost:						
At 1st January 2022	157.7	40.8	204.2	89.4	22.3	514.4
Exchange adjustments	6.1	1.7	9.0	3.1	1.8	21.7
	163.8	42.5	213.2	92.5	24.1	536.1
Acquisitions	7.3	9.4	11.2	2.1	0.7	30.7
Additions	2.8	1.4	23.1	17.1	59.9	104.3
Transfers	—	0.7	7.9	17.5	(26.4)	(0.3)
Disposal of subsidiaries	—	(0.3)	(0.6)	(0.3)	—	(1.2)
Disposals	(8.8)	(0.1)	(10.4)	(7.4)	(0.1)	(26.8)
<b>At 31st December 2022</b>	<b>165.1</b>	<b>53.6</b>	<b>244.4</b>	<b>121.5</b>	<b>58.2</b>	<b>642.8</b>
Depreciation:						
At 1st January 2022	36.9	10.9	127.4	61.8	—	237.0
Exchange adjustments	1.8	0.5	5.9	2.7	—	10.9
	38.7	11.4	133.3	64.5	—	247.9
Charged in year	6.4	1.8	15.5	9.5	—	33.2
Impairment	2.1	—	0.4	—	—	2.5
Transfers	—	—	—	—	—	—
Disposals of subsidiaries	—	(0.3)	(0.4)	(0.2)	—	(0.9)
Disposals	(8.7)	—	(9.6)	(6.1)	—	(24.4)
<b>At 31st December 2022</b>	<b>38.5</b>	<b>12.9</b>	<b>139.2</b>	<b>67.7</b>	<b>—</b>	<b>258.3</b>
Net book value:						
<b>At 31st December 2022</b>	<b>126.6</b>	<b>40.7</b>	<b>105.2</b>	<b>53.8</b>	<b>58.2</b>	<b>384.5</b>

## Notes to the Consolidated Financial Statements continued

## 12 Property, plant and equipment continued

All impaired assets have been impaired down to a recoverable amount of £nil. In 2023, the Group identified indicators of impairment as a result of the restructure of the Watson- Marlow Business. A total of £1.8m was recognised within Group operating profit. In the prior year, £2.5m was recognised in relation to the Chromalox manufacturing operations in Soissons (France).

The total amount of transfers relates to property, plant and equipment transferred to other intangible assets (see Note 14).

## 13 Leases

Right-of-use assets  
2023

	Leased land and buildings £m	Leased plant and machinery £m	Leased fixtures, fittings, tools and equipment £m	Total right-of- use assets £m
Cost:				
At 1st January 2023	86.2	21.6	3.1	110.9
Exchange adjustments	(3.1)	(0.6)	(0.2)	(3.9)
	83.1	21.0	2.9	107.0
Additions	44.4	7.4	0.3	52.1
Disposals	(7.4)	(4.0)	(0.6)	(12.0)
<b>At 31st December 2023</b>	<b>120.1</b>	<b>24.4</b>	<b>2.6</b>	<b>147.1</b>
Depreciation:				
At 1st January 2023	28.2	13.3	2.2	43.7
Exchange adjustments	(0.9)	(0.4)	(0.1)	(1.4)
	27.3	12.9	2.1	42.3
Charged in the year	11.5	4.5	0.2	16.2
Disposals	(5.9)	(3.3)	(0.6)	(9.8)
<b>At 31st December 2023</b>	<b>32.9</b>	<b>14.1</b>	<b>1.7</b>	<b>48.7</b>
Net book value:				
<b>At 31st December 2023</b>	<b>87.2</b>	<b>10.3</b>	<b>0.9</b>	<b>98.4</b>

The vast majority of the right-of-use asset value relates to leased property where the Group leases a number of office and warehouse sites in a number of geographical locations. The remaining leases are largely made up of leased motor vehicles, where the Group makes use of leasing cars for sales and service engineers at a number of operating company locations. The average lease term is 4.3 years (2022: 4.4 years).

## 13 Leases continued

### Right-of-use assets continued 2022

	Leased land and buildings £m	Leased plant and machinery £m	Leased fixtures, fittings, tools and equipment £m	Total right-of- use assets £m
Cost:				
At 1st January 2022	73.9	17.2	2.4	93.5
Exchange adjustments	3.9	1.0	0.2	5.1
	77.8	18.2	2.6	98.6
Acquisitions	3.8	0.1	0.2	4.1
Additions	6.5	4.7	0.3	11.5
Disposals	(1.9)	(1.4)	—	(3.3)
<b>At 31st December 2022</b>	<b>86.2</b>	<b>21.6</b>	<b>3.1</b>	<b>110.9</b>
Depreciation:				
At 1st January 2022	19.0	9.8	1.8	30.6
Exchange adjustments	1.6	0.6	0.1	2.3
	20.6	10.4	1.9	32.9
Charged in the year	9.1	4.1	0.3	13.5
Disposals	(1.5)	(1.2)	—	(2.7)
<b>At 31st December 2022</b>	<b>28.2</b>	<b>13.3</b>	<b>2.2</b>	<b>43.7</b>
Net book value:				
<b>At 31st December 2022</b>	<b>58.0</b>	<b>8.3</b>	<b>0.9</b>	<b>67.2</b>

The maturity analysis of lease liabilities is presented in Note 27.

### Amounts recognised in Consolidated Income Statement

	31st December 2023 £m	31st December 2022 £m
Depreciation expense on right-of-use assets	16.2	13.5
Interest expense on lease liabilities	2.2	1.5
Expense relating to short-term leases	1.9	1.9
Expense relating to leases of low value assets	0.9	0.4
Expense relating to variable lease payments not included in the measurement of the lease liability	0.3	0.2
Income from sublease right-of-use assets	(0.1)	(0.2)
<b>Total impact on profit before tax</b>	<b>21.4</b>	<b>17.3</b>

The total cash outflow for leases during 2023 was £21.4m (2022: £16.9m).

The following cash outflows (undiscounted) are those that the Group is potentially exposed to in future periods but are currently not reflected in the measurement of lease liabilities:

- £0.1m relating to variable lease payments not based on an index or rate (2022: £0.1m)
- £10.6m relating to optional extension periods that are not reasonably certain to be exercised as at 31st December 2023 (2022: £1.1m)
- £3.0m relating to leases that the Group is committed to, but have not commenced as at 31st December 2023 (2022: £28.1m)

## Notes to the Consolidated Financial Statements continued

## 14 Goodwill and other intangible assets

## 2023

	Acquired intangibles £m	Development costs £m	Computer software £m	Total other intangibles £m	Goodwill £m
Cost:					
At 1st January 2023	632.6	34.9	88.6	756.1	710.8
Exchange and other adjustments	(19.8)	(0.2)	(2.9)	(22.9)	(22.6)
	612.8	34.7	85.7	733.2	688.2
Additions					
Transfers from property, plant and equipment	—	1.7	(0.4)	1.3	—
Disposals	—	(7.1)	(1.7)	(8.8)	—
<b>At 31st December 2023</b>	<b>616.4</b>	<b>36.5</b>	<b>97.8</b>	<b>750.7</b>	<b>688.2</b>
Amortisation:					
At 1st January 2023	176.8	22.0	57.0	255.8	7.5
Exchange adjustments	(4.1)	(0.1)	(1.5)	(5.7)	0.2
	172.7	21.9	55.5	250.1	7.7
Charged in the year					
Impairment	—	—	13.9	13.9	—
Transfers from property, plant and equipment	—	—	(0.1)	(0.1)	—
Disposals	—	(5.6)	(1.7)	(7.3)	—
<b>At 31st December 2023</b>	<b>209.9</b>	<b>19.3</b>	<b>72.7</b>	<b>301.9</b>	<b>7.7</b>
Net book value:					
<b>At 31st December 2023</b>	<b>406.5</b>	<b>17.2</b>	<b>25.1</b>	<b>448.8</b>	<b>680.5</b>

Since 2018, Steam Thermal Solutions has been engaged in a project to upgrade its ERP systems. Over time the scope of the project has expanded substantially to include a wider range of business applications and the external technology market has developed. Additionally, the Group has taken the decision to implement consistent ERP solutions across all three Businesses this has resulted in a £13.9m impairment recognised in computer software.

## 2022

	Acquired intangibles £m	Development costs £m	Computer software £m	Total other intangibles £m	Goodwill £m
Cost:					
At 1st January 2022	359.2	30.2	78.0	467.4	418.4
Exchange and other adjustments	28.8	0.3	1.7	30.8	33.1
	388.0	30.5	79.7	498.2	451.5
Acquisitions					
Additions	244.6	0.1	0.4	245.1	259.3
Transfers from property, plant and equipment	—	4.3	8.9	13.2	—
Disposal of subsidiary	—	—	0.3	0.3	—
Disposals	—	—	(0.3)	(0.3)	—
	—	—	(0.4)	(0.4)	—
<b>At 31st December 2022</b>	<b>632.6</b>	<b>34.9</b>	<b>88.6</b>	<b>756.1</b>	<b>710.8</b>
Amortisation:					
At 1st January 2022	142.4	19.5	49.8	211.7	7.2
Exchange adjustments	10.7	0.2	2.0	12.9	0.3
	153.1	19.7	51.8	224.6	7.5
Charged in the year					
Disposal of subsidiary	23.7	2.3	5.8	31.8	—
Disposals	—	—	(0.3)	(0.3)	—
	—	—	(0.3)	(0.3)	—
<b>At 31st December 2022</b>	<b>176.8</b>	<b>22.0</b>	<b>57.0</b>	<b>255.8</b>	<b>7.5</b>
Net book value:					
<b>At 31st December 2022</b>	<b>455.8</b>	<b>12.9</b>	<b>31.6</b>	<b>500.3</b>	<b>703.3</b>

## 14 Goodwill and other intangible assets continued

### Acquired intangibles

The disclosure by class of acquired intangible assets is shown in the tables below.

#### 2023

	Customer relationships £m	Brand names and trademarks £m	Manufacturing designs and core technology £m	Non-compete undertakings and other £m	Total acquired intangibles £m
Cost:					
At 1st January 2023	181.9	338.1	84.2	28.4	632.6
Exchange and other adjustments	(5.9)	(11.4)	(2.3)	(0.2)	(19.8)
	176.0	326.7	81.9	28.2	612.8
Additions	3.6	—	—	—	3.6
<b>At 31st December 2023</b>	<b>179.6</b>	<b>326.7</b>	<b>81.9</b>	<b>28.2</b>	<b>616.4</b>
Amortisation and impairment:					
At 1st January 2023	51.9	67.0	34.8	23.1	176.8
Exchange adjustments	(1.0)	(2.4)	(0.5)	(0.2)	(4.1)
	50.9	64.6	34.3	22.9	172.7
Amortisation and impairment	11.9	17.1	4.6	3.6	37.2
<b>At 31st December 2023</b>	<b>62.8</b>	<b>81.7</b>	<b>38.9</b>	<b>26.5</b>	<b>209.9</b>
Net book value:					
<b>At 31st December 2023</b>	<b>116.8</b>	<b>245.0</b>	<b>43.0</b>	<b>1.7</b>	<b>406.5</b>

Customer relationships are amortised over their useful economic lives in line with the accounting policies disclosed in Note 1. Within this balance the individually material balances relate to Durex Industries £73.6m (2022: £83.3m) and Thermocoax £24.0m (2022: £26.9m). The remaining amortisation periods are 13.9 years and 10.4 years respectively. Brand names and trademark assets are amortised over their useful economic lives in line with the accounting policies disclosed in Note 1. Within this balance individually material balances relate to Vulcanic £99.4m (2022: £106.1m), Durex Industries £19.1m (2022: £21.2m), Chromalox £91.6m (2022: £103.5m) and Gestra £19.6m (2022: £22.4m). The remaining amortisation periods are 18.8 years, 18.9 years, 13.5 years and 8.3 years respectively.

Manufacturing designs and core technology are amortised over their useful economic lives in line with the accounting policies disclosed in Note 1. There are no individually material items within this balance. Non-compete undertakings are amortised over their useful economic lives in line with the accounting policies disclosed in Note 1.

#### 2022

	Customer relationships £m	Brand names and trademarks £m	Manufacturing designs and core technology £m	Non-compete undertakings and other £m	Total acquired intangibles £m
Cost:					
At 1st January 2022	87.1	190.2	60.2	21.7	359.2
Exchange and other adjustments	5.0	19.0	3.9	0.9	28.8
	92.1	209.2	64.1	22.6	388.0
Acquisitions	89.8	128.9	20.1	5.8	244.6
<b>At 31st December 2022</b>	<b>181.9</b>	<b>338.1</b>	<b>84.2</b>	<b>28.4</b>	<b>632.6</b>
Amortisation and impairment:					
At 1st January 2022	42.2	49.9	28.6	21.7	142.4
Exchange adjustments	2.9	5.0	1.8	1.0	10.7
	45.1	54.9	30.4	22.7	153.1
Amortisation and impairment	6.8	12.1	4.4	0.4	23.7
<b>At 31st December 2022</b>	<b>51.9</b>	<b>67.0</b>	<b>34.8</b>	<b>23.1</b>	<b>176.8</b>
Net book value:					
<b>At 31st December 2022</b>	<b>130.0</b>	<b>271.1</b>	<b>49.4</b>	<b>5.3</b>	<b>455.8</b>

## Notes to the Consolidated Financial Statements continued

## 14 Goodwill and other intangible assets continued

## Impairment

In accordance with the requirements of IAS 36 Impairment of Assets, goodwill is allocated to the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination that gave rise to the goodwill.

Goodwill impairment is considered based on groups of CGUs that represent the lowest level to which goodwill is monitored for internal management purposes, being each operating segment as disclosed in Note 2. The breakdown of the goodwill value at 31st December across these is shown below:

	2023 Goodwill £m	2022 Goodwill £m
Steam Thermal Solutions	125.8	127.4
Electric Thermal Solutions	494.7	514.9
Watson-Marlow	60.0	61.0
Total goodwill	680.5	703.3

The goodwill balance has been tested for annual impairment on the following basis:

The carrying values of goodwill have been assessed by reference to value in use. These have been estimated using cash flows based on forecast information for the next financial year which have been approved by the Board and then extended by a further four years based on the most recent forecasts prepared by management. In 2023 the forecast period assumption has been reduced to five years across all segments to ensure consistency across the Group and to reflect increased volatility in the macroenvironment in recent years leading to forecasting uncertainty.

The key assumptions on which the impairment tests are based are the discount rates and forecast cash flows which are driven by growth rates and EBIT margins:

- Pre-tax discount rates are based on estimations of the assumptions that market participants operating in similar sectors to the Group would make, using the Group's economic profile as a starting point and adjusting appropriately, taking into account the size of the business along with specific geographical and industry risk factors. Discount rates are not adjusted for estimated impacts of inflation, which is consistent with the calculation of the future operating cash flows to which they are applied
- Short to medium-term growth rates are based on external market growth rates (where available) and historical experience within each group of CGUs. The short to medium term is defined as not more than five years
- Long-term growth rates are set using the weighted average GDP growth rates (IMF and Oxford Economics) of the group of CGUs' end markets
- EBIT margins are based on historical performance, operational gearing from higher sales and expected improvements from operational efficiency initiatives.

