2014 Final Results, 12 March 2015

TT Electronics plc

Results for the year ended 31 December 2014

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A live audio webcast of the analyst presentation will be available from 09:00 today in the investor relations section of our website, www.ttelectronics.com

Final Results for the year ended 31 December 2014

£ million unless otherwise stated	Underlying[1]			Statutory	
Continuing operations[2]	**2014**	**2013**[3]	Change	**2014**	**2013**
Revenue	524.3	532.2	(1)%	524.3	532.2
Operating profit / (loss)	29.2	30.8	(5)%	(4.3)	19.0
Operating margin	5.6%	5.8%	(20)bps	(0.8)%	3.6%
Profit / (loss) before tax	27.6	30.1	(8)%	(5.9)	18.3
Earnings per share (pence)	12.9p	14.6p	(12)%	(6.6)p	8.8p
Net (debt) / cash				(14.3)	26.9
Dividend per share (pence)				5.5p	5.4p

1. Excluding the effect of restructuring costs, asset impairments and acquisition related costs.
2. All items are shown on a continuing operations basis.
3. Re-presented to exclude acquisition related costs from underlying operating profit.

Financial Headlines

- Revenue broadly unchanged in a challenging year
- Underlying operating profit down 5 per cent including c. £5m benefit from non-recurring trading items.
- Mixed divisional performance:
  - Components: strong operating profit progression driven by improvement in product mix and underlying cost base
  - Sensing and Control: poor performance in Transportation sensors partially offset by strong performance in Industrial sensors and controls and Transportation controls businesses
  - Integrated Manufacturing Services: weaker than expected customer demand and start up issues from transfer of manufacturing to Romania
- Balance sheet remains strong
  - Good second half cash performance
  - £14.3m of net debt at the year end
- Final dividend maintained to give overall increase for year of 2 per cent

Strategic and Operational Progress

- New CEO and CFO appointed; new senior management team in place
- Operational Improvement Plan re-set, re-structured and making progress
- Comprehensive review of the business completed; strategic direction clear; execution planning underway
- New strategic plan to improve the performance of the business based on:
  - Building market-leading positions;
  - Enhanced customer focus;
  - Targeted and efficient R&D spend;
  - Driving operational efficiency;
  - Lean, agile and learning organisation;
  - Financial discipline and performance management.

Richard Tyson, Chief Executive Officer, said:

“The overall operational and financial performance for 2014 was disappointing. However, the Group has undergone significant change during the second half of the year. We have a new management team in place and a clear strategic plan to improve the performance of the businesses. 2015 will be an important year of transition as this new plan is implemented.

Whilst our order book remains sound, our markets continue to look challenging, especially in Europe. We therefore remain cautious in our outlook for 2015 and expect profits to be more second-half weighted than in the prior year. The benefits of the new strategic plan are expected to be seen from 2016. We are putting in place a solid platform from which to return to sustainable profitable growth and to improve value for shareholders.”

2014 OVERVIEW

2014 was a year of challenges and significant change on a number of fronts. We have closely re-examined our business and strategy, and reshaped our management teams and organisational structure.

2014 Results

Group revenue from continuing operations was £524.3 million (2013: £532.2 million). On an organic basis, revenue increased by 2 per cent, excluding the effects of foreign exchange (£22.6 million) and a £3.7 million contribution from Roxspur Measurement and Control Limited (Roxspur), which was acquired in July 2014. The organic revenue increase was largely related to a one-time order within Sensing and Control.

Underlying operating profit from continuing operations declined by 5 per cent to £29.2 million (2013: £30.8 million) with the reduction principally related to a £1.7 million negative foreign exchange impact partially offset by the £0.4 million in operating profit from the acquisition of Roxspur. At constant currency, underlying operating profit was broadly unchanged. The underlying operating profit performance included circa £4 million of profit from the one-off order referred to above and circa £1 million of profit from non-recurring orders related to the Smithfield, USA facility closure.

There was a £0.9 million increase in the net interest expense to £1.6 million (2013: £0.7 million) primarily as a result of a lower net credit from the retranslation of foreign currency borrowings. Underlying profit before tax declined by 8 per cent to £27.6 million (2013: £30.1 million) representing a 3 per cent reduction on a constant currency basis.

The underlying effective tax rate of 25.7 per cent was slightly higher than the prior year (2013: 23.6 per cent) and basic underlying earnings per share decreased by 12 per cent to 12.9 pence (2013: 14.6 pence), and by 5 per cent at constant currency.

The reported loss for the period amounted to £10.5 million (2013: profit £13.0 million) after a charge for items excluded from underlying profit of £33.5 million (2013: £11.8 million). Included within this charge were restructuring costs of £22.2 million (2013: £10.2 million), which related principally to the Operational Improvement Plan, and asset impairments of £9.4 million (2013: £nil), which related largely to an accounting write-down of capitalised intangible development costs following a review of expected returns.

There was a free cash outflow in 2014 of £22.5 million (2013: inflow £0.5 million) with a free cash inflow of £12.5 million in the second half of the year compared with a £35.0 million outflow in the first half. Net capital expenditure increased as planned to £28.0 million (2013: £23.9 million) and capitalised development expenditure amounted to £6.8 million (2013: £5.2 million), equivalent in total to 1.6 times underlying depreciation and amortisation. There was a working capital outflow of £16.8 million (2013: £9.4 million) due to significant supplier payments made during the first half of the year.

Total acquisition and disposal expenditure in the year amounted to £8.5 million (2013: £12.5 million) including the acquisition of Roxspur for £8.0 million net of cash in the acquired business. Total dividend payments in the year amounted to £8.7 million (2013: £8.0 million) and we ended the year with a closing net debt position of £14.3 million (2013: net cash £26.9 million).

Dividend

The Board is recommending an unchanged final dividend of 3.8 pence which, when combined with the interim dividend of 1.7 pence, gives a total of 5.5 pence per share for the full year (2013: 5.4 pence per share), representing an increase of 2 per cent.

Board and Senior Management Changes

We have made a number of changes to the Board and senior management team. Richard Tyson joined from Cobham plc as Chief Executive Officer in July 2014, and Mark Hoad was appointed as Chief Financial Officer in January 2015. Mark previously held the position of Group Finance Director at BBA Aviation plc.

At a senior management level, we have implemented a number of organisational changes and reformed the leadership team.

Within the Sensing and Control division we have created two distinct customer facing segments to provide greater market focus and accountability. We appointed Amrei Drechsler as Executive Vice President (EVP) Transportation Sensing and Control, Tim Roberts as EVP Industrial Sensing and Control and TC Chan as EVP of the Integrated Manufacturing Services (IMS) division. Our Components division has been re-named Advanced Components and Gareth Mycock has been appointed the EVP of that division.

We have also strengthened other key areas of the business. Michael Robinson has assumed the role of EVP Operations and Supply Chain to drive operational excellence through our global operations and supply chain. Candy Bowles has been appointed as Group EVP of Corporate Development and Strategy.