The principal value in use assumptions were as follows:

Operating segment	2023		2023 Long-term growth rate	Period of annual cashflow forecast (years)	2022		2022 Long-term growth rate	Period of annual cashflow forecast (years)
	2023 Discount rate	Short to medium-term growth rate			2022 Discount rate	Short to medium-term growth rate		
Steam Thermal Solutions	13.7%	5.0% – 6.3%	3.8%	5	14.1%	5.5%–10.5%	3.1%	5
Electric Thermal Solutions	11.3%	6.3% – 17.1%	3.2%	5	11.3%	5.9%–10.1%	2.4%	8
Watson-Marlow	12.6%	11.0% – 11.4%	3.5%	5	12.0%	(1.0)%–12.4%	2.7%	5

The results of the Group's impairment tests are dependent upon estimates, particularly in relation to the key assumptions described above. Sensitivity analysis of potential changes in the key assumptions has been undertaken based on the following reasonably possible change sensitivities in isolation for Steam Thermal Solutions and Watson-Marlow:

- A 50 bps increase in the discount rate applied to each group of CGUs
- A 100 bps reduction in the short to medium-term growth rates in Steam Thermal Solutions driven by further possible downward revisions to IP growth forecasts
- A range of 0 to 1,000 bps reduction in short to medium term growth rates to reflect the possible delay in Biopharm recovery within Watson-Marlow
- A 100 bps reduction in the EBIT margin used in the cash flow projections

## 14 Goodwill and other intangible assets continued

### Impairment continued

For Electric Thermal Solutions, the following combination of sensitivities was applied:

- A 50 bps increase in the discount rate, in addition to 15 bps increase to long-term growth rate
- A range of 0 bps – 660 bps reduction in the short to medium-term growth rates driven by delayed completion of operational improvement initiatives alongside slower recovery of demand within the semiconductor sector
- A range of 0 bps to 130 bps reduction in the EBIT margin used in the cash flow projections, resulting from the short to medium-term growth rate sensitivities

For each group of CGUs, the Directors do not consider that there are any reasonably possible change sensitivities for the business that could arise in the next 12 months that would result in an impairment charge being recognised.

## 15 Deferred tax assets and liabilities

### Movement in deferred tax during the year 2023

	1st January 2023 £m	Recognised in income £m	Recognised in OCI £m	Recognised in equity £m	Acquisitions £m	31st December 2023 £m
Accelerated capital allowances	(22.8)	1.4	—	0.4	—	(21.0)
Provisions	11.8	(0.7)	—	(0.7)	—	10.4
Losses	16.2	11.3	—	—	—	27.5
Inventory	7.3	(0.9)	—	(0.1)	—	6.3
Pensions	13.2	(0.7)	1.1	(0.3)	—	13.3
Acquired intangibles	(91.0)	9.2	—	2.3	(0.8)	(80.3)
Leases - right of use assets*	(14.4)	(7.3)	—	0.6	—	(21.1)
Leases - liabilities*	15.1	7.1	—	(0.6)	—	21.6
Other temporary differences	5.5	4.0	(2.1)	(1.3)	—	6.1
<b>Group total</b>	<b>(59.1)</b>	<b>23.4</b>	<b>(1.0)</b>	<b>0.3</b>	<b>(0.8)</b>	<b>(37.2)</b>

### Movement in deferred tax during the year 2022

	1st January 2022 £m	Recognised in income £m	Recognised in OCI £m	Recognised in equity £m	Acquisitions £m	31st December 2022 £m
Accelerated capital allowances	(12.3)	(9.9)	—	(0.4)	(0.2)	(22.8)
Provisions	8.1	3.4	(0.4)	0.5	0.2	11.8
Losses	5.6	9.5	—	0.1	1.0	16.2
Inventory	5.0	2.3	—	—	—	7.3
Pensions	12.0	(1.5)	1.7	0.7	0.3	13.2
Acquired intangibles	(55.0)	4.1	(2.3)	(5.6)	(32.2)	(91.0)
Leases - right of use assets*	(13.5)	0.8	—	(0.6)	(1.1)	(14.4)
Leases - liabilities*	14.1	(0.7)	—	0.6	1.1	15.1
Other temporary differences	0.3	2.6	2.8	(0.4)	0.2	5.5
<b>Group total</b>	<b>(35.7)</b>	<b>10.6</b>	<b>1.8</b>	<b>(5.1)</b>	<b>(30.7)</b>	<b>(59.1)</b>

\* The Group applied "Deferred Tax related to Assets and Liabilities arising from a Single Transaction" (Amendments to IAS 12) from 1 January 2023. Following the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets.

Deferred tax assets and liabilities arising in the same tax jurisdiction have been offset where the taxable entity has a legally enforceable right to set off current tax assets and liabilities, and the deferred tax assets and liabilities relate to taxes levied by the same taxation authority. Below is the analysis of the deferred tax balances after the offset for 2023. No restatement has been performed for the prior year but this would have reduced both balance by £52.7m:

	2023 £m	2022 £m
Deferred tax asset	31.0	69.0
Deferred tax liability	(68.2)	(128.1)
<b>Net deferred tax liability</b>	<b>(37.2)</b>	<b>(59.1)</b>

## Notes to the Consolidated Financial Statements continued

### 15 Deferred tax assets and liabilities continued

At the Balance Sheet date, the Group has deductible temporary differences, unused tax losses and unused tax credits with a tax value of £113.5m (2022: £98.4m) available for offset against future profits. A deferred tax asset has been recognised in respect of £99.7m (2022: £84.6m). No deferred tax asset has been recognised in respect of the remaining £13.8m (2022: £13.8m) as it is not considered probable that there will be future taxable profits available against which the relevant deduction can be offset.

Excluding the losses in Argentina and India, which expire if unused within five years and eight years respectively, the losses may be carried forward indefinitely. The associated unrecognised deferred tax asset in Argentina and India is £8.3m (2022: £3.6m).

A deferred tax credit of £1.1m (2022: £1.8m credit) recognised in the Consolidated Statement of Comprehensive Income (page 197) associated with the measurement of defined benefit obligations.

UK tax is not expected to arise upon the remittance of earnings of overseas subsidiaries. However, a tax liability may arise due to dividend withholding taxes levied by overseas tax authorities. This tax liability is not expected to exceed £8.1m (2022: £6.7m). As the Group controls the timing of these dividends and it is not expected the tax will arise in the foreseeable future, no associated deferred tax liability has been recognised.

### 16 Inventories

	2023 £m	2022 £m
Raw materials, consumables and components	130.4	136.1
Work in progress	40.2	39.5
Finished goods and goods for resale	114.6	114.4
<b>Total inventories</b>	<b>285.2</b>	<b>290.0</b>

The write-down of inventories recognised as an expense during the year was £15.2m (2022: £9.0m). This comprises a cost of £15.6m (2022: £10.5m) to write down inventory to net realisable value reduced by £0.4m (2022: £1.5m) for reversal of previous write-down reassessed as a result of customer demand.

The value of inventories expected to be recovered after more than 12 months is £15.1m (2022: £12.6m).

There is no material difference between the Statement of Financial Position value of inventories and their replacement cost. None of the inventory has been pledged as security.

### 17 Other current assets

	2023 £m	2022 £m
Contract assets	17.0	11.7
Prepayments	24.9	25.5
Other receivables	29.5	42.4
<b>Total other current assets</b>	<b>71.4</b>	<b>79.6</b>

Contract assets relate to revenue recognised that has not yet been invoiced to the customer.

Other receivables comprise various assets across the Group including £13.4m of other tax related receivables, £3.7m of advanced payments to suppliers, £2.9m of other deposits made, £1.8m of derivative assets and £7.7m of other receivables.

### 18 Trade and other payables

	2023 £m	2022 £m
Trade payables	79.2	89.9
Contract liabilities	32.9	20.6
Social security	9.5	9.4
Accruals	95.2	113.2
Other payables	34.4	49.9
<b>Total trade and other payables</b>	<b>251.2</b>	<b>283.0</b>

Contract liabilities relate to advance payments received from customers that have not yet been recognised as revenue. £6.8m of the contract liabilities at 31st December 2022 was recognised as revenue during 2023 (2022: £15.7m).

Other payables comprise various balances across the Group including £14.2m of other tax related payables, £3.0m pension creditors, £4.9m in relation to the fair value of deferred consideration held by Vulcanic and £12.3 other payables.



## 19 Provisions

	Product warranty £m	Legal, contractual and other £m	Total £m
<b>2023</b>			
At 1st January 2023	2.7	15.5	18.2
Additional provision in the year	0.4	9.3	9.7
Utilised or released during the year	(0.5)	(8.5)	(9.0)
Exchange adjustments	(0.6)	(1.2)	(1.8)
<b>At 31st December 2023</b>	<b>2.0</b>	<b>15.1</b>	<b>17.1</b>

	Product warranty £m	Legal, contractual and other £m	Total £m
<b>2022</b>			
At 1st January 2022	2.1	4.6	6.7
Additional provision in the year	0.6	7.9	8.5
Utilised or released during the year	(0.9)	(2.5)	(3.4)
Acquisition of subsidiary	0.8	5.2	6.0
Exchange adjustments	0.1	0.3	0.4
<b>At 31st December 2022</b>	<b>2.7</b>	<b>15.5</b>	<b>18.2</b>

	2023 £m	2022 £m
Current provisions	9.5	12.0
Non-current provisions	7.6	6.2
<b>Total provisions</b>	<b>17.1</b>	<b>18.2</b>

### Product warranty

Product warranty provisions reflect commitments made to customers on the sale of goods in the ordinary course of business. These are expected to be incurred in the next three years.

### Legal, contractual and other

Legal, contractual and other provisions mainly comprise amounts provided against open legal and contractual disputes arising from trade and employment. These costs are based on past experience of similar items and other known factors and represent management's best estimate of the likely outcome. The Group has taken action to enforce its rights and protect its intellectual property rights around the world.

Reflecting the inherent uncertainty within many legal proceedings, the timing and amount of the outflows could differ significantly from the amount provided. Management does not expect that the outcome of such proceedings, either individually or in aggregate, will have a material adverse effect on the Group's financial condition or results of operations. Of the total legal, contractual and other provisions at 31st December 2023 £8.0m (2022: £9.8m) has been included within current and £7.1m (2022: £5.7m) within non-current provisions.

## 20 Called-up share capital and reserves

	2023 £m	2022 £m
Ordinary shares of 26 12/13p (2022: 26 12/13p) each:		
Authorised 111,428,571 (2022: 111,428,571)	30.0	30.0
Allotted, called up and fully paid 73,776,048 (2022: 73,776,048)	19.8	19.8

35,794 (2022: 28,262) shares with a nominal value of £9,637 (2022: £7,609) were issued in connection with the Group's Employee Share Ownership Plan with external consideration of £2.0m (2022: £1.8m) received by the Group. In 2023, all shares were provided to employees through the Employee Benefit Trust and not through the issue of share capital.

At 31st December 2023, 139,907 shares were held in an Employee Benefit Trust and available for use in connection with the Group's Employee Share Schemes. 138 senior employees of the Group have been granted options on Ordinary shares under the Performance Share Plan (details in Note 22).

## Notes to the Consolidated Financial Statements continued

### 20 Called-up share capital and reserves continued

Translation reserve in the Consolidated Statement of Changes in Equity on pages 197-198 is made up as follows:

	1st January 2023 £m	Change in year £m	31st December 2023 £m
Net investment hedge reserve	(2.7)	8.3	5.6
Translation reserve	20.2	(86.2)	(66.0)
<b>Total translation reserve</b>	<b>17.5</b>	<b>(77.9)</b>	<b>(60.4)</b>

	1st January 2022 £m	Change in year £m	31st December 2022 £m
Net investment hedge reserve	12.7	(15.4)	(2.7)
Translation reserve	(53.2)	73.4	20.2
<b>Total translation reserve</b>	<b>(40.5)</b>	<b>58.0</b>	<b>17.5</b>

#### Net investment hedge reserve

The reserve records the cumulative gain or loss on hedging instruments designated in net investment hedges. Together with the translation reserve, these are the foreign currency translation reserves of the Group.

Other reserves in the Consolidated Statement of Changes in Equity on pages 197-198 are made up as follows:

	1st January 2023 £m	Change in year £m	31st December 2023 £m
Cash flow hedges reserve	(3.7)	5.0	1.3
Capital redemption reserve	1.8	—	1.8
Employee Benefit Trust reserve	(21.5)	5.5	(16.0)
<b>Total other reserves</b>	<b>(23.4)</b>	<b>10.5</b>	<b>(12.9)</b>

	1st January 2022 £m	Change in year £m	31st December 2022 £m
Cash flow hedges reserve	(0.2)	(3.5)	(3.7)
Capital redemption reserve	1.8	—	1.8
Employee Benefit Trust reserve	(19.3)	(2.2)	(21.5)
<b>Total other reserves</b>	<b>(17.7)</b>	<b>(5.7)</b>	<b>(23.4)</b>

#### Cash flow hedges reserve

The reserve records the cumulative net change in the fair value of forward exchange contracts where they are designated as effective cash flow hedge relationships.

#### Capital redemption reserve

This reserve records the historical repurchase of the Group's own shares.

#### Employee Benefit Trust reserve

The Group has an Employee Benefit Trust which is used to purchase, hold and issue shares in connection with the Group's Employee Share Schemes. The shares held in Trust are recorded in this separate reserve.

### 21 Capital commitments and contingent liabilities

	2023 £m	2022 £m
<b>Capital expenditure contracted for but not provided</b>	<b>14.5</b>	67.0

All capital commitments are related to property, plant and equipment and computer software. The Group has no material contingent liabilities at 31st December 2023 (no material contingent liabilities existed at 31st December 2022), but does have a non-material contingent liability in relation to tax estimated at approximately £4.0m (2022: £3.8m). See Note 8 for further details.

## 22 Employee benefits

### Retirement benefit obligations

The Group operates a wide range of retirement benefit arrangements, which are established in accordance with local conditions and practices within the countries concerned. These include funded defined contribution and funded and unfunded defined benefit schemes.

### Defined contribution arrangements

The majority of the retirement benefit arrangements operated by the Group are of a defined contribution structure, where the employer contribution and resulting Consolidated Income Statement charge are fixed at a set level or are a set percentage of employees' pay. Contributions made to defined contribution schemes and charged to the Consolidated Income Statement totalled £26.7m (2022: £27.0m). In Germany, following the closure of the defined benefit schemes to new entrants in 2021, the main scheme for new employees is a defined contribution scheme.

### Defined benefit arrangements

The Group operates several funded defined benefit retirement schemes where the benefits are based on employees' length of service. Whilst the Group's primary schemes are in the UK, it also operates other material benefit schemes in the USA as well as less material schemes elsewhere. In funded arrangements, the assets of defined benefit schemes are held in separate trustee-administered funds or similar structures in the countries concerned.

### UK defined benefit arrangements

The defined benefit schemes in the UK account for 55% (2022: 47%) of the Group's net liability for defined retirement benefit schemes. Spirax Group operates three UK schemes: the Spirax-Sarco Employees' Pension Fund, the Spirax-Sarco Executives' Retirement Benefits Scheme and the Watson-Marlow Pension Fund. These are all final salary pension schemes and are closed to new members. There is a mix of different inflation-dependent pension increases (in payment and deferment) which vary from member to member according to their membership history and which scheme they are a member of.

All three schemes have been set up under UK law and are governed by a Trustee committee, which is responsible for the scheme's investments, administration and management. A funding valuation is carried out for the Trustees of each scheme every three years by an independent firm of actuaries. Depending on the outcome of that valuation a schedule of future contributions is negotiated with Spirax Group. Further information on the contribution commitments is shown in the Financial Review on pages 36 to 43.

### US defined benefit schemes

The Group operates a pension scheme in the USA, which is closed to new entrants and frozen to future accrual. The pension scheme defines the pension in terms of the highest average pensionable pay for any five consecutive years prior to retirement. No pension increases (in payment and deferment) are offered by this scheme. It also operates a post-retirement medical plan in the USA, which is unfunded, as is typical for these plans.

### Other matters

In June 2023, the High Court judged that amendments made to the Virgin Media scheme were invalid because the scheme's actuary did not provide the associated S37 certificate necessary. This may have a potential impact to the Group but the impact is not yet known and continues to be assessed.

In October 2023, the Company agreed to a buy-out of the Spirax-Sarco Inc Pension Plan covering approximately 230 pension plan participants. The Plan paid the insurance premium on 31 October 2023 and the insurance company has taken over benefit obligations effective 1 January 2024. This has been allowed for as a settlement and resulted in a charge to the profit and loss.

### Principal Risks

The pension schemes create a number of risk exposures. Annual increases in benefits are, to a varying extent from scheme to scheme, dependent on inflation so the main uncertainties affecting the level of benefits payable are future inflation levels and the actual longevity of the membership. Benefits payable will also be influenced by a range of other factors including member decisions on matters such as when to retire and the possibility to draw benefits in different forms. A key risk is that additional contributions are required if the investment returns fall short of those anticipated when setting the contributions to the pension schemes. All pension schemes are regulated by the relevant jurisdictions. These include extensive legislation and regulatory mechanisms that are subject to change and may impact on the Group's pension schemes. The IAS 19 liability measurement known as defined benefit obligation (DBO) and the service cost are sensitive to the actuarial assumptions made on a range of demographic and financial matters that are used to project the expected benefit payments, the most important of these assumptions being the future inflation levels and the assumptions made about life expectation. The DBO and service cost are also very sensitive to the IAS 19 discount rate, which determines the discounted value of the projected benefit payments. The discount rate depends on market yields on high quality corporate bonds. Investment strategies are set with funding rather than IAS 19 considerations in mind and do not seek to provide a specific hedge against the IAS 19 measurement of DBO. As a result the difference between the market value of the assets and the IAS 19 DBO may be volatile. Further information on the investment strategy for the UK schemes can be found in the Financial Review on pages 36 to 43.

Sensitivity analysis to changes in discount rate and inflation are included on page 229.

## Notes to the Consolidated Financial Statements continued

## 22 Employee benefits continued

**Principal Risks** continued

The financial assumptions used at 31st December were:

	Assumptions weighted by value of liabilities % per annum			
	UK pensions		Overseas pensions and medical	
	2023 %	2022 %	2023 %	2022 %
Rate of increase in salaries	n/a	n/a	2.7	2.9
Rate of increase in pensions	2.9	2.9	2.3	2.6
Rate of price inflation	3.0	3.2	2.2	2.4
Discount rate	4.5	4.7	4.4	4.7
Medical trend rate	n/a	n/a	7.5	7.5

The UK pensions are closed to future accrual; therefore, the rate of increase in salaries is not applicable.

The weighted average duration of the defined benefit obligation at 31st December 2023 was approximately 13 years (2022: 15 years) for the Spirax-Sarco Employees' Pension Fund, 8 years (2022: 10 years) for the Spirax-Sarco Executives' Retirement Benefits Scheme and 18 years (2022: 16 years) for the Watson-Marlow Pension Fund.

The mortality assumptions for the material defined benefit schemes at 31st December 2023 and 31st December 2022 were:

<b>Spirax-Sarco Employees' Pension Fund</b>	At 31st December 2023: 100% of the SAPS 3 normal tables, CMI 2021 future improvements, 1.25% long term trend, smoothing factor of 7, 0.25% initial addition and a w parameter of 10%. At 31st December 2022: 100% of SAPS 3, with CMI 2021 projections with a long-term trend of 1.25% pa and an initial addition parameter of 0.25% and w2020 parameter of 10%.
<b>Spirax-Sarco Executives' Retirement Benefits Scheme</b>	At 31st December 2023: 84%/87% (male/female) of SAPS S3 light normal, CMI 2021 future improvements, 1.25% long term trend, smoothing factor of 7, 0.25% initial addition and a w parameter of 10%. At 31st December 2022: 84%/87% (male/female) of SAPS S3 light normal, CMI 2021 projections with a long-term trend of 1.25% pa and an initial additional parameter of 0.25% and w2020 parameter of 10%.
<b>Watson-Marlow Pension Fund</b>	At 31st December 2023: 102% of the SAPS 3 pensioner tables, CMI 2021 future improvements, 1.25% long term trend, smoothing factor of 7, 0.25% initial addition and a w parameter of 10%. At 31st December 2022: 102% of SAPS S3, CMI 2021 projections with a long-term trend of 1.25% pa and an initial additional parameter of 0.25% and w2020 parameter of 10%.
<b>US Pension Scheme</b>	At 31st December 2023: SOA Pri-2012 Amount-Weighted Blue Collar Mortality Tables projected generationally with MP2021 At 31st December 2022: SOA Pri-2012 Amount-Weighted Blue Collar Mortality Tables with Mortality Improvement Scale MP2021.

By way of example the mortality tables indicate the following life expectancy across the UK schemes:

Current age	2023 life expectancy at 65		2022 life expectancy at 65	
	Male	Female	Male	Female
65	21.9	24.5	22.1	24.6
50	22.8	25.5	23.0	25.6

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

## 22 Employee benefits continued

### Principal Risks continued

The amounts recognised in the Consolidated Statement of Financial Position are determined as follows:

	UK pensions		Overseas pensions and medical		Total	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Fair value of schemes' assets	285.8	284.6	51.7	57.0	337.5	341.6
Present value of funded schemes' liabilities	(313.6)	(309.2)	(56.9)	(65.5)	(370.5)	(374.7)
Deficit in the funded schemes	(27.8)	(24.6)	(5.2)	(8.5)	(33.0)	(33.1)
Present value of unfunded schemes' liabilities	—	—	(18.4)	(19.0)	(18.4)	(19.0)
Retirement benefit liability recognised in the Consolidated Statement of Financial Position	(27.8)	(24.6)	(23.6)	(27.5)	(51.4)	(52.1)
Related deferred tax asset	6.9	6.2	6.4	7.0	13.3	13.2
<b>Net pension liability</b>	<b>(20.9)</b>	<b>(18.4)</b>	<b>(17.2)</b>	<b>(20.5)</b>	<b>(38.1)</b>	<b>(38.9)</b>

### Fair value of scheme assets

	UK pensions		Overseas pensions and medical		Total	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Quoted equities	44.6	46.9	29.7	30.1	74.3	77.0
Quoted bonds	109.0	132.5	15.4	13.1	124.4	145.6
Other	45.0	54.4	0.5	7.4	45.5	61.8
<b>Total with quoted market price</b>	<b>198.6</b>	<b>233.8</b>	<b>45.6</b>	<b>50.6</b>	<b>244.2</b>	<b>284.4</b>
Cash and cash equivalents	43.8	45.9	0.7	0.6	44.5	46.5
Unquoted equities	2.7	2.8	—	—	2.7	2.8
Unquoted bonds	0.7	—	—	—	0.7	—
Real estate	14.4	0.3	—	—	14.4	0.3
Derivatives	12.2	—	—	—	12.2	—
Other	13.4	1.8	5.4	5.8	18.8	7.6
<b>Total other securities</b>	<b>87.2</b>	<b>50.8</b>	<b>6.1</b>	<b>6.4</b>	<b>93.3</b>	<b>57.2</b>
<b>Total market value in aggregate</b>	<b>285.8</b>	<b>284.6</b>	<b>51.7</b>	<b>57.0</b>	<b>337.5</b>	<b>341.6</b>

The actual return on plan assets was an increase of £20.8m (2022: a decrease of £211.6m).

The UK pensions assets include investments in Liability Driven Investment (LDI) funds. LDI funds allow the schemes to hedge a larger proportion of the underlying interest rate exposure that exists within the schemes liabilities. As a result of the structure of LDI funds the schemes may be required to provide additional cash collateral to the LDI funds in order to maintain the current level of hedging should market interest rates increase materially. The LDI funds of £71.5m (2022: £83.4m) are included within the quoted bonds in the table above.

The movements in the defined benefit obligation recognised in the Consolidated Statement of Financial Position during the year were:

	UK pensions		Overseas pensions and medical		Total	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Defined benefit obligation at beginning of year	(309.2)	(507.5)	(84.5)	(97.9)	(393.7)	(605.4)
Acquisitions	—	—	—	(1.5)	—	(1.5)
Current service cost	—	—	(0.1)	(0.7)	(0.1)	(0.7)
Interest cost	(14.1)	(9.1)	(3.8)	(2.5)	(17.9)	(11.6)
Administration costs	—	—	(0.6)	(0.7)	(0.6)	(0.7)
Remeasurement gain/(loss)	2.7	207.0	(1.5)	23.0	1.2	230.0
Actual benefit payments	17.4	15.9	5.3	5.3	22.7	21.2
Experience (loss)/gain	(10.4)	(15.5)	0.4	(0.5)	(10.0)	(16.0)
Settlements	—	—	5.9	—	5.9	—
Currency gain/(loss)	—	—	3.6	(9.0)	3.6	(9.0)
<b>Defined benefit obligation at end of year</b>	<b>(313.6)</b>	<b>(309.2)</b>	<b>(75.3)</b>	<b>(84.5)</b>	<b>(388.9)</b>	<b>(393.7)</b>

## Notes to the Consolidated Financial Statements continued

## 22 Employee benefits continued

## Fair value of scheme assets continued

The movements in the fair value of plan assets during the year were:

	UK pensions		Overseas pensions and medical		Total	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Value of assets at beginning of year	284.6	497.5	57.0	63.2	341.6	560.7
Acquisitions	—	—	—	0.4	—	0.4
Expected return on assets	13.1	9.0	2.7	1.8	15.8	10.8
Remeasurement gain/(loss)	1.0	(210.9)	4.0	(11.5)	5.0	(222.4)
Contributions paid by employer	5.3	5.4	2.0	1.8	7.3	7.2
Actual benefit payments	(17.3)	(15.9)	(5.4)	(5.3)	(22.7)	(21.2)
Administration costs	(0.9)	(0.5)	(6.0)	—	(6.9)	(0.5)
Currency (loss)/gain	—	—	(2.6)	6.6	(2.6)	6.6
<b>Value of assets at end of year</b>	<b>285.8</b>	<b>284.6</b>	<b>51.7</b>	<b>57.0</b>	<b>337.5</b>	<b>341.6</b>

The estimated employer contributions to be made in 2024 are £6.9m.

The history of experience adjustments is as follows:

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Defined benefit obligation at end of year	(388.9)	(393.7)	(605.4)	(630.3)	(559.1)
Fair value of schemes' assets	337.5	341.6	560.7	531.7	487.8
Retirement benefit liability recognised in the Statement of Financial Position	(51.4)	(52.1)	(44.7)	(98.6)	(71.3)
Experience adjustment on schemes' liabilities	(10.0)	(16.0)	(2.9)	11.4	—
As a percentage of schemes' liabilities	2.6%	4.1%	0.5%	1.8%	0.0%
Experience adjustment on schemes' assets	5.0	(222.4)	35.7	46.5	49.0
As a percentage of schemes' assets	1.5%	65.1%	6.4%	8.7%	10.0%

The expense recognised in the Consolidated Income Statement was as follows:

	UK pensions		Overseas pensions and medical		Total	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Current service cost	—	—	(0.1)	(0.7)	(0.1)	(0.7)
Administration costs	(0.9)	(0.5)	(0.6)	(0.7)	(1.5)	(1.2)
Net interest on schemes' liabilities	(1.1)	—	(1.0)	(0.8)	(2.1)	(0.8)
<b>Total expense recognised in Consolidated Income Statement</b>	<b>(2.0)</b>	<b>(0.5)</b>	<b>(1.7)</b>	<b>(2.2)</b>	<b>(3.7)</b>	<b>(2.7)</b>

The expense is recognised in the following line items in the Consolidated Income Statement:

	2023 £m	2022 £m
Operating costs	(1.6)	(1.9)
Net financing expense	(2.1)	(0.8)
<b>Total expense recognised in Consolidated Income Statement</b>	<b>(3.7)</b>	<b>(2.7)</b>

## 22 Employee benefits continued

### Fair value of scheme assets continued

The gain or loss recognised in the Statement of Comprehensive Income (OCI) was as follows:

	UK pensions		Overseas pensions and medical		Total	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Remeasurement effects recognised in OCI:						
Due to experience on DBO	(10.4)	(15.5)	0.4	(0.5)	(10.0)	(16.0)
Due to demographic assumption changes in DBO	10.2	4.3	—	—	10.2	4.3
Due to financial assumption changes in DBO	(7.5)	202.8	(1.5)	23.0	(9.0)	225.8
Return on assets	1.0	(210.9)	4.0	(11.5)	5.0	(222.4)
Total remeasurement (loss)/gain recognised in OCI	(6.7)	(19.3)	2.9	11.0	(3.8)	(8.3)
Deferred tax on remeasurement (loss)/gain and change in rate recognised in OCI	1.7	4.8	(0.6)	(3.0)	1.1	1.8
Cumulative loss recognised in OCI at beginning of year	(54.1)	(39.6)	(13.1)	(21.1)	(67.2)	(60.7)
<b>Cumulative loss recognised in OCI at end of year</b>	<b>(59.1)</b>	<b>(54.1)</b>	<b>(10.8)</b>	<b>(13.1)</b>	<b>(69.9)</b>	<b>(67.2)</b>

### Sensitivity analysis

The effect on the defined benefit obligation at 31st December 2023 of an increase or decrease in key assumptions is as follows:

	UK pensions £m	Overseas pensions and medical £m	Total £m
(Decrease)/increase in pension deficit:			
Discount rate assumption being 1.0% higher	(36.7)	(7.7)	(44.4)
Discount rate assumption being 1.0% lower	42.1	9.3	51.4
Inflation assumption being 1.0% higher	25.6	1.5	27.1
Inflation assumption being 1.0% lower	(23.9)	(1.3)	(25.2)
Mortality assumption life expectancy at age 65 being one year higher	11.1	(0.6)	10.5

The above sensitivities reflect reasonable possible changes in the assumptions and therefore have been selected on this basis.

The average age of active participants in the UK schemes at 31st December 2023 was 55 years (2022: 53 years) and in the overseas schemes 47 years (2022: 47 years).

### Cash payments to the pension scheme greater or less than the expense to operating profit

	2023 £m	2022 £m
Defined benefit arrangements	(1.6)	(1.9)
Defined contribution arrangements	(26.7)	(27.0)
<b>Total expense recognised in operating costs</b>	<b>(28.3)</b>	<b>(28.9)</b>
Defined benefit arrangements	7.3	7.2
Defined contribution arrangements	26.7	27.0
<b>Total contributions paid by employer</b>	<b>34.0</b>	<b>34.2</b>
<b>Cash payments to the pension scheme greater than the expense to operating profit</b>	<b>5.7</b>	<b>5.3</b>

### Share-based payments

Disclosures of the share-based payments offered to employees are set out below. More detail on each scheme is given in the Annual Report on Remuneration 2023 on pages 162 to 174. The charge to the Consolidated Income Statement in respect of share-based payments is made up as follows:

	2023 £m	2022 £m
Performance Share Plan	4.3	7.3
Employee Share Ownership Plan	1.8	1.6
<b>Total expense recognised in Consolidated Income Statement</b>	<b>6.1</b>	<b>8.9</b>

## Notes to the Consolidated Financial Statements continued

## 22 Employee benefits continued

## Performance Share Plan

Awards under the Performance Share Plan are made to Executive Directors and other senior managers and take the form of contingent rights to acquire shares, subject to the satisfaction of a performance target. To the extent that they vest, awards may be satisfied in cash, in shares or in an option over shares. For the 2022 grant onwards, the performance criteria is split into three separate parts.