Strategic and operational progress

We have conducted a comprehensive review of the business. This review solidified our understanding of the business and confirmed that we enjoy some strong positions in attractive growth markets, that we have loyal customers who respect and value what we do and we have strong, technically robust products that perform well in demanding environments. During the review, we completed a number of immediate actions to simplify and stabilise the business including the strengthening in capability and experience of the senior management as outlined above, and organisational changes designed to improve customer focus and enhance transparency, accountability and pace.

We have identified good opportunities in our Industrial Sensing and Control and Advanced Components businesses based on favourable market dynamics and our current position.

Transportation Sensing and Control also has good structural growth characteristics and we have had success in a number of areas, however, the performance of our Transportation sensors business has been disappointing. We now have a clear plan to turn the business around operationally, by ensuring our R&D resources are targeted on the right opportunities and that our processes are more effective.

Our IMS business, which focuses on more challenging lower volume, high specification segments, will continue to deliver at a similar level of performance, and we will support the business with appropriate levels of investment.

The Operational Improvement Plan (OIP), first launched in June 2013, is a large and complex restructuring programme targeted at improving our long-term competitive position whilst also reducing overheads. Relocating certain manufacturing lines from Werne, Germany to Timisoara, Romania is a key aspect of this programme, and progress was delayed during 2014. Agreement on the overall shape of the programme was reached with the workers' council and trade union in late 2014 and the transfer is now making progress.

The cost of the OIP programme in Europe is anticipated to be approximately £24.0 million with projected full year run rate cost improvements of £3.5 million. We expect to see the first benefits from the programme in the 2016 financial year. This programme is a necessary step to underpin future competitiveness.

Detailed plans under the OIP to move production are in place, and monitored continually, to ensure progress against critical milestones. The first production line transfer from Werne was completed in January, as planned, and the qualification of that line in Romania is now in progress. An additional ten lines are planned to move in 2015 with the remainder of the lines scheduled to be moved throughout 2016. We expect all elements of the programme to be completed in the first half of 2017.

The closure of sales offices in Japan, France and Italy was completed on schedule with the full year benefits of £1.3 million per annum largely realised in the year. As previously announced, the transfer of manufacturing from our Fullerton, California site to Mexicali, Mexico has been put on hold in order to fulfil a significant customer order agreed in the first half of 2014. We continue to anticipate that the transfer will be completed in 2015.

As a result of the business review we have developed a strategic plan. Our focus now is on the execution of this plan and a return to sustainable, profitable growth. The strategy is one of re-focusing, re-building and generating momentum in the business supported by six main strategic priorities:

- **Building market-leading positions** in attractive niches by harnessing our expertise in electronics for performance-critical applications;
- **Enhanced customer focus** and more effective cross-selling to make the most of the knowledge of, and access to, markets and customers across our businesses;
- **Targeted and efficient R&D spend**, to drive greater balance across our markets and a more efficient and effective new product development process to meet customer needs;
- **Driving operational efficiency** through greater collaboration across our businesses to leverage best practice, procurement and economies of scale across our operations – including successful delivery of the OIP;
- **Lean, agile and learning organisation** supporting the development of and investment in our people's capabilities, and improving decision making with greater transparency and accountability;
- **Financial discipline and performance management** to drive rigorous data-rational decision making, focus on value based investment decisions and emphasis on cash generation.

This plan is designed to enhance and refine our existing strategy with three key outcomes; improved customer performance, improved operational performance and improved returns and cash generation. Our priority will be driving a 'step change' in execution, deployment and engagement.

Outlook

The overall operational and financial performance for 2014 was disappointing. However, the Group has undergone significant change during the second half of the year. We have a new management team in place and a clear strategic plan to improve the performance of the businesses. 2015 will be an important year of transition as this new plan is implemented.

Whilst our order book remains sound, our markets continue to look challenging, especially in Europe. We therefore remain cautious in our outlook for 2015 and we expect profits to be more second-half weighted than in the prior year. The benefits of the new strategic plan are expected to be seen from 2016. We are putting in place a solid platform from which to return to sustainable profitable growth and to improve value for shareholders.

DIVISIONAL REVIEWS

SENSING AND CONTROL

The division provides sensing and control solutions, including speed, position, temperature, accelerator pedal, pressure, fluid condition and flow sensors, together with microcircuits and intelligent power modules for critical applications which require high levels of expertise, precision and reliability. The division's principal manufacturing operations are located in Germany, Austria, Romania, UK, India, China and Mexico and are supported by additional engineering and development teams in the USA and UK. The division now has two customer facing segments, Transportation Sensing and Control and Industrial Sensing and Control. With a sales presence in all major markets, the division is well positioned to serve our global customer base.

	2014	2013	Change
Revenue	£289.3m	£285.2m	1%
Underlying operating profit[1]	£14.2m	£17.5m	(19)%
Operating profit margin[1]	4.9%	6.1%	(120)bps

1. Excluding restructuring costs, asset impairments and acquisition related costs.

Performance

Revenue for the year ended 2014 was £289.3 million (2013: £285.2 million), an increase of 5 per cent on an organic basis, excluding an adverse foreign exchange impact of £15.1 million and a £3.7 million contribution from Roxspur Measurement and Control Limited (Roxspur), acquired in July 2014. Roughly half of the organic increase was due to a significant one-off order for steering position sensors, which is not expected to recur in 2015.

Underlying operating profit for the year declined by 19 per cent to £14.2 million (2013: £17.5 million) and declined by 13 per cent on a constant currency basis, giving an operating margin of 4.9 per cent (2013: 6.1 per cent). This reduction was driven by poor performance in our Transportation sensors business related to price-downs and adverse product mix, investment in product development and inefficiencies resulting from the movement to Romania from our Werne location. This was partly offset by the circa £4 million profit from the one-off order for steering position sensors and growth in our Transportation controls business. There was a negative foreign exchange impact of £1.0 million and the acquisition of Roxspur added £0.4 million to operating profit.

Key achievements and progress

A key focus for the Sensing and Control division was the implementation of the Operational Improvement Plan (OIP). The OIP is designed to improve the efficiency of the operation overall and our competitiveness to our customers. A number of external supplier processes were established in our Romanian facility to protect the supply chain, with all moves progressing to plan. As suppliers into the automotive industry, our high quality levels are fundamental and all of our automotive sites successfully maintained their ISO / TS and environmental certifications in 2014. We completed our first full year in our new Manesar facility in India and are starting to see the benefits of having established local manufacturing to serve the growing market. A key focus for both our Transportation and Industrial Sensing and Control businesses will be improving R&D investment efficiency and processes during 2015.

The Sensing and Control business launched several new sensor products including a new technology based on SIMSPAD®, our newest non-contacting sensor platform which is designed to detect non-linear positions through non-ferromagnetic walls. Our new overmoulded speed sensor was officially launched in 2014, which simplifies production and provides cost savings on assembly processing. The business launched a new Magnetorque® sensor, incorporating the latest technology for combining position and torque in a smaller package, improving our ability to serve the growing area of Electronic Power Steering (EPS) applications.