30% of the award is based on a TSR measure where the performance target is based on the Company's total shareholder return (TSR) relative to the TSR of other companies included in the FTSE 350 Industrial Goods and Services Supersector over a three-year performance period where awards will vest on a sliding scale. All shares within an award will vest if the Company's TSR is at or above the upper quartile. 18% will vest if the TSR is at the median and the number of shares that will vest will be calculated pro rata on a straight-line basis between 18% and 100% if the Company's TSR falls between the median and the upper quartile. No shares will vest if the Company's TSR is below the median.

The second part, amounting to 50% of the award, is subject to achievement of a target based on aggregate EPS over a three-year performance period. 18% will vest if the compound growth in EPS is equal to the growth in global industrial production (IP) plus 2% as published by CHR Economics, and 100% will vest if the compound growth in EPS is equal to or exceeds the growth in global IP plus 8% (changing to IP plus 7% from the 2023 grant onwards); there is pro rata vesting for actual growth between these rates.

The final 20% of the award compares greenhouse gas intensity emission in the base year of the three-year performance period to the final year. Performance will be measured relative to £m of sales at base year prices to ensure that efficiency savings are not distorted by inflation. 18% will vest if there is 24% reduction in GHG intensity emission, and 100% will vest if there is a reduction in GHG intensity emissions equal to or exceeding 31%; there is pro rata vesting for actual reduction between these rates.

Shares awarded under the Performance Share Plan have been valued using the Monte Carlo simulation valuation methodology. The relevant disclosures in respect of the Performance Share Plan grants are set out below.

	2019 Grant	2020 Grant	2021 Grant	2022 Grant	2023 Grant
Grant date	15th May	12th March	4th May	14th March	13th March
Mid-market share price at grant date	8,161.0p	7,775.0p	11,770.0p	11,910.0p	10,880p
Number of employees	133	104	106	108	138
Shares under scheme	112,159	140,934	89,806	92,951	145,505
Vesting period	3 years	3 years	3 years	3 years	3 years
Probability of vesting	74.1%	74.3%	73.9%	76.1%	81.2%
Fair value	6,048.9p	5,779.2p	8,698.0p	9,057.6p	8,829.1p

## Employee Share Ownership Plan

UK employees are eligible to participate in the Employee Share Ownership Plan (ESOP). The aim of the ESOP is to encourage increased shareholding in the Company by all UK employees and so there are no performance conditions. Employees are invited to join the ESOP when an offer is made each year. Individuals save for 12 months during the accumulation period and subscribe for shares at the lower of the price at the beginning and the end of the accumulation period under HMRC rules. The Company provides a matching share for each share purchased by the individual.

Shares issued under the ESOP have been measured using the Present Economic Value (PEV) valuation methodology. The relevant disclosures in respect of the Employee Share Ownership Plans are set out below.

	2019 Grant	2020 Grant	2021 Grant	2022 Grant	2023 Grant
Grant date	1st October	1st October	1st October	1st October	1st October
Exercise price	7,835.0p	11,102.0p	15,043.3p	10,348.3p	9,413p
Number of employees	1,318	1,373	1,400	1,671	1,644
Shares under scheme	16,820	12,480	9,429	16,832	19,256
Vesting period	3 years	3 years	3 years	3 years	3 years
Expected volatility	21%	25%	26.5%	28.7%	26.5%
Risk-free interest rate	0.5%	0.1%	0.2%	4.0%	4.9%
Expected dividend yield	1.8%	1.5%	1.0%	1.0%	1.2%
Fair value	8,305.1p	11,956.9p	16,382.2p	11,579.7p	10,486.4p

The accumulation period for the 2023 ESOP ends in September 2024; therefore, some figures are projections.



## 23 Analysis of changes in net debt, including changes in liabilities arising from financing activities

2023

	1st January 2023 £m	Cash flow £m	Acquired debt* £m	Exchange movement £m	31st December 2023 £m
Current portion of long-term borrowings	(202.9)				(3.6)
Non-current portion of long-term borrowings	(731.3)				(875.9)
<b>Total borrowings</b>	<b>(934.2)</b>				<b>(879.5)</b>
Lease liabilities	(65.2)	16.1	(49.9)	2.3	(96.7)
Borrowings	(934.2)	28.3	—	26.4	(879.5)
<b>Changes in liabilities arising from financing</b>	<b>(999.4)</b>	<b>44.4</b>	<b>(49.9)</b>	<b>28.7</b>	<b>(976.2)</b>
Cash at bank	328.9	46.5	—	(15.7)	359.7
Bank overdrafts	(85.1)	(62.8)	—	1.0	(146.9)
<b>Net cash and cash equivalents</b>	<b>243.8</b>	<b>(16.3)</b>	<b>—</b>	<b>(14.7)</b>	<b>212.8</b>
<b>Net debt and lease liability</b>	<b>(755.6)</b>	<b>28.1</b>	<b>(49.9)</b>	<b>14.0</b>	<b>(763.4)</b>
<b>Net debt excluding lease liability</b>	<b>(690.4)</b>	<b>12.0</b>	<b>—</b>	<b>11.7</b>	<b>(666.7)</b>

\* Debt acquired includes both debt acquired due to acquisition, and debt recognised on the balance sheet due to entry into new leases and disposals of existing leases

The net cashflow from borrowings of £28.3m consists of £192.8m of new borrowings and £221.1m of repaid borrowings. During the year £46.9m of interest on external borrowings (2022: £14.0m) was incurred and paid.

At 31st December 2023 total lease liabilities consist of £14.5m (2022: £14.1m) short-term and £82.2m (2022: £51.1m) long-term.

See Note 27 for further information on net debt and lease liabilities.

2022

	1st January 2022 £m	Cash flow £m	Acquired debt* £m	Disposal of subsidiaries £m	Exchange movement £m	31st December 2022 £m
Current portion of long-term borrowings	(59.6)					(202.9)
Non-current portion of long-term borrowings	(289.9)					(731.3)
<b>Total borrowings</b>	<b>(349.5)</b>					<b>(934.2)</b>
Lease liabilities	(60.1)	12.9	(15.2)	—	(2.8)	(65.2)
Borrowings	(349.5)	(497.7)	(67.0)	—	(20.0)	(934.2)
<b>Changes in liabilities arising from financing</b>	<b>(409.6)</b>	<b>(484.8)</b>	<b>(82.2)</b>	<b>—</b>	<b>(22.8)</b>	<b>(999.4)</b>
Cash at bank	274.6	46.3	—	(2.8)	10.8	328.9
Bank overdrafts	(55.6)	(26.7)	—	—	(2.8)	(85.1)
<b>Net cash and cash equivalents</b>	<b>219.0</b>	<b>19.6</b>	<b>—</b>	<b>(2.8)</b>	<b>8.0</b>	<b>243.8</b>
<b>Net debt and lease liability</b>	<b>(190.6)</b>	<b>(465.2)</b>	<b>(82.2)</b>	<b>(2.8)</b>	<b>(14.8)</b>	<b>(755.6)</b>
<b>Net debt excluding lease liability</b>	<b>(130.5)</b>	<b>(478.1)</b>	<b>(67.0)</b>	<b>(2.8)</b>	<b>(12.0)</b>	<b>(690.4)</b>

\* Debt acquired includes both debt acquired due to acquisition, and debt recognised on the balance sheet due to entry into new leases

## 24 Related party transactions

Transactions with Directors are disclosed separately in Note 7 and are shown in the Annual Report on Remuneration 2023 on pages 162 to 174.

There were no other related party transactions in either 2022 or 2023.

## Notes to the Consolidated Financial Statements continued

## 25 Purchase of businesses

The provisional fair value accounting is shown below:

## 2023

During the period the Group acquired distributors resulting in a total cash outflow of £5.2m and creating acquired intangibles of £3.6m. No other subsidiaries were acquired during 2023.

Additionally, during the period the fair value of the assets acquired as part of the acquisition of Vulcanic (and its related companies) as well as Durex Industries were reassessed. The outcome of this reassessment was an immaterial decrease in goodwill for Durex Industries and an offsetting immaterial increase in goodwill for Vulcanic.

## 2022

	Cotopaxi fair value £m	Vulcanic fair value £m	Durex Industries fair value £m	Total £m
Non-current assets:				
Property, plant and equipment	—	15.8	14.9	30.7
Right-of-use assets	—	4.1	—	4.1
Acquired intangibles	2.8	115.6	126.2	244.6
Software and other intangibles	—	0.5	—	0.5
Deferred tax assets	—	2.9	0.5	3.4
	2.8	138.9	141.6	283.3
Current assets:				
Inventories	—	17.4	7.3	24.7
Trade receivables	0.8	24.5	9.5	34.8
Other receivables	0.4	3.5	1.2	5.1
Cash and cash equivalents	0.6	10.3	14.8	25.7
	1.8	55.7	32.8	90.3
<b>Total assets</b>	4.6	194.6	174.4	373.6
Current liabilities:				
Trade payables	0.1	7.5	1.1	8.7
Other payables, accruals and provisions	0.6	15.9	7.0	23.5
Short-term lease liabilities	—	1.1	—	1.1
	0.7	24.5	8.1	33.3
Non-current liabilities:				
Long-term borrowings	—	67.0	—	67.0
Long-term payables	—	3.7	—	3.7
Long-term lease liabilities	—	3.0	—	3.0
Deferred tax liabilities	0.6	33.4	0.1	34.1
Non-current provisions	—	4.6	0.1	4.7
Post-retirement benefit plans	—	1.1	—	1.1
	0.6	112.8	0.2	113.6
<b>Total liabilities</b>	1.3	137.3	8.3	146.9
Total net assets	3.3	57.3	166.1	226.7
Goodwill	10.0	119.2	130.1	259.3
<b>Total</b>	13.3	176.5	296.2	486.0
<b>Satisfied by:</b>				
Cash paid	13.3	176.5	296.2	486.0
<b>Total consideration</b>	13.3	176.5	296.2	486.0
Cash outflow for acquired businesses in the Statement of Cash Flows:				
Cash paid for businesses acquired in the period and debt repaid	13.3	243.5	296.2	553.0
Debt repaid	—	(67.0)	—	(67.0)
Cash paid for businesses acquired in the period	13.3	176.5	296.2	486.0
Less cash acquired	(0.6)	(10.3)	(14.8)	(25.7)
<b>Net cash outflow</b>	12.7	166.2	281.4	460.3

## 25 Purchase of businesses continued

### 2022 continued

1. On a debt-free cash-free basis the cash outflow for acquisitions was £535.5m consisting of £486.0m paid to the vendors, £67.0m of debt acquired and repaid and £8.2m of acquisition costs less cash acquired of £25.7m.
2. The acquisitions of 100% of Vulcanic (completed on 29th September 2022 for consideration of €200.8m or £176.5m), 100% of Durex Industries (completed on 30th November 2022 for consideration of US\$357.1m or £296.2m) and 100% of Cotopaxi Limited (completed on 30th January 2022 for consideration of £13.3m) have all been accounted for under the acquisition method. The separately identified intangibles of all three acquisitions are recorded as part of the provisional fair value adjustment. The acquired intangibles relate to brand names and trademarks, manufacturing designs and core technology and customer relationships. The goodwill recognised represents the skilled workforce acquired and the opportunity to achieve synergies from being part of a larger Group.
3. Vulcanic is a European leader in industrial process heating solutions and is highly complementary to Chromalox within our ETS Business. As the lead brands within ETS for electric process heating, Chromalox and Vulcanic will support the effective deployment of our industry-leading decarbonisation solutions alongside Steam Thermal Solutions. Goodwill arising on the acquisition of Vulcanic is not expected to be tax deductible. Following completion of the acquisition, Vulcanic generated €34.8m (£29.7m) of revenue and €8.3m (£7.1m) of adjusted pre-tax profit. Had the acquisition been made on 1st January 2022, Vulcanic revenue and adjusted pre-tax profit would have been approximately €111.9m (£95.5m) and €21.1m (£18.0m) respectively.
4. Durex Industries, located in Illinois (USA), is a specialist in custom electric thermal solutions for ultra-high criticality industrial equipment and is highly complementary to Thermocoax within our ETS Business. Together, Thermocoax and Durex Industries are well positioned to capitalise on the growing demand for increasingly stringent thermal energy requirements in high technology equipment within market sectors with high barriers to entry. Goodwill arising on the acquisition of Durex Industries is expected to be tax deductible in the USA. Following completion of the acquisition, Durex Industries generated US\$5.6m (£4.5m) of revenue and US\$1.2m (£1.0m) of adjusted pre-tax profit. Had the acquisition been made on 1st January 2022, Durex Industries revenue and adjusted pre-tax profit would have been approximately US\$81.3m (£65.5m) and US\$26.4m (£21.3m) respectively.
5. Cotopaxi Limited is a UK-based digitally enabled global energy consulting and optimisation company, which will enable Steam Thermal Solutions to digitally enhance its customer bonding through the provision of physical and digital connections to customers' infrastructure and equipment. Goodwill arising on the acquisition of Cotopaxi is not expected to be tax deductible. Following completion of the acquisition, Cotopaxi generated £2.9m of revenue and £0.5m of pre-tax profit. Had the acquisition been made on 1st January 2022, Cotopaxi revenue and pre-tax profit would not have been materially different from the figure disclosed.

## 26 Disposal of subsidiary

### 2023

No subsidiaries were disposed of during 2023.

### 2022

The loss on disposal of subsidiaries relates wholly to the disposal of 100% of Spirax Sarco Russia and Watson-Marlow Russia on 6th July 2022.

The consideration amounted to £nil which resulted in a loss on disposal for Spirax Sarco Russia of £2.2m and for Watson-Marlow Russia of £1.7m, including £0.1m of legal fees, and cumulative currency translation losses recycled to the Consolidated Income Statement of £3.2m. £2.8m of cash and cash equivalents were disposed of as part of the transaction.

These disposals did not meet the definition of a discontinued operation given in IFRS 5 Non-current Assets Held for Sale and Discontinued Operations and, therefore, no disclosures in relation to discontinued operations have been made.

## Notes to the Consolidated Financial Statements continued

### 27 Derivatives and other financial instruments

The Group does not enter into significant derivative transactions. The Group's principal financial instruments comprise borrowings, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

#### Credit risk

The Group sells products and services to customers around the world and its customer base is extremely varied in size and industry sector. The Group operates credit control policies to assess customers' credit ratings and provides for any debt that is identified as non-collectable.

#### Interest rate risk

The Group's policy is to hold a mixture of fixed and floating rate debt. When new debt facilities are entered into, the Group assesses if this should be fixed or floating depending on the specific circumstances at the time. In addition the Group aims to achieve a spread of maturity dates in order to avoid the concentration of funding requirements at any one time. The ratio of fixed to floating rate debt and debt maturity profile is kept under review by the Chief Financial Officer in conjunction with the Board.

#### Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of overdrafts, loans, facilities and leases as appropriate.

#### Capital management

The Group's objective is to ensure support of the Group's operations and maximise shareholder value. The Group uses cash generated from operations to invest organically or to finance acquisitions. The capital structure comprises debt and borrowings (see Note 23), cash and cash equivalents (see Note 23) and equity as disclosed in the Consolidated Statement of Changes in Equity.