Our Transportation controls business grew significantly in 2014, buoyed by increased penetration of front LED lighting into a broader range of vehicles and the increased usage of petrol engines, where the increase in demand for engines experienced in year benefited our supply of intelligent electrical water pumps used in engine cooling systems. The business expanded the supply of intelligent electrical water pumps regionally, having won business with our first Korean customer. Additionally, we continued to develop technology to address customer needs in the area of both LED lighting and intelligent power modules. Our patented approach to LED placement helps our customers to enhance the light's appearance on the road and will be used for the next generation of "intelligent" headlights. We also patented a "chip stacking" technology which enables higher power density in smaller packages, increasing the number and type of applications we can serve in transportation systems requiring power electronics.

We experienced a number of delays in the launch of new product platforms during 2014 in our Industrial Sensing business and we are taking steps to re-organise the engineering function and review core processes in order to improve future execution. Despite this, a number of new products were launched during the year including an optical sensor designed to monitor seeds as they are dispensed in agricultural planting equipment. A number of new products are due to be launched in 2015 and these are expected to deliver modest benefits in the second half of the year.

The acquisition of Roxspur in July strengthened our offering for industrial pressure, temperature and flow sensors together with service and calibration. Whilst small, the acquisition provides a platform for future growth in industrial applications. A number of activities have been identified to expand the businesses product range and support growth in the medium term. These include utilising the Group's electronics expertise to develop an enhanced range of pressure sensors with improved performance and configurability. In addition we are evaluating a number of manufacturing process improvements leveraging skills from other parts of the Group.

COMPONENTS

The Components division comprises our Resistors, Power and Hybrid, Magnetics, and Connectors businesses. Each of these individual businesses operated with their own leadership structures during 2014 to manage global sales, operations and research and development, allowing a greater focus on success in their respective product sets. We serve customers in the industrial, automotive, aerospace, defence and medical markets and focus on creating value by delivering innovative electronic solutions. Our highly engineered component solutions include fixed resistor products, magnetics, connectors, power modules and control circuitry for harsh and difficult environments.

	2014	2013	Change
Revenue	£98.8m	£100.4m	(2)%
Underlying operating profit[1]	£9.5m	£4.3m	121%
Operating profit margin[1]	9.6%	4.3%	530bps

1. Excluding restructuring costs, asset impairments and acquisition related costs.

Performance

Revenue for the year was £98.8 million (2013: £100.4 million). On an organic basis, revenue for the year increased by 1 per cent excluding a foreign exchange reduction of £2.5 million.

Underlying operating profit for the year more than doubled to £9.5 million (2013: £4.3 million), driven by favourable product mix, improvements in the underlying cost base and a circa £1 million one-off benefit of non-recurring orders associated with the closure of the Smithfield, USA facility. There was a £0.2m adverse foreign exchange impact. Operating margins increased by 530 basis points to 9.6 per cent (2013: 4.3 per cent).

Key achievements and progress

2014 proved to be a successful year for the Components' division, across nearly all markets and regions.

The Power and Hybrid business had a strong year with increased sales and profitability, and prior improvements in the strength of the team making an impact. All product areas in the business performed well from all three of their sites. Power and Hybrid announced a major landmark for their Micro-Circuit products manufactured at the Bedlington, UK site, with the signing of a long term supply agreement with Rolls-Royce subsidiary CDS, to supply its new range of Multi-Chip Modules used in the control of fuel supply for a wide range of Rolls-Royce engines. The Power and Hybrid business celebrated with NASA in the successful launch and flight of the Orion space mission, having supplied hybrid circuits for the vehicle management computer and the inertial measurement unit. Components also supplied precision resistors for the same systems.

The Resistors business enjoyed a significant increase in sales across all product lines and managed a number of major projects. A new customer service centre opened in Bedlington, UK and the Corpus Christi, USA service centre was expanded. Corpus Christi installed and commissioned a major new production facility after a year-long multi-million dollar investment programme. The new facility produces the new range of WIN moisture resistant precision thin film chip resistors mainly focused on Industrial markets and product was successfully shipped in the second half of the year. The Resistors team also managed the closure of the Smithfield, USA site, without interruption to customers.

The Magnetics business enjoyed a successful year with solid performance and progress on a number of fronts gaining new programmes and launching new products. The Magnetics business based in Kuantan, Malaysia, continued to expand their automotive sales, launched a new initiative to grow Industrial sales and continue to expand their new range of Moulded Inductors, including the launch of new high temperature AECQ-200 qualified parts. In December the Magnetics team also celebrated the tremendous milestone of working for more than four million hours without a lost time accident.

The Connectors business achieved a solid year of sales and profitability, continuing to support their loyal customer base in military and rail markets. The Connectors team took a major step forward with the launch of the new MIL PP and MABAC connectors for military use in land based applications.

IMS

The division draws on its design engineering capabilities, global facilities and world-class quality standards to provide highly complex electronic manufacturing solutions to customers in the aerospace and defence, medical, and high technology industrial sectors. The business has broad capabilities ranging from printed circuit board assembly to environmental test and full systems integration. This global suite of end-to-end solutions is focused exclusively on low volume, high mix business.

The division supports its customers with a global infrastructure of skills and technologies combined with local support from manufacturing operations in China, USA and Europe.

	2014	2013	Change
Revenue	£136.2m	£146.6m	(7)%
Underlying operating profit[1]	£5.5m	£9.0m	(39)%
Operating profit margin[1]	4.0%	6.1%	(210)bps

1. Excluding restructuring costs, asset impairments and acquisition related costs.

Performance

Revenue for the year was £136.2 million (2013: £146.6 million) with an organic decline of 4 per cent excluding a foreign exchange reduction of £5.0 million. The decline was driven by weaker than expected demand from some of our key customers in Europe and was partially offset by increased revenue from our Suzhou, China operations.

Underlying operating profit for the year declined by 39 per cent to £5.5 million (2013: £9.0 million) and by 33 per cent on a constant currency basis. Operating margins reduced by 210 basis points to 4.0 per cent (2013: 6.1 per cent) due to the impact of lower revenues as well as cost increases in Romania in anticipation of volumes which have not yet been realised. Foreign exchange movements accounted for £0.5m of the decline. A key focus for the business in 2015 will be to achieve stabilisation and growth at our Rogerstone and Romanian facilities.

Key achievements and progress

Key wins specifically within the aerospace and defence markets have demonstrated success against our market strategies, and operational investments in capital and quality systems have underpinned this achievement.

In April, the division was awarded Nadcap accreditation in its Perry, Ohio facility. The Nadcap accreditation was awarded in the category of Electronics - AC7120, for the company's printed circuit board assembly (PCBA), demonstrating its ongoing commitment to quality by satisfying customer requirements and industry specifications. With the certification in its Perry, Ohio operation, IMS has achieved Nadcap accreditation in its factories across Europe, Asia, and North America. At the time of award, IMS facilities accounted for three of only 53 companies worldwide holding Nadcap printed circuit board assembly accreditation. This achievement demonstrates execution of an ongoing global quality roadmap designed to meet the needs of customers in the high reliability, high technology aerospace sector.

In May, IMS was named Thermo Fisher Scientific's Supplier of the Year. This prestigious award recognises IMS' excellence in quality, responsiveness, value-added services and overall contributions to mutual success as a strategic partner in 2014.

Throughout the year, the IMS division continued expanding its suite of end-to-end solutions by globalising cable harness and environmental and reliability testing services. Following the prior year's consolidation of technologies and operations of AB Interconnect Inc. in the USA, and New Chapel Electronics Ltd in the UK, IMS opened a new engineering office in Cary, North Carolina. In addition to the primary manufacturing facilities across North America, Europe and Asia, a dedicated team of engineers located at the new IMS office in the USA will provide aerospace and defence customers with specialised technical expertise and extended product support.

OTHER FINANCIAL INFORMATION

Charges for items excluded from underlying profit amounted to £33.5 million (2013: £11.8 million). Included within this charge were restructuring costs of £22.2 million (2013: £10.2 million) which related principally to the Operational Improvement Plan, footprint changes within the IMS division and costs related to organisational and leadership team changes. Acquisition related costs amounted to £1.9 million (2013: £1.6 million). Asset impairments of £9.4 million were recognised (2013: £nil) which largely relates to an accounting write-down of capitalised intangible development costs following a review of the returns expected to be generated from each programme. The cash cost of these charges in the year totalled £13.0 million (2013: £6.1 million).

In July 2014 the Group completed the acquisition of Roxspur for £8.0 million net of £0.4 million of cash in the business. Deferred consideration of £2.5 million will be settled in 2016 if certain performance conditions are achieved. The fair value of assets acquired were £6.2 million (including identifiable intangible assets of £4.5 million) resulting in Goodwill of £2.1 million recognised on acquisition.

Net debt at the end of the year was £14.3 million (2013: net cash £26.9 million). At the year-end £21.1 million of the total long-term borrowing commitments of £70.7 million remained undrawn. Since the year-end the UK revolving credit facility commitment has been increased from £45.0 million to £65.0 million giving total long-term committed facilities of £90.7 million. These facilities mature in August 2017. Net debt to underlying EBITDA for 2014 was 0.3 times against a covenant maximum of 2.75 times.

The total accounting deficit under the Group's defined benefit pension schemes decreased to £12.4 million (2013: £20.5 million) primarily as a result of the £4.1 million deficit contribution to the UK scheme in the year, together with improved returns on scheme assets.

Going Concern

The Directors have assessed the future funding requirements of the Group with due regard to the risks and uncertainties to which the Group is exposed and compared them with the level of available borrowing facilities and are satisfied that the Group has adequate resources for the foreseeable future. Accordingly the financial statements have been prepared on a going concern basis.

Responsibility statement of the Directors in respect of the Annual Report

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the undertakings included in the consolidation taken as a whole; and
- The Strategic report and Directors' report include a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Richard Tyson	**Mark Hoad**
Chief Executive Officer	Chief Financial Officer
11 March 2015	11 March 2015

Cautionary statement

This report contains forward-looking statements. These have been made by the directors in good faith based on the information available to them up to the time of their approval of this report. The directors can give no assurance that these expectations will prove to have been correct. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward looking information, actual results may differ materially from those expressed or implied by these forward-looking statements. The directors undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise

Consolidated income statement

for the year ended 31 December 2014

£million (unless otherwise stated)	Note	**2014**	2013*
Continuing operations			
Revenue	3	**524.3**	532.2
Cost of sales		**(444.3)**	(432.1)
Gross profit		**80.0**	100.1
Distribution costs		**(29.7)**	(33.7)
Administrative expenses		**(56.0)**	(49.0)
Other operating income		**1.4**	1.6
Operating (loss)/profit		**(4.3)**	19.0
Analysed as:			
Underlying operating profit	3	**29.2**	30.8
Restructuring	7	**(22.2)**	(10.2)
Asset impairments	7	**(9.4)**	-
Acquisition related costs	7	**(1.9)**	(1.6)
Finance income	6	**1.1**	2.8
Finance costs	6	**(2.7)**	(3.5)
(Loss)/profit before taxation		**(5.9)**	18.3
Taxation	8	**(4.6)**	(4.5)
(Loss)/profit from continuing operations		**(10.5)**	13.8
Discontinued operations			
Loss from discontinued operations	5	**-**	(0.8)
(Loss)/profit for the year attributable to owners of the Company		**(10.5)**	13.0
EPS attributable to owners of the Company – basic			
From continuing operations (p)	10	**(6.6)**	8.8
From discontinued operations (p)	10	**-**	(0.5)
		(6.6)	8.3
EPS attributable to owners of the Company – diluted			
From continuing operations (p)	10	**(6.6)**	8.7
From discontinued operations (p)	10	**-**	(0.5)
		(6.6)	8.2

*Re-presented to exclude acquisition related items from underlying operating profit. See note 2.

Consolidated statement of comprehensive income

for the year ended 31 December 2014

£million	**2014**	2013
(Loss)/profit for the year	**(10.5)**	13.0
Other comprehensive income/(loss) for the year after taxation		
Items that are or may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	**1.9**	(1.6)
Loss on hedge of net investment in foreign operations	**(0.6)**	(0.9)
(Loss)/gain on cash flow hedges taken to equity less amounts taken to income statement	**(1.7)**	0.3
Items that will never be reclassified to the income statement:		
Remeasurement of defined benefit pension schemes	**4.6**	12.9
Remeasurement of other post-employment benefits	**(0.3)**	(0.3)
Tax on remeasurement of defined benefit pension schemes	**(1.1)**	(3.9)
Tax on remeasurement of other post-employment benefits	**0.1**	0.1
Total comprehensive (loss)/income for the year	**(7.6)**	19.6

Total comprehensive (loss)/income is entirely attributable to the owners of the Company.