The Group is not subject to externally imposed capital requirements, other than financial covenant requirements on external borrowing.

#### Foreign currency risk

The Group has operations around the world and therefore its Consolidated Statement of Financial Position can be affected significantly by movements in the rate of exchange between sterling and various other currencies particularly the US dollar and euro. The Group seeks to mitigate the effect of this structural currency exposure by borrowing in these currencies where appropriate while maintaining a low cost of debt. In addition the Group employs net investment hedge accounting where appropriate to mitigate these exposures, with such hedges being designated in both 2023 and 2022. The gain on net investment hedges during 2023 included in the Consolidated Statement of Comprehensive Income was £8.3m (2022: £15.4m loss). This is included within translation reserves in the Consolidated Statement of Changes in Equity (see Note 20).

The Group also has transactional currency exposures principally as a result of trading between Group companies. Such exposures arise from sales or purchases by an operating unit in currencies other than the unit's functional currency. The Group operates a programme to manage this risk on a Group-wide net basis, through the entering into of both forward contracts and non-deliverable forward contracts with a range of bank counterparties.

#### Fair values of financial assets and financial liabilities

Fair values of financial assets and liabilities at 31st December 2023 are not materially different from book values due to their size or the fact that they were at short-term rates of interest. Fair values have been assessed as follows:

- **Derivatives**

Forward exchange contracts are marked to market by discounting the future contracted cash flows using readily available market data.

- **Interest-bearing loans and borrowings**

Fair value is calculated based on discounted expected future principal and interest cash flows.

- **Lease liabilities**

The fair value is estimated as the present value of future cash flows, discounted at the incremental borrowing rate for the related geographical location unless the rate implicit in the lease is readily determinable.

- **Trade and other receivables/payables**

For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value.

## 27 Derivatives and other financial instruments continued

### Fair values of financial assets and financial liabilities continued

The following table compares amounts and fair values of the Group's financial assets and liabilities:

	2023 Carrying value £m	2023 Fair value £m	2022 Carrying value £m	2022 Fair value £m
Financial assets:				
Cash and cash equivalents	359.7	359.7	328.9	328.9
Trade, other receivables and contract assets	346.3	346.3	395.2	395.2
<b>Total financial assets</b>	<b>706.0</b>	<b>706.0</b>	724.1	724.1
Financial liabilities:				
Borrowings	879.5	888.5	934.2	918.1
Lease liabilities	96.7	96.7	65.2	65.2
Bank overdrafts	146.9	146.9	85.1	85.1
Trade payables	79.2	79.2	89.9	89.9
Other payables and contract liabilities	67.3	67.3	70.5	70.5
Long-term payables	11.4	11.4	8.8	8.8
Accruals	95.2	95.2	113.2	113.2
<b>Total financial liabilities</b>	<b>1,376.2</b>	<b>1,385.2</b>	1,366.9	1,350.8

There are no other assets or liabilities measured at fair value on a recurring or non-recurring basis for which fair value is disclosed.

Derivative financial instruments are measured at fair value. Fair value of derivative financial instruments is calculated based on discounted cash flow analysis using appropriate market information for the duration of the instruments.

### Financial instruments fair value disclosure

Fair value measurements are classified into three levels, depending on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets and liabilities
- Level 2 fair value measurements are those derived from other observable inputs for the asset or liability
- Level 3 fair value measurements are those derived from valuation techniques using inputs that are not based on observable market data

With the exception of the Group's private placement borrowings, there were no significant differences between the carrying value and the fair value of the Group's financial assets and liabilities. The fair value of private placement borrowings is estimated by discounting the future contracted cash flows using readily available market data and represents a Level 2 measurement in the fair value hierarchy.

We consider that the derivative financial instruments also fall into Level 2.

### Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the Group as at 31st December was as follows:

	Total £m	Fixed rate financial liabilities £m	Floating rate financial liabilities £m	Financial liabilities on which no interest is paid £m
<b>2023</b>				
Euro	758.8	628.8	66.7	63.3
US dollar	363.2	310.7	1.8	50.7
Sterling	149.0	20.7	90.1	38.2
Renminbi	39.5	5.1	—	34.4
Other	65.7	16.2	1.2	48.3
<b>Group total</b>	<b>1,376.2</b>	<b>981.5</b>	<b>159.8</b>	<b>234.9</b>

## Notes to the Consolidated Financial Statements continued

## 27 Derivatives and other financial instruments continued

## Interest rate risk profile of financial liabilities continued

	Total £m	Fixed rate financial liabilities £m	Floating rate financial liabilities £m	Financial liabilities on which no interest is paid £m
<b>2022</b>				
Euro	762.9	642.2	44.9	75.8
US dollar	341.9	283.6	3.0	55.3
Sterling	107.3	21.0	36.3	50.0
Renminbi	46.3	2.0	—	44.3
Other	108.5	18.3	36.1	54.1
<b>Group total</b>	<b>1,366.9</b>	<b>967.1</b>	<b>120.3</b>	<b>279.5</b>

## Terms and debt repayment schedule

The terms and conditions of outstanding borrowings were as follows:

	Currency	Nominal interest rate	Year of maturity	2023 Carrying value £m	2022 Carrying value £m
Unsecured private placement – €225.0m	€	1.1%	2023	—	202.0
Unsecured private placement – \$185.0m	\$	5.3%	2028	145.3	152.9
Unsecured bank facility – \$150.0m	\$	6.8%	2025	117.8	124.0
Unsecured private placement – €140.0m	€	3.9%	2027	124.7	123.9
Unsecured private placement – €125.0m	€	4.2%	2029	108.4	110.6
Unsecured private placement – €120.0m	€	2.4%	2026	104.4	106.2
Unsecured private placement – €110.0m	€	4.4%	2030	95.4	—
Unsecured bank facility – €90.0m	€	4.7%	2026	78.0	—
Unsecured bank facility	€	4.6%	2029	95.5	79.6
Unsecured bank facility	£	5.6%	2024	81.7	39.3
Unsecured bank facility	€	3.9%	2024	64.4	38.5
Unsecured bank facility	£	5.9%	2029	10.0	35.0
Unsecured bank facility	€	0.0%	2023	—	5.2
Unsecured bank facility	€	3.9%	2024	0.5	2.0
Unsecured bank facility	€	3.9%	2024	0.2	0.1
Unsecured bank facility	\$	5.2%	2024	0.1	—
<b>Total outstanding borrowings</b>				<b>1,026.4</b>	<b>1,019.3</b>

In 2023, the Group refinanced the €225m unsecured private placement, refinancing consisted of a bank term loan of €90m and a unsecured private placement of €110m. In 2022, New private placement borrowings of €265.0m (£234.6m) and US\$185.0m (£149.8m) along with a term loan of US\$150.0m (£124.4m) all relate to the funding of acquisitions made during the year.

The weighted average interest rate paid during the year was 4.6% (2022: 3.3%).

## 27 Derivatives and other financial instruments continued

### Interest rate risk profile of financial assets

The interest rate profile of the financial assets of the Group as at 31st December was as follows:

	Total £m	Fixed rate financial assets £m	Floating rate financial assets £m	Financial assets on which no interest is earned £m
<b>2023</b>				
Euro	211.6	7.9	76.5	127.2
US dollar	193.5	1.1	1.7	190.7
Sterling	41.8	0.1	16.4	25.3
Renminbi	67.6	2.8	23.4	41.4
Other	191.5	11.3	41.4	138.8
<b>Group total</b>	<b>706.0</b>	<b>23.2</b>	<b>159.4</b>	<b>523.4</b>

	Total £m	Fixed rate financial assets £m	Floating rate financial assets £m	Financial assets on which no interest is earned £m
<b>2022</b>				
Euro	205.8	0.2	62.2	143.4
US dollar	186.3	0.8	36.4	149.1
Sterling	49.5	0.1	19.6	29.8
Renminbi	92.4	6.4	41.1	44.9
Other	190.1	8.6	22.7	158.8
<b>Group total</b>	<b>724.1</b>	<b>16.1</b>	<b>182.0</b>	<b>526.0</b>

Financial assets on which no interest is earned comprise trade and other receivables and cash at bank. Floating and fixed rate financial assets comprise cash at bank or cash placed on deposit.

### Currency exposures

As explained on page 234, the Group's objectives in managing the currency exposures arising from its net investment overseas (in other words, its structural currency exposures) are to maintain a low cost of debt while partially hedging against currency depreciation. All gains and losses arising from these structural currency exposures are recognised in the Consolidated Statement of Comprehensive Income. In addition the Group employs net investment hedge accounting in order to mitigate these impacts where appropriate.

Transactional (or non-structural) exposures give rise to net currency gains and losses that are recognised in the Consolidated Income Statement. Such exposures include the monetary assets and monetary liabilities in the Consolidated Statement of Financial Position that are not denominated in the operating (or functional) currency of the operating unit involved. At 31st December 2023 the currency exposure in respect of the euro was a net monetary liability of £69.2m (2022: £280.8m net monetary liability) and in respect of the US dollar a net monetary liability of £254.2m (2022: £225.0m net monetary liability).

At 31st December 2023, the percentage of debt to net assets, excluding debt, was 56% (2022: 53%) for the euro and 8% (2022: 7%) for the US dollar.

### Maturity of financial liabilities

The Group's financial liabilities at 31st December mature in the following periods:

	Trade, other payables, accruals and contract liabilities £m	Overdrafts £m	Lease liabilities £m	Long-term borrowings	Total £m
<b>2023</b>					
In six months or less, or on demand	233.4	146.9	9.6	2.7	392.6
In more than six months but no more than twelve	9.0	—	9.1	1.2	19.3
In more than one year but no more than two	2.1	—	16.3	119.8	138.2
In more than two years but no more than three	6.2	—	13.8	183.4	203.4
In more than three years but no more than four	1.5	—	11.2	122.9	135.6
In more than four years but no more than five	0.2	—	7.9	145.3	153.4
In more than five years	0.7	—	56.4	310.0	367.1
<b>Total contractual cash flows</b>	<b>253.1</b>	<b>146.9</b>	<b>124.3</b>	<b>885.3</b>	<b>1,409.6</b>
<b>Statement of Financial Position values</b>	<b>253.1</b>	<b>146.9</b>	<b>96.7</b>	<b>879.5</b>	<b>1,376.2</b>

## Notes to the Consolidated Financial Statements continued

## 27 Derivatives and other financial instruments continued

## Maturity of financial liabilities continued

	Trade, other payables and contract liabilities £m	Overdrafts £m	Lease liabilities £m	Long-term borrowings	Total £m
<b>2022</b>					
In six months or less, or on demand	271.0	85.1	7.9	37.3	401.3
In more than six months but no more than twelve	6.8	—	7.0	201.4	215.2
In more than one year but no more than two	1.7	—	10.9	84.2	96.8
In more than two years but no more than three	1.3	—	7.7	147.0	156.0
In more than three years but no more than four	0.8	—	5.6	107.5	113.9
In more than four years but no more than five	—	—	4.2	341.5	345.7
In more than five years	0.8	—	28.1	142.6	171.5
<b>Total contractual cash flows</b>	<b>282.4</b>	<b>85.1</b>	<b>71.4</b>	<b>1,061.5</b>	<b>1,500.4</b>
<b>Statement of Financial Position values</b>	<b>282.4</b>	<b>85.1</b>	<b>65.2</b>	<b>934.2</b>	<b>1,366.9</b>

The Group did not employ any supply chain or similar forms of financing during 2023 or 2022.

## Cash flow hedges

The Group uses forward currency contracts to manage its exposure to movements in foreign exchange rates. The forward contracts are designated as hedging instruments in a cash flow hedging relationship. At 31st December 2023 the Group had contracts outstanding to economically hedge or to purchase £18.6m (2022: £38.9m) and €16.1m (2022: €12.9m) with US dollars, £67.6m (2022: £70.4m) with euros, £24m (2022: £20.3m) and €8.8m (2022: €8.4m) with Chinese renminbi, £8.5m (2022: £10.6m) and €3.4m (2022: €3.4m) with Korean won, £3.7m (2022: £2.5m) with Singapore dollars and DKK8.2m (2022: DKK54.2m) with euros. The fair values at the end of the reporting period were an asset of £1.8m (2022: £3.7m liability), included within trade and other payables on the Consolidated Statement of Financial Position. The fair value of cash flow hedges falls into the Level 2 category of the fair value hierarchy in accordance with IFRS 13. The fair value of derivative financial instruments is estimated by discounting the future contracted cash flow using readily available market data.

The contractual cash flows on forward currency contracts at the reporting date are shown below, classified by maturity. The cash flows shown are on a gross basis and are not discounted.

	Less than 6 months £m	6 to 12 months £m	More than 12 months £m	Total £m
<b>2023</b>				
<b>Contracted cash in/(out):</b>				
Sterling	54.9	67.5	—	122.4
Euro	(20.5)	(22.3)	—	(42.8)
US dollar	(13.6)	(18.8)	—	(32.4)
Other	(19.6)	(24.9)	—	(44.5)
<b>Total contractual cash flows</b>	<b>1.2</b>	<b>1.5</b>	<b>—</b>	<b>2.7</b>
<b>2022</b>				
<b>Contracted cash in/(out):</b>				
Sterling	72.8	70.0	—	142.8
Euro	(30.4)	(26.2)	—	(56.6)
US dollar	(23.7)	(27.9)	—	(51.6)
Other	(22.8)	(20.8)	—	(43.6)
<b>Total contractual cash flows</b>	<b>(4.1)</b>	<b>(4.9)</b>	<b>—</b>	<b>(9.0)</b>

It is anticipated that the cash flows will take place at the same time as the corresponding forward contract matures. At this time the amount deferred in equity will be reclassified to profit or loss.

All forecast transactions which have been subject to hedge accounting during the year have occurred or are still expected to occur.

A gain on derivative financial instruments of £5.0m (2022: £3.5m loss) was recognised in other comprehensive income during the period.

As at 31st December 2023 no ineffectiveness has been recognised in profit or loss arising from hedging foreign currency transactions.



## 27 Derivatives and other financial instruments continued

### Borrowing facilities

The Group has various borrowing facilities available to it. The undrawn committed facilities available at 31st December in respect of which all conditions precedent had been met at that date were as follows:

	2023 £m	2022 £m
Expiring in one year or less	—	—
Expiring in more than one year but no more than two years	—	—
Expiring in more than two years but no more than three years	—	—
Expiring in more than three years	294.5	285.4
<b>Total Group undrawn committed facilities</b>	<b>294.5</b>	<b>285.4</b>

At 31st December 2023, the Group had available £294.5m (2022: £285.4m) of undrawn committed borrowing facilities in respect of its £400.0m (2022: £400.0m) pound sterling revolving credit facility, of which all conditions precedent had been met. This facility expires on 13th April 2029.

### Sensitivity analysis

In managing interest rate and currency risks, the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, however, permanent changes in foreign exchange and interest rates would have an impact on consolidated earnings. At the year end borrowings totalled £1,026.4m (2022: £1,019.3m). At 31st December 2023, it is estimated that a general increase of one percentage point in interest rates would decrease the Group's profit after tax and equity by approximately £2.3m (2022: £1.7m).

For the year ended 31st December 2023, it is estimated that a decrease of five percentage points in the value of sterling weighted in relation to the Group's profit and trading flows would have decreased the Group's profit before tax by approximately £18.5m (2022: increased by £17.0m). The effect can be very different between years due to the weighting of different currency movements. Forward exchange contracts have been included in this calculation.