Consolidated balance sheet

at 31 December 2014

£million	Note	2014	2013
ASSETS			
Non-current assets			
Property, plant and equipment		**94.0**	88.6
Goodwill		**69.4**	63.9
Other intangible assets		**18.3**	18.1
Deferred tax assets		**5.6**	7.3
Total non-current assets		**187.3**	177.9
Current assets			
Inventories		**78.9**	80.0
Trade and other receivables		**70.7**	74.4
Income taxes receivable		**0.9**	-
Derivative financial instruments		**0.4**	0.8
Cash and cash equivalents		**39.4**	54.5
Total current assets		**190.3**	209.7
Total assets		**377.6**	387.6
LIABILITIES			
Current liabilities			
Borrowings		**53.7**	3.9
Derivative financial instruments		**1.3**	-
Trade and other payables		**81.6**	104.8
Income taxes payable		**10.0**	10.4
Provisions		**18.9**	10.0
Total current liabilities		**165.5**	129.1
Non-current liabilities			
Borrowings		**-**	23.7
Deferred tax liability		**5.6**	4.7
Pensions	12	**12.4**	20.5
Provisions		**0.2**	0.2
Other non-current liabilities		**6.1**	6.1
Total non-current liabilities		**24.3**	55.2
Total liabilities		**189.8**	184.3
Net assets		**187.8**	203.3
EQUITY			
Share capital		**39.8**	39.7
Share premium		**1.5**	1.4
Share options reserve		**1.9**	1.2
Hedging and translation reserve		**16.9**	17.3
Retained earnings		**125.7**	141.7
Equity attributable to owners of the Company		**185.8**	201.3
Non-controlling interests		**2.0**	2.0
Total equity		**187.8**	203.3

Approved by the Board of Directors on 11 March 2015 and signed on their behalf by:

Richard Tyson
Director

Mark Hoad
Director

Consolidated statement of changes in equity

£million	Share capital	Share premium	Share options reserve	Hedging reserve	Translation reserve	Retained earnings	Sub-total	Non-controlling interest	Total
At 1 January 2013	39.2	0.7	1.5	(12.0)	31.5	128.2	189.1	2.0	191.1
Profit for the year	–	–	–	–	–	13.0	13.0	–	13.0
Other comprehensive income									
Exchange differences on translation of foreign operations	–	–	–	–	(1.6)	–	(1.6)	–	(1.6)
Net loss on hedge of net investment in foreign operations	–	–	–	–	(0.9)	–	(0.9)	–	(0.9)
Net gain on cash flow hedges taken to equity less amounts taken to income statement	–	–	–	0.3	–	–	0.3	–	0.3
Remeasurement of defined benefit pension schemes	–	–	–	–	–	12.9	12.9	–	12.9
Remeasurement of other post-employment benefits	–	–	–	–	–	(0.3)	(0.3)	–	(0.3)
Tax on remeasurement of defined benefit pension schemes	–	–	–	–	–	(3.9)	(3.9)	–	(3.9)
Tax on remeasurement of other post-employment benefits	–	–	–	–	–	0.1	0.1	–	0.1
Total other comprehensive income	–	–	–	0.3	(2.5)	8.8	6.6	–	6.6
Transactions with owners recorded directly in equity									
Equity dividends paid by the Company	–	–	–	–	–	(8.0)	(8.0)	–	(8.0)
Change in fair value of non-controlling interest	–	–	–	–	–	(0.1)	(0.1)	–	(0.1)
Share-based payments	–	–	(0.1)	–	–	–	(0.1)	–	(0.1)
Deferred tax on share-based payments	–	–	(0.2)	–	–	–	(0.2)	–	(0.2)
New shares issued	0.5	0.7	–	–	–	(0.2)	1.0	–	1.0
At 31 December 2013	39.7	1.4	1.2	(11.7)	29.0	141.7	201.3	2.0	203.3
Loss for the year	–	–	–	–	–	(10.5)	(10.5)	–	(10.5)
Other comprehensive income									
Exchange differences on translation of foreign operations	–	–	–	–	1.9	–	**1.9**	–	**1.9**
Net loss on hedge of net investment in foreign operations	–	–	–	–	(0.6)	–	**(0.6)**	–	**(0.6)**
Net loss on cash flow hedges taken to equity less amounts taken to income statement	–	–	–	(1.7)	–	–	**(1.7)**	–	**(1.7)**
Remeasurement of defined benefit pension schemes	–	–	–	–	–	4.6	**4.6**	–	**4.6**
Remeasurement of other post-employment benefits	–	–	–	–	–	(0.3)	**(0.3)**	–	**(0.3)**
Tax on remeasurement of defined benefit pension schemes	–	–	–	–	–	(1.1)	**(1.1)**	–	**(1.1)**
Tax on remeasurement of other post-employment benefits	–	–	–	–	–	0.1	**0.1**	–	**0.1**
Total other comprehensive income	–	–	–	(1.7)	1.3	3.3	**2.9**	-	**2.9**
Transactions with owners recorded directly in equity									
Equity dividends paid by the Company	–	–	–	–	–	(8.7)	**(8.7)**	–	**(8.7)**
Share-based payments	–	–	0.8	–	–	–	**0.8**	–	**0.8**
Deferred tax on share-based payments	–	–	(0.1)	–	–	–	**(0.1)**	–	**(0.1)**
New shares issued	0.1	0.1	–	–	–	(0.1)	**0.1**	–	**0.1**
At 31 December 2014	39.8	1.5	1.9	(13.4)	30.3	125.7	**185.8**	**2.0**	**187.8**

Consolidated cash flow statement

£million	Note	2014	2013*
Cash flows from operating activities			
(Loss)/profit for the year		**(10.5)**	13.0
Taxation		**4.6**	4.5
Net finance costs		**1.6**	0.7
Restructuring		**22.2**	10.2
Acquisition related costs		**1.9**	1.6
Asset impairments		**9.4**	-
Loss from discontinued operations		**-**	0.8
Underlying operating profit		**29.2**	30.8
Adjustments for:			
Depreciation of property, plant and equipment		**16.5**	16.8
Amortisation of intangible assets		**5.8**	3.8
Impairment of property, plant and equipment and intangible assets		**-**	0.4
Other items		**1.0**	0.4
Decrease/(increase) in inventories		**2.6**	(13.8)
Decrease/(increase) in receivables		**5.5**	(7.2)
(Decrease)/increase in payables		**(24.9)**	11.6
Underlying operating cash flow		**35.7**	42.8
Special payments to pension funds		**(4.1)**	(3.9)
Restructuring and acquisition related costs		**(13.0)**	(6.1)
Net cash generated from operations		**18.6**	32.8
Net income taxes paid		**(5.4)**	(2.5)
Net cash flow from operating activities		**13.2**	30.3
Cash flows from investing activities			
Interest received		**0.1**	0.1
Purchase of property, plant and equipment		**(24.9)**	(20.3)
Proceeds from sale of property, plant and equipment and grants received		**1.2**	0.6
Development expenditure		**(6.8)**	(5.2)
Purchase of other intangibles		**(4.3)**	(4.2)
Acquisitions of businesses		**(8.4)**	(8.3)
Cash with acquired businesses	4	**0.4**	-
Disposal of subsidiaries		**-**	(4.1)
Deferred consideration paid		**(0.5)**	(0.1)
Net cash flow from investing activities		**(43.2)**	(41.5)
Cash flows from financing activities			
Issue of share capital		**0.1**	0.9
Interest paid		**(1.0)**	(0.8)
Repayment of borrowings		**-**	(0.8)
Proceeds from borrowings		**24.9**	17.4
Other items		**(0.5)**	(1.2)
Finance leases		**(0.1)**	(0.1)
Dividends paid by the Company		**(8.7)**	(8.0)
Net cash flow from financing activities		**14.7**	7.4
Net decrease in cash and cash equivalents		**(15.3)**	(3.8)
Cash and cash equivalents at beginning of year	11	**54.5**	59.1
Exchange differences	11	**0.2**	(0.8)
Cash and cash equivalents at end of year	11	**39.4**	54.5
Cash and cash equivalents comprise			
Cash at bank and in hand		**39.4**	54.5
Bank overdrafts	11	**–**	-
		39.4	54.5

*Re-presented to exclude acquisition related items from underlying operating profit.

The consolidated cash flow statement includes cash flows from both continuing and discontinued operations.

1 General information

The information set out below, which does not constitute full financial statements, is extracted from the audited financial statements of the Group for the year ended 31 December 2014 which:

- were approved by the Directors 11 March 2015
- carry an unqualified audit report which did not contain statements under section 498(2) or (3) of the Companies Act 2006
- will be available to the shareholders and the public in April 2014
- will be filed with the Registrar of Companies following the Annual General Meeting on 12 May 2015

2 Basis of accounting

The consolidated financial statements have been prepared on a historical cost basis modified by the revaluation of financial assets and derivatives held at fair value and by the revaluation of certain property, plant and equipment at the transition date to International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, as adopted by the European Union, and in accordance with the provisions of the Companies Act 2006.

Aside from underlying profit as defined below, the financial statements have been prepared using consistent accounting policies.

Adoption of new and amendments to published standards and interpretations effective for the Group for the year ended 31 December 2014 did not have any impact on the financial position or performance of the Group.

Underlying profit

This has been defined as operating profit from continuing operations excluding the impacts of business acquisition and divestment related activity, restructuring costs and impairments of intangible assets. Business acquisition and divestment related items excluded from underlying profit and underlying earnings per share include the amortisation of intangible assets recognised on acquisition, the writing off of the pre-acquisition profit element of inventory written up on acquisition, other direct costs associated with business combinations and adjustments to contingent consideration related to acquired businesses.

This measure of underlying profit represents an amendment to the previous measure of headline earnings since amortisation of intangible assets recognised on acquisition had previously been included in headline profit. As a result comparative financial information has been represented for the year ending 31 December 2013 to reclassify these items to acquisition related costs. The effect on profit or loss was to increase underlying operating profit by £0.6 million and increase acquisition related costs by £0.6 million. The effect on the cash flow statement was to increase the underlying operating profit and decrease the acquisition related cost reconciling item by £0.6 million. The effect on EPS was to increase underlying earnings per share by 0.4 pence per share.

3 Segmental reporting

During the year ended 31 December 2014 the Group was organised into three divisions, as shown below, according to the nature of the products and services provided. Each of these divisions represents an operating segment in accordance with IFRS 8 "Operating segments" and there is no aggregation of segments. The chief operating decision maker is the Board of Directors. The operating segments are:

- Sensing and Control – the provision of integrated and intelligent solutions meeting customer requirements comprising sensors which convert physical variables into electronic signals and controls that process input from the sensor and instruct systems;
- Components – specialist resistive and magnetic components and microcircuits, connectors and interconnection systems; and
- Integrated Manufacturing Services – the provision of global electronics manufacturing capability with logistics and integrated solutions.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

As part of the organisational change announced in November 2014, in order to provide greater market focus and accountability Sensing and Control was reorganised into two customer segments: Transportation Sensing and Control and Industrial Sensing and Control with effect from 1 January 2015.

The key performance measure of the operating segments is underlying operating profit. The Group reports non-trading income or expenditure outside underlying profit when the size, nature or function of an item or aggregation of similar items is such that separate presentation is relevant to an understanding of its financial position, see basis of accounting in note 2. Segment operating profit represents the profit earned by each segment after allocation of central head office administration costs and is reviewed by the chief operating decision maker.

Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

Goodwill is allocated to the individual cash generating units which are smaller than the segment which they are part of.

a) Income statement information – continuing operations

				2014
£million	Sensing and Control	Components	Integrated Manufacturing Services	Total
Sales to external customers	**289.3**	**98.8**	**136.2**	**524.3**
Segment underlying operating profit	**14.2**	**9.5**	**5.5**	**29.2**
Adjustments to underlying operating profit (note 7)				**(33.5)**
Operating loss				**(4.3)**
Net finance costs				**(1.6)**
Loss before taxation				**(5.9)**

3 Segmental reporting (continued)

£million	Sensing and Control	Components	Integrated Manufacturing Services	Total
				2013*
Sales to external customers	285.2	100.4	146.6	532.2
Segment underlying operating profit	17.5	4.3	9.0	30.8
Adjustments to underlying operating profit (note 7)				(11.8)
Operating profit				19.0
Net finance costs				(0.7)
Profit before taxation				18.3

*Re-presented to exclude acquisition related items from underlying operating items. See note 2.

There are no significant sales between segments.

b) Geographic information

Revenue by destination

The Group operates on a global basis. Revenue from external customers by geographical destination is shown below. Management monitor and review revenue by region rather than by individual country given the significant number of countries where customers are based.

£million	**2014**	2013
United Kingdom	**86.4**	104.1
Rest of Europe	**256.0**	260.1
North America	**101.0**	94.4
Central and South America	**3.4**	3.9
Asia	**74.5**	68.8
Rest of the World	**3.0**	0.9
Total continuing operations	**524.3**	532.2

No individual customer directly accounts for more than 10% of Group revenue. Revenue from services is less than 5% of Group revenues. All other revenue is from the sale of goods.

4 Acquisitions

On 14 July 2014 the Group announced the acquisition of Roxspur. Initial net consideration of £8.4 million was paid in cash with subsequent adjustments due to the determination of net asset values acquired bringing consideration to £8.3 million. A further amount of up to £2.5 million is payable in cash in 2016 based on the performance of the business in the period from completion to 31 December 2015 and subject to continuing employment of employees.

From the date of acquisition to the year end, the business contributed £3.7 million of revenue, an operating profit of £0.4 million to the Group's results and an operating cash flow of £0.3 million. If the acquisition had occurred on 1 January 2014 it is estimated that Group revenue would have increased by £8.2 million and Group operating profit would have increased by £0.9 million.