### The credit risk profile of trade receivables

The ageing of trade receivables at the reporting date was:

	Gross 2023 £m	Impairment 2023 £m	Net 2023 £m	Gross 2022 £m	Impairment 2022 £m	Net 2022 £m
Not past due date	236.6	(1.0)	235.6	236.2	(1.8)	234.4
0–30 days past due date	35.0	(0.2)	34.8	48.8	(0.1)	48.7
31–90 days past due date	17.3	(0.1)	17.2	29.0	(0.1)	28.9
91 days to one year past due date	13.9	(1.7)	12.2	26.9	(1.3)	25.6
More than one year	7.3	(7.3)	—	13.9	(10.4)	3.5
<b>Group total</b>	<b>310.1</b>	<b>(10.3)</b>	<b>299.8</b>	<b>354.8</b>	<b>(13.7)</b>	<b>341.1</b>

Other than those disclosed above no other impairment losses on receivables and contract assets arising from contracts with customers have been recognised. Other than trade receivables there are no financial assets that are past their due date at 31st December 2023.

Payment terms across the Group vary depending on the geographic location of each operating company. Payment is typically due between 20 and 90 days after the invoice is issued.

All contracts with customers do not contain a significant financing component.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2023 £m	2022 £m
Balance at 1st January	13.7	12.9
Additional impairment	3.0	1.0
Amounts written off as uncollectable	(0.4)	(0.3)
Amounts recovered	(0.4)	(0.6)
Impairment losses reversed	(5.1)	(0.3)
Exchange differences	(0.5)	1.0
<b>Balance at 31st December</b>	<b>10.3</b>	<b>13.7</b>

# Appendix

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## In this section

**241** Appendix: Alternative performance measures

## Appendix: Alternative performance measures

The Group reports under International Financial Reporting Standards (IFRS) and also uses alternative performance measures where the Board believes that they help to effectively monitor the performance of the Group and users of the Financial Statements might find them informative. Certain alternative performance measures also form a meaningful element of Executive Directors' variable remuneration. Please see the Annual Report on Remuneration 2023 on pages 162 to 174 for further detail. A definition of the alternative performance measures and a reconciliation to the closest IFRS equivalent are disclosed below. The term 'adjusted' is not defined under IFRS and may therefore not be comparable with similarly titled measures reported by other companies. Adjusted performance measures are not considered to be a substitute for, or superior to, IFRS measures.

### Adjusted operating profit

Adjusted operating profit excludes items that are considered to be significant in nature and/or quantum at either a Group or an operating segment level and where treatment as an adjusted item provides all our stakeholders with additional useful information to assess the period-on-period trading performance of the Group. The Group excludes such items including those defined as follows:

- Amortisation and impairment of acquisition-related intangible assets
- Costs associated with the acquisition or disposal of businesses
- Gain or loss on disposal of a subsidiary and/or disposal groups
- Reversal of acquisition-related fair value adjustments to inventory
- Changes in deferred and contingent consideration payable on acquisitions
- Costs associated with a material restructuring programme
- Material gains or losses on disposal of property
- Accelerated depreciation, impairment and other related costs on non-recurring, material property redevelopments
- Material non-recurring pension costs or credits
- Costs or credits arising from regulatory and litigation matters
- Other material items which are considered to be non-recurring in nature and/or are not a result of the underlying trading of the business
- Related tax effect on adjusting items above and other tax items which do not form part of the underlying tax rate

A reconciliation between operating profit as reported under IFRS and adjusted operating profit is given below.

	2023 £m	2022 £m
<b>Operating profit as reported under IFRS</b>	<b>284.4</b>	318.8
Amortisation of acquisition-related intangible assets	<b>37.2</b>	23.7
Significant software related impairment	<b>13.9</b>	—
Acquisition-related items	<b>5.7</b>	9.1
Restructuring costs	<b>5.2</b>	15.5
Asset related impairment	<b>1.8</b>	—
Reversal of acquisition-related fair value adjustments to inventory	<b>1.3</b>	1.8
Disposal of associate	<b>(0.4)</b>	—
Disposal of subsidiaries in Russia	<b>—</b>	7.1
Accelerated depreciation and other related costs on one-off property redevelopments	<b>—</b>	4.2
<b>Total adjusting items</b>	<b>64.7</b>	61.4
<b>Adjusted operating profit</b>	<b>349.1</b>	380.2

## Appendix: Alternative performance measures continued

### Adjusted earnings per share

	2023	2022
<b>Profit for the year attributable to equity holders as reported under IFRS (£m)</b>	<b>183.6</b>	224.7
Items excluded from adjusted profit (£m)	<b>64.7</b>	62.5
Tax effects on adjusted items (£m)	<b>(18.3)</b>	(9.4)
<b>Adjusted profit for the year attributable to equity holders (£m)</b>	<b>230.0</b>	277.8
Weighted average shares (million)	<b>73.6</b>	73.6
<b>Basic adjusted earnings per share</b>	<b>312.4p</b>	377.2p
Diluted weighted average shares (million)	<b>73.8</b>	73.8
<b>Diluted adjusted earnings per share</b>	<b>311.8p</b>	376.3p

Basic adjusted earnings per share are defined as adjusted profit for the period attributable to equity holders divided by the weighted average number of shares. Diluted adjusted earnings per share are defined as adjusted profit for the period attributable to equity holders divided by the diluted weighted average number of shares. Basic and diluted EPS calculated on an IFRS profit basis are included in Note 9.

### Dividend cover

The Group monitors dividend cover to ensure this remains within the Group's expected range. Dividend cover is calculated as adjusted earnings per share divided by dividends per share.

### Adjusted cash flow

A reconciliation showing the items that bridge between net cash from operating activities as reported under IFRS to an adjusted basis is given below. Adjusted cash from operations is used by the Board to monitor the performance of the Group, with a focus on elements of cash flow, such as net capital expenditure, which are subject to day-to-day control by the business.

	2023 £m	2022 £m
<b>Net cash from operating activities as reported under IFRS</b>	<b>298.6</b>	241.1
Restructuring and acquisition-related costs	<b>10.8</b>	10.2
Net capital expenditure excluding acquired intangibles from acquisitions	<b>(102.3)</b>	(113.5)
Income tax paid	<b>90.7</b>	90.0
Repayments of principal under lease liabilities	<b>(16.1)</b>	(12.9)
<b>Adjusted cash from operations</b>	<b>281.7</b>	214.9

Adjusted cash conversion in 2023 is 81% (2022: 57%). Cash conversion is calculated as adjusted cash from operations divided by adjusted operating profit. The adjusted cash flow is included in the Financial Review on page 40. The impact of adjustments to operating profit as reported under IFRS of £64.7m (2022: £61.4m) on net change in cash and cash equivalents is a total outflow of £5.6m (2022: £13.5m). Included within cash generated from operations is acquisition-related items of £0.8m and restructuring costs of £5.2m. Included within net cash used in investing activities is profit on disposal of businesses of £0.4m.

### Cash generation

Cash generation is one of the Group's key performance indicators used by the Board to monitor the performance of the Group and measure the successful implementation of our strategy. It is one of two financial measures on which Executive Directors' variable remuneration is based.

Cash generation is calculated as adjusted operating profit after adding back depreciation and amortisation, less cash payments to pension schemes in excess of the charge to operating profit, equity settled share plans, net capital expenditure excluding acquired intangibles, working capital changes and repayment of principal under lease liabilities. Cash generation is equivalent to adjusted cash from operations, a reconciliation between this and net cash from operating activities as reported under IFRS is shown in the table above.

### Return on invested capital (ROIC) and return on capital employed (ROCE)

The Group distinguishes between invested capital and capital employed when calculating return on capital. Invested capital represents the total capital invested in the business and is equal to total equity plus net debt and therefore includes the impact of acquisitions and disposals. Capital employed is invested capital less certain non-current assets and non-current liabilities and therefore reflects capital that is more operational in nature. Both of these return metrics are used to ensure a full assessment of business performance.

### Return on invested capital (ROIC)

ROIC measures the post-tax return on the total capital invested in the Group. It is calculated as adjusted operating profit after tax divided by average invested capital. Average invested capital is defined as the average of the closing balance at the current and prior year end. Taxation is calculated as adjusted operating profit multiplied by the adjusted effective tax rate.

An analysis of the components is as follows:

	2023 £m	2022 £m
Total equity	1,157.7	1,169.8
Net debt including lease liabilities	763.4	755.6
<b>Total invested capital</b>	<b>1,921.1</b>	<b>1,925.4</b>
<b>Average invested capital</b>	<b>1,923.2</b>	<b>1,563.0</b>
<b>Average invested capital (excluding acquisitions, disposals and leases)</b>	<b>1,336.4</b>	<b>1,263.8</b>
Operating profit as reported under IFRS	284.4	318.8
Adjustments (see adjusted operating profit)	64.7	61.4
Adjusted operating profit	349.1	380.2
Taxation	(89.0)	(94.9)
<b>Adjusted operating profit after tax</b>	<b>260.1</b>	<b>285.3</b>
<b>Adjusted operating profit after tax (excluding acquisitions, disposals and leases)</b>	<b>236.7</b>	<b>277.6</b>
<b>Return on invested capital</b>	<b>13.5%</b>	<b>18.3%</b>
<b>Return on invested capital (excluding acquisitions, disposals and leases)</b>	<b>17.7%</b>	<b>22.0%</b>

### Return on capital employed (ROCE)

ROCE measures effective management of fixed assets and working capital relative to the profitability of the Group. It is calculated as adjusted operating profit divided by average capital employed. Average capital employed is defined as the average of the closing balance at the current and prior year end. More information on ROCE can be found in the Capital Employed and ROCE sections of the Financial Review on pages 39 and 40.

An analysis of the components is as follows:

	2023 £m	2022 £m
Property, plant and equipment	415.1	384.5
Right-of-use assets	98.4	67.2
Software and development costs	42.3	44.5
Prepayments	1.9	2.0
Inventories	285.2	290.0
Trade receivables	299.8	341.1
Other current assets	71.4	79.6
Tax recoverable	13.6	19.0
Trade, other payables and current provisions	(260.7)	(295.0)
Current tax payable	(28.3)	(40.4)
<b>Capital employed</b>	<b>938.7</b>	<b>892.5</b>
<b>Average capital employed</b>	<b>915.6</b>	<b>775.9</b>
<b>Average capital employed (excluding acquisitions, disposals and leases)</b>	<b>772.4</b>	<b>677.5</b>
Operating profit	284.4	318.8
Adjustments (see adjusted operating profit on page 241)	64.7	61.4
<b>Adjusted operating profit</b>	<b>349.1</b>	<b>380.2</b>
<b>Adjusted operating profit (excluding acquisitions, disposals and leases)</b>	<b>317.7</b>	<b>369.9</b>
<b>Return on capital employed</b>	<b>38.1%</b>	<b>49.0%</b>
<b>Return on capital employed (excluding acquisitions, disposals and leases)</b>	<b>41.1%</b>	<b>54.6%</b>

## Appendix: Alternative performance measures continued

### Return on capital employed (ROCE) continued

A reconciliation of capital employed to net assets as reported under IFRS and disclosed in the Consolidated Statement of Financial Position is given below.

	2023 £m	2022 £m
<b>Capital employed</b>	<b>938.7</b>	892.5
Goodwill and acquired intangibles	<b>1,087.0</b>	1,159.1
Investment in associate	<b>3.0</b>	—
Post-retirement benefits	<b>(51.4)</b>	(52.1)
Net deferred tax	<b>(37.2)</b>	(59.1)
Non-current provisions and long-term payables	<b>(19.0)</b>	(15.0)
Lease liabilities	<b>(96.7)</b>	(65.2)
Net debt	<b>(666.7)</b>	(690.4)
<b>Net assets as reported under IFRS</b>	<b>1,157.7</b>	1,169.8

### Net debt including lease liabilities

A reconciliation between net debt and net debt including lease liabilities is given below. A breakdown of the balances that are included within net debt is given within Note 23. Net debt excludes lease liabilities to be consistent with how net debt is defined for external debt covenant purposes, as well as to enable comparability with prior years.

	2023 £m	2022 £m
<b>Net debt</b>	<b>666.7</b>	690.4
Lease liabilities	<b>96.7</b>	65.2
<b>Net debt and lease liabilities</b>	<b>763.4</b>	755.6

### Net debt to earnings before interest, tax, depreciation and amortisation (EBITDA)

To assess the size of the net debt balance relative to the size of the earnings for the Group, we analyse net debt as a proportion of EBITDA. EBITDA is calculated by adding back depreciation and amortisation of owned property, plant and equipment, software and development and the 12 month proforma EBITDA impact of acquisitions and disposals to adjusted operating profit. Net debt is calculated as cash and cash equivalents less bank overdrafts and external borrowings (excluding lease liabilities). The net debt to EBITDA ratio is calculated as follows:

	2023 £m	2022 £m
<b>Adjusted operating profit</b>	<b>349.1</b>	380.2
Depreciation and amortisation of property, plant and equipment, software and development	<b>44.2</b>	37.4
Acquisitions and disposals proforma basis (EBITDA)	<b>—</b>	33.7
<b>Earnings before interest, tax, depreciation and amortisation</b>	<b>393.3</b>	451.3
Net debt	<b>666.7</b>	690.4
<b>Net debt to EBITDA</b>	<b>1.7</b>	1.5

The components of net debt are disclosed in Note 23.

### Organic measures

As we are a multi-national Group of companies, who trade in a large number of currencies and also acquire and sometimes dispose of companies, we also refer to organic performance measures throughout the Annual Report. These strip out the effects of the movement in exchange rates and of acquisitions and disposals. The Board believe that this allows users of the accounts to gain a further understanding of how the Group has performed. Exchange translation movements are assessed by re-translating prior period reported values to current period exchange rates. Exchange transaction impacts on operating profit are assessed on the basis of transactions being at constant currency between years.

The incremental impact of any acquisitions that occurred in either the current period or prior period is excluded from the organic results of the current period at current period exchange rates. For any disposals that occurred in the current or prior period, the current period organic results include the difference between the current and prior period financial results only for the like-for-like period of ownership.

The organic percentage movement is calculated as the organic movement divided by the prior period at current period exchange rates, excluding disposals for the non-like-for-like period of ownership. The organic bps change in adjusted operating margin is the difference between the current period margin, excluding the incremental impact of acquisitions, and the prior period margin excluding disposals for the non-like-for-like period of ownership at current period exchange rates.

## Organic measures continued

A reconciliation of the movement in revenue and adjusted operating profit compared to the prior period is given below.

	2022 £m	Exchange £m	Organic £m	Acquisitions and disposals <sup>1</sup> £m	2023 £m	Organic	Reported
Revenue	1,610.6	(27.2)	(16.0)	115.2	<b>1,682.6</b>	<b>-1%</b>	<b>+4%</b>
Adjusted operating profit	380.2	(7.1)	(45.9)	21.9	<b>349.1</b>	<b>-12%</b>	<b>-8%</b>
Adjusted operating margin	23.6%				<b>20.7%</b>	<b>-270 bps</b>	<b>-290 bps</b>

1 Results include the impact of (i) the acquisition of Vulcanic and Durex Industries and (ii) the treatment of our Russian operating companies as disposals from the date at which the Group suspended all trading with and within Russia.

The term 'sales' is used interchangeably with 'revenue' when describing the financial performance of the business. Drop through is calculated as the organic increase in adjusted operating profit divided by the organic increase in revenue. The reconciliation for each segment is included in the Strategic Report.