The fair values of the identifiable assets and liabilities acquired are as follows:

£million	Book value at date of acquisition	Fair value adjustments (provisional)	**2014 Fair value at date of acquisition (provisional)**
Non-current assets			
Property, plant and equipment	**0.2**	**-**	**0.2**
Indentifiable intangible assets	**-**	**4.5**	**4.5**
Current assets / (liabilities)			
Inventory	**0.9**	**-**	**0.9**
Trade and other receivables	**2.3**	**-**	**2.3**
Cash	**0.4**	**-**	**0.4**
Trade and other payables	**(1.0)**	**(0.1)**	**(1.1)**
Income tax payable	**(0.1)**	**-**	**(0.1)**
Non-current liabilities			
Deferred tax	**-**	**(0.9)**	**(0.9)**
	2.7	**3.5**	**6.2**
Consideration paid/payable			
Cash			**8.3**
Goodwill			**2.1**

As consideration payable exceeds the fair value of the net assets acquired, goodwill of £2.1 million has been recognised on the balance sheet. The goodwill represents technical know-how acquired with the business. The know-how is used in the day to day activities of Roxspur and is essential for the manufacturing and sale of their products, including temperature, pressure and flow sensors, and calibration services. Roxspur has expertise in packaging sensors and producing customised products tailored to customer requirements.

A deferred tax liability of £0.9 million has been recognised on the fair value adjustment to the assets and liabilities acquired.

On 1 February 2013, the Group completed the acquisition of the 49% minority interest in Padmini TT Electronics Private Limited for a consideration of £8.3 million cash. The deferred consideration of £0.5 million was paid in the year ended 31 December 2014.

5 Discontinued operations

On 7 December 2012 the Group disposed of Ottomotores SA de CV and Ottomotores Do Brasil Energia Ltda for a total consideration of $46.5 million (£29.0 million) in cash before costs. During 2013 the completion balance sheet, including net debt, was agreed with the buyer and £4.1 million was paid. As a result, £0.8 million additional cost was included within discontinued items for the year ended 31 December 2013.

6 Finance income and finance costs

£million	**2014**	2013
Interest expense	**(1.0)**	(0.8)
Foreign exchange losses	**(0.7)**	(1.0)
Net interest on employee obligations	**(0.8)**	(1.5)
Amortisation of arrangement fees	**(0.2)**	(0.2)
Finance costs	**(2.7)**	(3.5)
Interest income	**0.1**	0.1
Foreign exchange gains	**1.0**	2.7
Finance income	**1.1**	2.8
Net finance costs	**(1.6)**	(0.7)

7 Underlying Measures

To assist with the understanding of earnings trends, the Group has included within its published financial statements non-GAAP measures including underlying profit and underlying earnings.

These are considered by the Board to be the most meaningful measures under which to assess the true operating performance of the Group.

Underlying operating profit

This has been defined as operating profit from continuing operations excluding restructuring costs, asset impairments and acquisition related costs as detailed below.

£million	**2014**	2013
Restructuring		
Operational Improvement Plan	**(15.0)**	(3.1)
Other restructuring costs	**(4.8)**	(5.9)
Costs relating to the closure of Boone, USA plant	**–**	(1.2)
Charges associated with management changes	**(2.4)**	–
	(22.2)	(10.2)
Asset impairments		
Impairment charges associated with capitalised development costs	**(8.4)**	–
Other impairments	**(1.0)**	–
	(9.4)	-
Acquisition related costs		
Contingent consideration	**(0.8)**	–
Release of surplus fair value inventory provision	**–**	0.4
Amortisation of intangible assets arising on business combinations	**(0.7)**	(0.6)
M&A costs (included aborted deals)	**(0.4)**	(1.4)
	(1.9)	(1.6)
Total	**(33.5)**	(11.8)

For the year ended 31 December 2014, items excluded from underlying operating profit relate to:

7 Underlying Measures (continued)

Restructuring costs £22.2 million

Operational Improvement Plan (£15.0 million)

The Operational Improvement Plan relates to a fundamental reorganisation of the manufacturing and sales footprint of the Transportation Sensing and Control and Industrial Sensing and Control divisions announced in June 2013. The charge in the year relates to the closure of the facility at Fullerton, USA and transfer of production to Mexico; the transfer of manufacturing at Werne, Germany to our best cost facilities in Romania; and the release of excess provisions for the closure of sales offices in France, Italy and Japan originally recognised at the end of 2013.

Other restructuring costs (£4.8 million)

Other restructuring costs relate to site consolidation in the UK and the establishment of a Romania facility for the IMS division; costs incurred in securing certain supply chain activities; costs incurred in respect of the closure of our loss making connectors facility in the US; and costs arising from the creation of our new organisation structure.

Charges associated with management changes (£2.4 million)

Charges incurred in the year ended 31 December 2014 in respect of the recruitment of the new CEO and CFO and one-off payments associated with changes in senior management.

Impairment charges £9.4 million

Following a detailed appraisal of capitalised development expenditure undertaken as part of a wider strategic review, the Board has re-evaluated the margin expectations of certain products in relation to which development costs have been previously capitalised. As part of this assessment the Group has recognised an impairment of £8.4 million to the carrying value of a number of development projects. In addition an impairment of £1.0 million related to other assets where recoveries were dependent on continuing with certain strategic sourcing channels which will no longer form part of the Group's strategic focus together with the closure of our loss making connectors facility in the USA.

Acquisition related costs £1.9 million

Acquisition costs relating to the amortisation of intangible assets arising on business combinations; M&A costs arising from the acquisition of Roxspur in July 2014 and other costs for potential acquisitions and disposals; and contingent consideration associated with the acquisition of Roxspur which is conditional on the employment services of the previous owners.

For the year ended 31 December 2013 items excluded from underlying profit relate to:

Restructuring costs £10.2 million

Operational Improvement Plan (£3.1 million)

Charges relating to the closure of the facility at Fullerton, USA and transfer of production to Mexico; the closure of sales offices in France, Italy and Japan; and project consultancy costs of £0.5 million.

Other restructuring costs (£5.9 million)

Costs relating to the closure of the loss-making connectors business in the US; the closure and relocation of the ACW Technology facilities from Southampton to Tonypandy in Wales; the transfer of production lines from Germany and Austria, and start-up costs in Romania; the relocation of IMS production facilities in Malaysia; costs arising from the creation of the new organisation structure; and costs incurred in securing certain supply chain activities.

Additional costs of £1.2 million relating to the Boone property in the USA mainly comprise environmental clean-up costs.

7 Underlying Measures (continued)

Acquisition related costs £1.6 million

Acquisition costs relating to the amortisation of intangible assets arising on business combinations; negative goodwill arising on the release of a surplus Fair Value inventory provision created at the date of the acquisition of ACW Technology; and M&A costs arising from the acquisition of ACW in December 2012 and other costs for potential acquisitions and disposals.

8 Taxation

a) Analysis of the tax charge for the year

£million	2014	2013
Current tax		
Current income tax charge	**5.7**	4.3
Adjustments in respect of current income tax of previous year	**(1.7)**	(1.6)
Total current tax charge	**4.0**	2.7
Deferred tax		
Relating to origination and reversal of temporary differences	**0.6**	1.8
Total tax charge in the income statement – continuing operations	**4.6**	4.5

UK tax is calculated at 21.5% (2013: 23.3%) of taxable profits. Overseas tax is calculated at the tax rates prevailing in the relevant countries. The Group's effective tax rate for the year from continuing operations was (78.0)% (25.7% underlying).