## Proforma Revenue

Due to the disposal of our Russian operating companies and the acquisitions of Cotopaxi Limited, Vulcanic and Durex Industries, our reported financial results for 2022 only include the impact of these operations for the period of ownership by the Group. The table below reconciles between statutory revenue as reported within the Consolidated Income Statement, and the 2022 proforma revenue had all acquisition and disposal transactions occurred on 1st January 2022. This allows users of the accounts to compare 2023 revenue to 2022 revenue on a like-for-like basis.

	Revenue (statutory) £m	Proforma adjustments* £m	Revenue (proforma) £m	Proportion of Group
Steam Thermal Solutions	866.0	(1.2)	864.8	50%
Electric Thermal Solutions	256.1	126.8	382.9	22%
Watson-Marlow	488.5	(1.9)	486.6	28%
<b>Total</b>	<b>1,610.6</b>	<b>123.7</b>	<b>1,734.3</b>	

\* Includes the 2022 pre-acquisition financial results of Cotopaxi Limited, Vulcanic and Durex Industries, and the removal of the 2022 statutory results of our Russian operating companies disposed

## Analysis by operating segment 2023

	Revenue £m	Adjusted operating profit £m	Adjusted operating margin %
Steam Thermal Solutions	<b>910.1</b>	<b>224.0</b>	<b>24.6%</b>
Electric Thermal Solutions	<b>378.5</b>	<b>59.2</b>	<b>15.6%</b>
Watson-Marlow	<b>394.0</b>	<b>93.7</b>	<b>23.8%</b>
Corporate	—	<b>(27.8)</b>	
<b>Total</b>	<b>1,682.6</b>	<b>349.1</b>	<b>20.7%</b>
Net financing expense		<b>(39.9)</b>	
Share of (loss)/profit of Associate		—	
<b>Profit before tax</b>		<b>309.2</b>	

## 2022

	Revenue £m	Adjusted operating profit £m	Adjusted operating margin %
Steam Thermal Solutions	866.0	206.1	23.8%
Electric Thermal Solutions	256.1	39.9	15.6%
Watson-Marlow	488.5	160.0	32.8%
Corporate	—	(25.8)	
<b>Total</b>	<b>1,610.6</b>	<b>380.2</b>	<b>23.6%</b>
Net financing expense		(9.6)	
Share of (loss)/profit of Associate		—	
<b>Profit before tax</b>		<b>370.6</b>	

## Appendix: Alternative performance measures continued

## Operating costs

	2023 Adjusted £m	2023 Adjustments £m	2023 Total £m	2022 Adjusted £m	2022 Adjustments £m	2022 Total £m
Cost of inventories recognised as an expense	401.2	1.3	402.5	381.2	3.9	385.1
Staff costs (Note 4)	630.4	—	630.4	570.3	—	570.3
Depreciation, amortisation and impairment	60.4	52.3	112.7	50.9	30.1	81.0
Other operating charges	241.5	11.1	252.6	228.0	27.4	255.4
<b>Total operating costs</b>	<b>1,333.5</b>	<b>64.7</b>	<b>1,398.2</b>	1,230.4	61.4	1,291.8

Total cost of inventories recognised as an expense includes the reversal of acquisition-related fair value adjustments to inventory £1.3m (2022: £1.8m) and in the previous period the write down of inventory resulting from the closure of Chromalox's manufacturing operations in Soissons (France) of £2.1m.

Total depreciation, amortisation and impairment includes amortisation of acquisition-related intangible assets of £37.2m (2022: £23.7m), an impairment of software related assets of £13.9m and an impairment of assets within Watson-Marlow as a result of the restructure in the business of £1.8m as well as profit on the sale of the Chromalox's manufacturing operations in Soissons of £0.6m which had been fully impaired in the prior year. In the previous period it included accelerated depreciation on one-off property redevelopments of £3.9m and impairment charges resulting from the closure of Chromalox's manufacturing operations in Soissons (France) of £2.5m.

Total other operating charges include restructuring costs of £7.5m in Watson-Marlow to right-size manufacturing capacity as well as a credit of £1.7m for the release of restructuring costs booked in the previous period for the closure of Chromalox's manufacturing operations in Soissons (France) (2022: £10.9m). Total operating charges also include acquisition-related items of £5.7m (2022: £9.1m) relating to the acquisition of Vulcanic and Gestra Malaysia and profits on the disposal of Econotherms (UK) Ltd, an associate investment, of £0.4m. In the previous period, other operating charges included cost of £7.1m relating to the disposal of subsidiaries in Russia and costs of £0.3m on one-off property redevelopments. Operating costs include exchange difference gains of £1.8m (2022: £5.1m).

The reconciliation for each operating segment for adjusting items is analysed below:

## 2023

	Amortisation of acquisition- related intangible assets £m	Reversal of acquisition- related fair value adjustments to inventory £m	Restructuring costs £m	Acquisition related items £m	Disposal of associate £m	Impairments £m	Total £m
Steam Thermal Solutions	(4.5)	—	—	(0.4)	—	(13.9)	(18.8)
Electric Thermal Solutions	(29.5)	(1.3)	2.3	(4.9)	—	—	(33.4)
Watson-Marlow	(3.2)	—	(7.5)	—	—	(1.8)	(12.5)
Corporate	—	—	—	(0.4)	0.4	—	—
<b>Total</b>	<b>(37.2)</b>	<b>(1.3)</b>	<b>(5.2)</b>	<b>(5.7)</b>	<b>0.4</b>	<b>(15.7)</b>	<b>(64.7)</b>

Electric Thermal Solutions restructuring costs credit of £2.3m is made up of a £1.7m release of restructuring costs booked in the previous period and £0.6m in relation to the sale of a previously fully impaired asset.

## 2022

	Amortisation of acquisition- related intangible assets £m	Reversal of acquisition- related fair value adjustments to inventory £m	Disposal of subsidiaries in Russia £m	Restructuring costs £m	Acquisition- related items £m	Accelerated depreciation and other related costs on one-off property redevelopments £m	Total £m
Steam Thermal Solutions	(4.6)	—	(5.3)	—	—	—	(9.9)
Electric Thermal Solutions	(15.3)	(1.8)	—	(15.5)	—	—	(32.6)
Watson-Marlow	(3.8)	—	(1.8)	—	—	—	(5.6)
Corporate	—	—	—	—	(9.1)	(4.2)	(13.3)
<b>Total</b>	<b>(23.7)</b>	<b>(1.8)</b>	<b>(7.1)</b>	<b>(15.5)</b>	<b>(9.1)</b>	<b>(4.2)</b>	<b>(61.4)</b>



## Tax on adjusting items

	2023 Adjusted £m	2023 Adjustments £m	2023 Total £m	2022 Adjusted £m	2022 Adjustments £m	2022 Total £m
<b>Analysis of charge in year</b>						
UK corporation tax:						
Current tax on income for the year	9.4	—	9.4	7.3	(0.2)	7.1
Adjustments in respect of prior years	(0.1)	—	(0.1)	(0.7)	—	(0.7)
	9.3	—	9.3	6.6	(0.2)	6.4
Foreign tax:						
Current tax on income for the year	81.4	(6.1)	75.3	89.4	(0.8)	88.6
Adjustments in respect of prior years	(0.7)	—	(0.7)	(1.3)	—	(1.3)
	80.7	(6.1)	74.6	88.1	(0.8)	87.3
Total current tax (credit)/charge	90.0	(6.1)	83.9	94.7	(1.0)	93.7
UK deferred tax:						
Origination and reversal of timing differences	(6.5)	(4.9)	(11.4)	0.3	(0.7)	(0.4)
Adjustment in respect of prior years	(0.4)	1.1	0.7	(0.7)	—	(0.7)
	(6.9)	(3.8)	(10.7)	(0.4)	(0.7)	(1.1)
Foreign deferred tax:						
Origination and reversal of timing differences	(4.7)	(3.9)	(8.6)	(2.2)	(9.7)	(11.9)
Adjustment in respect of prior years	0.4	(4.5)	(4.1)	0.4	2.0	2.4
	(4.3)	(8.4)	(12.7)	(1.8)	(7.7)	(9.5)
Total deferred tax (credit)/charge	(11.2)	(12.2)	(23.4)	(2.2)	(8.4)	(10.6)
<b>Tax on profit on ordinary activities</b>	<b>78.8</b>	<b>(18.3)</b>	<b>60.5</b>	<b>92.5</b>	<b>(9.4)</b>	<b>83.1</b>

## Reconciliation of effective tax rate

	2023 Adjusted £m	2023 Adjustments £m	2023 Total £m	2022 Adjusted £m	2022 Adjustments £m	2022 Total £m
<b>Profit before tax and share of profit/(loss) of Associate</b>	<b>309.2</b>	<b>(64.7)</b>	<b>244.5</b>	<b>370.6</b>	<b>(62.5)</b>	<b>308.1</b>
Expected tax at blended rate	80.5	(15.5)	65.0	93.0	(14.3)	78.7
Increased withholding tax on overseas dividends	7.6	—	7.6	6.2	—	6.2
Non-deductible expenditure	0.2	0.6	0.8	0.6	3.0	3.6
Over provided in prior years	(0.8)	(3.4)	(4.2)	(2.3)	2.0	(0.3)
Other reconciling items	(8.7)	—	(8.7)	(5.0)	(0.1)	(5.1)
<b>Total tax in Consolidated Income Statement</b>	<b>78.8</b>	<b>(18.3)</b>	<b>60.5</b>	<b>92.5</b>	<b>(9.4)</b>	<b>83.1</b>
<b>Effective tax rate</b>	<b>25.5%</b>	<b>28.3%</b>	<b>24.7%</b>	<b>25.0%</b>	<b>15.0%</b>	<b>27.0%</b>

# Company Financial Statements

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- 250** Company Statement of Changes to Equity
- 251** Notes to the Company Financial Statements

# Company Statement of Financial Position

at 31st December 2023

	Notes	2023 £m	2022 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	20.7	5.9
Loans to subsidiaries	3,9	104.0	106.2
Investment in subsidiaries	2	758.8	756.6
Investment in Associate	2	3.0	—
Deferred tax assets	6	8.2	10.5
Post-retirement benefits	7	5.5	3.9
		<b>900.2</b>	883.1
<b>Current assets</b>			
Loans to subsidiaries	3,9	0.4	200.2
Due from subsidiaries*	9	68.5	67.7
Other current assets	4	7.8	3.8
Cash and cash equivalents*		39.2	31.4
		<b>115.9</b>	303.1
<b>Total assets</b>		<b>1,016.1</b>	1,186.2
<b>Equity and liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	5	5.8	10.6
Due to subsidiaries*	9	90.4	98.7
Current portion of long-term borrowings*	10	0.3	200.1
Short-term borrowings*		81.8	39.3
		<b>178.3</b>	348.7
<b>Net current (liabilities)/assets</b>		<b>(62.4)</b>	(45.6)
<b>Non-current liabilities</b>			
Long-term borrowings*	10	112.5	141.2
Deferred tax liabilities	6	0.2	1.4
Due to subsidiaries*	9	7.0	3.2
		<b>119.7</b>	145.8
<b>Total liabilities</b>		<b>298.0</b>	494.5
<b>Net assets</b>		<b>718.1</b>	691.7
<b>Equity</b>			
Share capital	8	19.8	19.8
Share premium account		90.1	88.1
Other reserves	8	14.7	2.0
Retained earnings		593.5	581.8
<b>Total equity</b>		<b>718.1</b>	691.7
<b>Total equity and liabilities</b>		<b>1,016.1</b>	1,186.2

\* The prior period comparatives have been adjusted to reflect a reclassification to meet the presentational requirements of FRS101, with further detail given within Note 1. This had no impact on the net assets of the Company.

The loss before dividends received was £28.4m (2022: £30.6m). Dividends from subsidiary undertakings of £169.1m (2022: £72.4m) are excluded from this amount. Total profit recognised during the year was £140.7m (2022: £41.8m).

These Financial Statements of Spirax-Sarco Engineering plc, company number 00596337, were approved by the Board of Directors and authorised for issue on 6th March 2024 and signed on its behalf by:

**N.B. Patel**  
Director

## Company Statement of Changes in Equity

for the year ended 31st December 2023

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total equity £m
<b>Balance at 1st January 2023</b>	<b>19.8</b>	<b>88.1</b>	<b>2.0</b>	<b>581.8</b>	<b>691.7</b>
Profit for the year	—	—	—	140.7	140.7
Other comprehensive income:					
Cash flow hedges net of tax*	—	—	5.0	(0.9)	4.1
Remeasurement gain on post-retirement benefits	—	—	—	1.6	1.6
Deferred tax on remeasurement gain on post-retirement benefits	—	—	—	(0.4)	(0.4)
<b>Total other comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>5.0</b>	<b>0.3</b>	<b>5.3</b>
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>5.0</b>	<b>141.0</b>	<b>146.0</b>
Contributions by and distributions to owners of the Company:					
Dividends paid	—	—	—	(114.5)	(114.5)
Equity settled share plans net of tax	—	—	—	(14.8)	(14.8)
Issue of share capital	—	2.0	—	—	2.0
Employee Benefit Trust shares	—	—	5.5	—	5.5
Investment in subsidiaries in relation to share options granted	—	—	2.2	—	2.2
<b>Balance at 31st December 2023</b>	<b>19.8</b>	<b>90.1</b>	<b>14.7</b>	<b>593.5</b>	<b>718.1</b>

\* During the year, there has been a reclassification in relation to prior year deferred tax on cash flow hedges of £0.9m

### For the year ended 31st December 2022

	Share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m	Total equity £m
<b>Balance at 1st January 2022</b>	<b>19.8</b>	<b>86.3</b>	<b>4.5</b>	<b>657.4</b>	<b>768.0</b>
Profit for the year	—	—	—	41.8	41.8
Other comprehensive income:					
Cash flow hedges net of tax	—	—	(3.5)	—	(3.5)
Remeasurement loss on post-retirement benefits	—	—	—	(1.3)	(1.3)
Deferred tax on remeasurement loss on post-retirement benefits	—	—	—	0.3	0.3
<b>Total other comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>(3.5)</b>	<b>(1.0)</b>	<b>(4.5)</b>
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>(3.5)</b>	<b>40.8</b>	<b>37.3</b>
Contributions by and distributions to owners of the Company:					
Dividends paid	—	—	—	(103.1)	(103.1)
Equity settled share plans net of tax	—	—	—	(13.3)	(13.3)
Issue of share capital	—	1.8	—	—	1.8
Employee Benefit Trust shares	—	—	(2.2)	—	(2.2)
Investment in subsidiaries in relation to share options granted	—	—	3.2	—	3.2
<b>Balance at 31st December 2022</b>	<b>19.8</b>	<b>88.1</b>	<b>2.0</b>	<b>581.8</b>	<b>691.7</b>

Other reserves represent the Company's share-based payments, capital redemption and Employee Benefit Trust reserves (see Note 8).

The Notes on pages 251 to 256 form an integral part of the Financial Statements.

# Notes to the Company Financial Statements

## 1 Accounting policies

The separate Financial Statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100. Accordingly the Company has adopted FRS 101 Reduced Disclosure Framework. As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments and the presentation of a Cash Flow Statement. Where relevant, equivalent disclosures have been given in the Consolidated Financial Statements.

Under Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own Income Statement. As permitted by the audit fee disclosure regulations, disclosure of non-audit fees information is not included in respect of the Company.

The Company's accounting policies are the same as those set out in Note 1 of the Consolidated Financial Statements, except as noted below.

The Directors have concluded that no critical judgements or key sources of estimation uncertainty have been made in the process of applying the Company's accounting policies.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Loans to or from other Group undertakings and all other payables and receivables are initially recorded at fair value, which is generally the proceeds received. They are then subsequently carried at amortised cost.

### Reclassification of prior period balances

The Company participates in a number of Group cash pooling arrangements. Historically the sterling zero balance account pool, for which the Company holds the header account, has been incorrectly disclosed net within cash and cash equivalents and short-term borrowings in the Statement of Financial Position. The correct classification under FRS101 is to present the header account within cash and cash equivalents or short-term borrowings, with the accounts relating to subsidiaries being shown within amounts due to or from subsidiaries. As a result, for presentational purposes, amounts have been reclassified in the comparative year with the impact being an increase to cash & cash equivalents of £10.9m, a decrease in short-term borrowings of £10.5m, an increase in amounts due from subsidiaries of £50.3m and an increase in amounts due to subsidiaries of £71.7m.

Furthermore, a reclassification of £98.7m from non-current liabilities to current liabilities has been made to reflect that cash pool related liabilities are due within 12 months. The prior year Revolving Credit Facility (RCF) balance of £35.0m has also been reclassified from the current portion of long-term borrowings to the non-current portion of long-term borrowings.

These changes had no impact on the net assets of the Company.

## 2 Investments in subsidiaries and associates

### 2a Investment in subsidiaries

	2023 £m	2022 £m
Cost:		
At 1st January	756.6	748.8
Share options issued to subsidiary company employees	2.2	3.2
Disposals	—	(0.2)
Additions	—	4.8
<b>At 31st December</b>	<b>758.8</b>	756.6

Investments are stated at cost less provisions for any impairment in value.

Details relating to subsidiary undertakings are given on pages 258 to 263. Except where stated, all classes of shares were 100% owned by the Group at 31st December 2023. The country of incorporation of the principal Group companies is the same as the country of operation with the exception of companies operating in the United Kingdom which are incorporated in Great Britain. All operate in steam, electrical thermal energy solutions, fluid path technologies or peristaltic pumping markets except those companies identified as a holding company on pages 258 to 263.

### 2b Investment in associates

On 4th July 2023 the Company invested in 15.0% of Kyoto Group AS (Kyoto) for total consideration of 41.1m NOK (£3.0m). On the same date the Company disposed of its 14.7% investment in Econotherm (UK) Ltd for consideration of £0.4m.

## Notes to the Company Financial Statements continued

## 3 Loans to subsidiaries

	2023 £m	2022 £m
Cost:		
At 1st January	306.4	291.0
Advances	—	—
Interest	3.9	4.7
Repayments	(200.3)	(4.7)
Exchange adjustment	(5.6)	15.4
<b>At 31st December</b>	<b>104.4</b>	<b>306.4</b>

The terms and conditions of loans to subsidiaries at 31st December 2023 were as follows:

	Currency	Nominal interest rate	Year of maturity	2023 £m	2022 £m
Spirax-Sarco Overseas Limited	€	1.10%	2023	—	199.8
Spirax-Sarco Overseas Limited	€	2.36%	2026	104.4	106.6
Total loans to subsidiaries				104.4	306.4
Due within one year				0.4	200.2
Due after more than one year				104.0	106.2

## 4 Other current assets

	2023 £m	2022 £m
Prepayments and accrued income	7.8	3.8
<b>Total other current assets</b>	<b>7.8</b>	<b>3.8</b>

## 5 Trade and other payables

	2023 £m	2022 £m
Accruals	5.8	10.6
<b>Total trade and other payables</b>	<b>5.8</b>	<b>10.6</b>

Trade and other payables are due within one year.

## 6 Deferred tax assets and liabilities

## Movement in deferred tax during the year 2023

	1st January 2023 £m	Recognised in income £m	Recognised in OCI £m	Recognised in equity £m	31st December 2023 £m
Other temporary differences	10.5	0.2	(1.4)	—	9.3
Pensions liability	(1.4)	0.5	(0.4)	—	(1.3)
<b>Company total</b>	<b>9.1</b>	<b>0.7</b>	<b>(1.8)</b>	<b>—</b>	<b>8.0</b>

## Movement in deferred tax during the year 2022

	1st January 2022 £m	Recognised in income £m	Recognised in OCI £m	Recognised in equity £m	31st December 2022 £m
Other temporary differences asset	0.1	9.5	0.9	—	10.5
Pensions liability	(1.3)	0.3	(0.4)	—	(1.4)
<b>Company total</b>	<b>(1.2)</b>	<b>9.8</b>	<b>0.5</b>	<b>—</b>	<b>9.1</b>

## 7 Employee benefits

### Pension plans

The Company is accounting for pension costs in accordance with International Accounting Standard 19.

The disclosures shown here are in respect of the Company's defined benefit obligations. Other plans operated by the Company were defined contribution plans.

The total expense relating to the Company's defined contribution pension plans in the current year was £1.2m (2022: £0.9m).

At 31st December 2023 the post-retirement mortality assumptions in respect of the Company defined benefit scheme follows 84%/87% (male/female) of SAPS S3 light, CMI 2021 future improvements, 1.25% long term trend, smoothing factor of 7, 0.25% initial addition and a w parameter of 10%. At 31st December 2022 the post-retirement mortality assumptions in respect of the Company defined benefit scheme follows 84%/87% (male/female) of SAPS S3 light, CMI 2021 projections with a long-term trend of 1.25% pa, and an initial additional parameter of 0.25% and w2020 parameter of 10%. These assumptions are regularly reviewed in light of scheme-specific experience and more widely available statistics.

The financial assumptions used at 31st December were:

	Weighted average assumptions used to define the benefit obligations	
	2023 %	2022 %
Rate of increase in pensions	2.9%	2.9
Rate of price inflation	3.0%	3.2
Discount rate	4.5%	4.7

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions, which due to the timescale covered, may not necessarily be borne out in practice.

Fair value of scheme assets:

	2023 £m	2022 £m
Equities	6.3	5.2
Bonds	17.1	22.7
Other	19.3	14.6
<b>Total market value in aggregate</b>	<b>42.7</b>	<b>42.5</b>

£27.6m (2022: £32.5m) of scheme assets have a quoted market price in an active market.

The actual return on plan assets was a gain of £3.2m (2022: a loss of £15.0m).

The amounts recognised in the Company Statement of Financial Position are determined as follows:

	2023 £m	2022 £m
Fair value of scheme's assets	42.7	42.5
Present value of funded scheme's liabilities	(37.2)	(38.6)
Retirement benefit asset recognised in the Statement of Financial Position	5.5	3.9
Related deferred tax	(1.3)	(1.4)
<b>Net pension asset</b>	<b>4.2</b>	<b>2.5</b>

The movements in the defined benefit obligation (DBO) recognised in the Statement of Financial Position during the year were:

	2023 £m	2022 £m
Defined benefit obligation at beginning of year	(38.6)	(55.2)
Interest cost	(1.7)	(1.0)
Remeasurement gain/(loss)	0.3	14.9
Actual benefit payments	2.8	2.7
<b>Defined benefit obligation at end of year</b>	<b>(37.2)</b>	<b>(38.6)</b>

## Notes to the Company Financial Statements continued

## 7 Employee benefits continued

## Pension plans continued

The movements in the fair value of plan assets during the year were:

	2023 £m	2022 £m
Value of assets at beginning of year	42.5	60.3
Expected return on assets	1.9	1.1
Remeasurement gain/(loss)	1.3	(16.1)
Administration costs	(0.2)	(0.1)
Actual benefit payments	(2.8)	(2.7)
<b>Value of assets at end of year</b>	<b>42.7</b>	<b>42.5</b>

The estimated employer contributions to be made in 2024 are £nil.

The history of experience adjustments is as follows:

	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Defined benefit obligation at end of year	(37.2)	(38.6)	(55.2)	(55.2)	(53.9)
Fair value of scheme's assets	42.7	42.5	60.3	60.8	59.5
Retirement benefit recognised in the Statement of Financial Position	5.5	3.9	5.1	5.6	5.6
Experience adjustment on scheme's liabilities	0.1	0.9	3.5	(5.0)	—
As a percentage of scheme's liabilities	0.3%	2.3%	6.3%	9.1%	0.0%
Experience adjustment on scheme's assets	1.3	(16.1)	2.4	2.6	4.1
As a percentage of scheme's assets	3.0%	37.9%	4.0%	4.3%	6.9%

The expense recognised in the Company Income Statement was as follows:

	2023 £m	2022 £m
Current service and administration cost	(0.2)	(0.1)
Net interest on scheme's assets and liabilities	0.2	0.1
<b>Total expense recognised in Income Statement</b>	<b>—</b>	<b>—</b>

Statement of Comprehensive Income (OCI):

	2023 £m	2022 £m
Remeasurement effects recognised in OCI:		
Due to experience on DBO	(0.1)	(0.9)
Due to demographic assumption changes in DBO	1.0	0.5
Due to financial assumption changes in DBO	(0.6)	15.3
Return on assets	1.3	(16.1)
Total remeasurement gain/(loss) recognised in OCI	1.6	(1.2)
Deferred tax on remeasurement amount recognised in OCI	(0.4)	0.3
Cumulative loss recognised in OCI at beginning of year	(11.5)	(10.6)
<b>Cumulative loss recognised in OCI at end of year</b>	<b>(10.3)</b>	<b>(11.5)</b>

## Sensitivity analysis

The effect on the defined benefit obligation at 31st December 2023 of an increase or decrease in key assumptions is as follows:

<b>Increase/(decrease) in pension defined benefit obligation</b>	<b>£m</b>
Discount rate assumption being 1.00% higher	(2.8)
Discount rate assumption being 1.00% lower	3.0
Inflation assumption being 1.00% higher	2.0
Inflation assumption being 1.00% lower	(1.9)
Mortality assumption life expectancy at age 65 being one year higher	1.1

## Share-based payments

Disclosures of the share-based payments offered to employees of the Company are set out below. The description and operation of each scheme is the same as outlined in the Group disclosure.



## 7 Employee benefits continued

### Performance Share Plan

The relevant disclosures in respect of the Performance Share Plan grants are set out below.

	2019 Grant	2020 Grant	2021 Grant	2022 Grant	2023 Grant
Grant date	15th May	12th March	4th May	14th March	13th March
Mid-market share price at grant date	8,161.0p	7,775.0p	11,770.0p	11,910.0p	10,880.0p
Number of employees	12	19	15	13	15
Shares under scheme	60,626	82,607	45,815	42,573	52,259
Vesting period	3 years	3 years	3 years	3 years	3 years
Probability of vesting	74.1%	74.3%	73.9%	76.1%	81.2%
Fair value	6,048.9p	5,779.2p	8,698.0p	9,057.6p	8,829.1p

## 8 Called-up share capital and reserves

	2023 £m	2022 £m
Ordinary shares of 26 12/13p (2022: 26 12/13p) each		
Authorised 111,428,571 (2022: 111,428,571)	30.0	30.0
Allotted, called up and fully paid 73,776,048 (2022: 73,776,048)	19.8	19.8

35,794 shares with a nominal value of £9,637 were issued in connection with the Group's Employee Share Schemes for a consideration of £2.0m received by the Company. In 2023 the Parent Company purchased 114,000 shares representing 0.15% of called-up share capital with a nominal value of £30,692 for a consideration of £12,749,424. The shares were placed in an Employee Benefit Trust (EBT) to be used in connection with the Group's Employee Share Scheme. At 31st December 2023 139,907 shares were held in an Employee Benefit Trust and available for use in connection with the Group's Employee Share Schemes. 15 senior employees of the Company have been granted options on ordinary shares under the Share Option Scheme and Performance Share Plan (details in Note 7).

Other reserves in the Company Statement of Changes in Equity on page 250 are made up as follows:

	1st January 2023 £m	Change in year £m	31st December 2023 £m
Share-based payments reserve	25.4	2.2	27.6
Cash flow hedges reserve	(3.7)	5.0	1.3
Capital redemption reserve	1.8	—	1.8
Employee Benefit Trust reserve	(21.5)	5.5	(16.0)
<b>Total other reserves</b>	<b>2.0</b>	<b>12.7</b>	<b>14.7</b>

### Share-based payments reserve

This reserve records the Company's share-based payment charge that is recognised in reserves.

### Cash flow hedges reserve

This reserve records the Company's cumulative net change in the fair value of forward exchange contracts where they are designated as effective cash flow hedge relationships

### Capital redemption reserve

This reserve records the historical repurchase of the Company's own shares.

## Notes to the Company Financial Statements continued

### 8 Called-up share capital and reserves continued

#### Employee Benefit Trust reserve

The Company has an Employee Benefit Trust which is used to purchase, hold and issue shares in connection with the Group's Employee Share Schemes. The shares held in Trust are recorded in this separate reserve.

### 9 Related party transactions

	2023 £m	2022 £m
Dividends received from subsidiaries	169.1	72.4
Current loans due from subsidiaries at 31st December	0.4	200.2
Non-current loans due from subsidiaries at 31st December	104.0	106.2
Current amounts due from subsidiaries at 31st December	68.5	67.7
Current amounts due to subsidiaries at 31st December	90.4	98.7
Non-current amounts due to subsidiaries at 31st December	7.0	3.2

### 10 Financial instruments

The terms and conditions of outstanding loans at 31st December 2023 are as follows:

	Currency	Nominal interest rate	Year of maturity	Carrying value £m
Unsecured private placement – €120.0m	€	2.4%	2026	104.3
Revolving Credit Facility – Drawdown £10.0m	£	5.9%	2028	8.5
<b>Total outstanding loans</b>				<b>112.8</b>
Current portion of long-term borrowings due before 31st December 2024				0.3
Long-term borrowings payable after 31st December 2024				112.5
<b>Total outstanding loans</b>				<b>112.8</b>

	Currency	Nominal interest rate	Year of maturity	Carrying value £m
Unsecured private placement – €225.0m	€	1.1%	2023	199.8
Unsecured private placement – €120.0m	€	2.4%	2026	106.5
Revolving Credit Facility – Drawdown £35.0m	£	4.0%	2027	35.0
<b>Total outstanding loans</b>				<b>341.3</b>
Current portion of long-term borrowings due before 31st December 2023*				200.1
Long-term borrowings payable after 31st December 2023*				141.2
<b>Total outstanding loans</b>				<b>341.3</b>

\* The prior period comparatives have been adjusted to reflect a reclassification, please see Note 1 for further details.

### 11 Other information

#### Dividends

Dividends paid by the Company are disclosed in Note 10 of the Consolidated Financial Statements.

#### Property, plant and equipment

The Company holds freehold property with a cost of £23.6m (2022: £7.1m), accumulated depreciation of £2.9m (2022: £1.2m) and a net book value of £20.7m (2022: £5.9m). Included within the net book value of £20.7m as at 31st December 2023 is an amount of £17.4m (2022: £3.9m) in relation to assets under construction for the Group Head Office building in Cheltenham (UK).

#### Employees

The total number of employees of the Company at 31st December 2023 was 129 (2022: 117).

#### Directors' remuneration

The remuneration of the Directors of the Company is shown in the Annual Report on Remuneration 2023 on pages 162 to 174.

#### Auditor's remuneration

Auditor's remuneration in respect of the Company's annual audit has been disclosed on a consolidated basis in the Company's Consolidated Financial Statements as required by Section 494(4)(a) of the Companies Act 2006.

#### Contingent liabilities and capital commitments

The Company has no contingent liabilities. Capital commitments of £3.9m exist at 31st December 2023 in respect of the completion of the Group Head Office building in Cheltenham (UK) (2022: £nil).



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