Included within the total tax charge above is a £2.5 million credit relating to items reported outside underlying profit (2013: £2.6 million).

b) Reconciliation of the total tax charge for the year

£million	2014	2013
(Loss)/profit before tax from continuing operations	**(5.9)**	18.3
(Loss)/profit before tax multiplied by the standard rate of corporation tax in the UK of 21.5% (2013: 23.3%)	**(1.3)**	4.3
Effects of:		
Overseas tax rate differences	**(0.3)**	0.4
Items not deductible for tax purposes or income not taxable	**6.6**	1.5
Adjustment to current tax in respect of prior periods	**(1.7)**	(1.6)
Impact on deferred tax arising from changes in tax rates	**(0.1)**	(0.4)
Recognition and utilisation of tax losses and other items not previously recognised	**(0.3)**	(1.0)
Current year tax losses and other items not recognised	**2.1**	0.5
Adjustment to value of deferred tax assets	**(0.4)**	0.8
Total tax charge reported in the income statement – continuing operations	**4.6**	4.5

The UK corporation tax rate will reduce to 20% with effect from 1 April 2015. This rate reduction was substantively enacted in July 2013 and closing deferred tax assets in the UK have been calculated at this rate.

9 Dividends

	2014 pence per share	**2014 £million**	2013 pence per share	2013 £million
Final dividend for prior year	**3.8**	**6.0**	3.5	5.5
Interim dividend for current year	**1.7**	**2.7**	1.6	2.5
	5.5	**8.7**	5.1	8.0

The Directors recommend a final dividend of 3.8 pence which when combined with the interim dividend of 1.7 pence gives a total dividend for the year of 5.5 pence per share. The Group has a progressive dividend policy. The final dividend will be paid on 4 June 2015 to shareholders on the register on 22 May 2015.

10 Earnings per share

Basic loss/earnings per share is calculated by dividing the loss/profit attributable to owners of the Company by the weighted average number of shares in issue during the period.

Underlying earnings per share is based on (loss)/profit for the year from continuing operations before restructuring costs, asset impairments and acquisition related costs and their associated tax effect.

Pence	**2014**	2013
Basic (loss)/earnings per share		
Continuing operations	**(6.6)**	8.8
Discontinued operations	**-**	(0.5)
Total	**(6.6)**	8.3

Pence	**2014**	2013
Diluted (loss)/earnings per share		
Continuing operations	**(6.6)**	8.7
Discontinued operations	**-**	(0.5)
Total	**(6.6)**	8.2

The numbers used in calculating underlying, basic and diluted earnings per share are shown below.

Underlying earnings per share

£million	**2014**	2013*
Continuing operations		
(Loss)/profit for the period attributable to owners of the Company	**(10.5)**	13.8
Restructuring	**22.2**	10.2
Asset impairments	**9.4**	1.6
Acquisition related costs	**1.9**	-
Tax effect of above items (see note 8)	**(2.5)**	(2.6)
Underlying earnings	**20.5**	23.0
Underlying earnings per share (pence)	**12.9**	14.6

*Re-presented to exclude acquisition related costs from underlying operating profit. See note 2.

The weighted average number of shares in issue is as follows:

Million	**2014**	2013
Basic	**158.3**	157.6
Adjustment for share awards	**0.5**	0.3
Diluted	**158.8**	157.9

11 Reconciliation of net cash flow to movement in net funds/(debt)

£million	Net cash	Borrowings and finance leases	Net (debt)/funds
At 1 January 2013	59.1	(12.4)	46.7
Cash flow	(3.8)	(16.5)	(20.3)
Non-cash items	–	(0.1)	(0.1)
Exchange differences	(0.8)	1.4	0.6
At 1 January 2014	54.5	(27.6)	26.9
Cash flow	(15.3)	(24.9)	(40.2)
Non-cash items	-	(0.2)	(0.2)
Exchange differences	0.2	(1.0)	(0.8)
At 31 December 2014	**39.4**	**(53.7)**	**(14.3)**

Net cash includes overdraft balances of £nil (2013: £nil).

12 Retirement benefit schemes

Defined contribution schemes

The Group operates 401(k) plans in North America and defined contribution arrangements in the rest of the world. The assets of these schemes are held independently of the Group. The total contributions charged by the Group in respect of defined contribution schemes were £2.4 million (2013: £2.1 million).

Defined benefit schemes

During the year the Group operated a significant defined benefit scheme in the UK and an overseas defined benefit scheme in the USA (which includes a post retirement medical benefit element). The Group's main scheme is the UK plan which commenced in 1993 and increased in size in 2006 and 2007 through the merger of the UK former schemes. The Group is the principal employer in the UK plan. The UK plan is governed by TTG Pension Trustees Limited (the "Trustee") that has control over the operation, funding and investment strategy in consultation with the Group.

Both the UK and USA schemes are closed to new members and the UK scheme was closed to future accrual in 2010. The Group also operated an overseas defined benefit scheme in Japan which was wound up in 2013.

The triennial valuation of the UK scheme as at April 2013 showed a deficit of £19.1m against the Trustee's funding objective compared with £39.4 million at April 2010. It was agreed with the Trustee that the existing recovery plan is sufficient to address the deficit; namely contributions of £4.3 million and £4.5 million to be paid in respect of 2015 and 2016. £3.1 million was paid in respect of 2014 during the year and a further £1 million was paid early in 2015 in respect of 2014. A further £1 million payment was made during the year to fund a an exercise which offered Scheme members with small pensions the opportunity to exchange their annual pensions for a one-off lump sum payment, in accordance with HMRC rules. In addition, the Group has set aside £3.0 million to be utilised in agreement with the Trustee for reducing the long-term liabilities of the scheme.

The amounts recognised in respect of the pension deficit in the Consolidated balance sheet are:

£million	**2014**	2013
Fair value of assets	**464.9**	394.1
Present value of funded obligation	**(477.3)**	(414.6)
Net liability recognised in the Consolidated balance sheet	**(12.4)**	(20.5)

Amounts recognised in the Consolidated income statement are:

£million	**2014**	2013
Scheme administration costs	**0.7**	0.8
Net interest on employee obligations	**0.8**	1.5
Settlements and curtailments	**-**	(0.4)

13 Related party transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

No related party transactions have taken place in 2014 or 2013 that have affected the financial position or performance of the Group.

14 Principal risk and uncertainties

As described in the Risk Management section of the Strategic Report in the 2014 Annual Report and Accounts, the Group continues to be exposed to a number of operational and financial risks and has an established, structured approach to identifying, assessing and managing those risks. These risks relate to the following areas:

Product development delay; margin erosion; execution of the Operational Improvement Plan; health and safety incidents; attracting and retain capable people; supplier resilience and continuity; product liability and contractual risk; and, legal and regulatory compliance.