2015 Interim Results, 20 August 2015

TT Electronics plc

Results for the half-year ended 30 June 2015

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A live audio webcast of the analyst presentation will take place at 9.00 today. Please visit the investor relations section of our website, www.ttelectronics.com to pre-register. This webcast will also be available on-demand from later today.

Interim Results for the half-year ended 30 June 2015

£ million unless otherwise stated	Underlying[1]				Statutory	
Continuing operations[2]	**H1 2015**	H1 2014[3]	Change	Change constant fx	**H1 2015**	H1 2014
Revenue	**263.6**	261.1	1%	1%	**263.6**	261.1
Operating profit	**10.4**	13.1	(21)%	(30)%	**7.6**	0.2
Profit / (loss) before tax	**9.1**	12.5	(27)%	(37)%	**6.3**	(0.4)
Earnings per share (pence)	**4.2p**	6.0p	(30)%	(40)%	**2.6p**	(2.1)p
Return on invested capital[4]	**10.8%**	12.1%[5]	(130)bps			
Cash conversion[6]	**71%**	(205)%				
Free cash flow					**(5.1)**	(35.0)
Net debt (2014: year-end)					**(25.4)**	(14.3)
Dividend per share (pence)					**1.7p**	1.7p

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
4. Rolling 12 month underlying operating profit return on average invested capital
5. Return on invested capital for full year 2014
6. Underlying operating cash flow (underlying EBITDA less net capital expenditure, capitalised development expenditure, working capital and non-cash movements) divided by underlying operating profit

Strategic Progress

- Strategic plan set out in March to improve performance and build sustainable, profitable growth
- 2015 a year of transition, with focus on stabilising business performance
- Encouraging early signs of progress, with new streamlined organisation performing well
- Operational Improvement Plan now on track and progressing well

Financial Headlines

- Revenue unchanged on an organic basis as anticipated
- Operating profit in line with expectations
- Improved cash flow and cash conversion reflecting tighter control of capex and significantly reduced working capital consumption

Divisional Performance

- **Transportation Sensing and Control**: underlying operating performance stabilising
- **Industrial Sensing and Control**: strong H1 organic growth driven by aftermarket orders and customer pull-forward of revenue on a key programme
- **Advanced Components**: underlying growth offsetting prior period non-recurring orders
- **IMS**: order book growing but H1 operating margin reduced due to shift in product mix

Richard Tyson, Chief Executive Officer, said:

"In March we set out our strategic plan aimed at re-building performance to deliver sustainable, profitable growth. In the context of 2015 being a year of transition, the first half results are encouraging with trading in line with our expectations and a good performance in terms of cash conversion. The Operational Improvement Plan is also progressing well.

We have strong positions in attractive growth markets, loyal customers who respect and value what we do, and strong, technically robust products that perform well in demanding environments. Current market conditions remain challenging, especially in Europe but, with our order book remaining solid and encouraging early progress on our strategic plan, our outlook for the full year is unchanged."

H1 2015 OVERVIEW

As previously highlighted, 2015 is a year of transition as we look to stabilise business performance and work towards returning the business to sustainable, profitable growth. In this context, the results in the first half are encouraging with trading performance in line with expectations and the focus on the balance sheet and capital expenditure delivering much improved cash conversion.

Group revenue increased by 1 per cent to £263.6 million (H1 2014: £261.1 million). On an organic basis, revenue was unchanged as expected, excluding the effects of foreign exchange (minus £1.4 million) and a £4.0 million contribution from Roxspur Measurement and Control Limited (Roxspur), which was acquired in July 2014. The Group's order book remains sound, although order intake has been mixed across different markets, and Europe in particular remains challenging.

As anticipated, underlying operating profit declined by 21 per cent to £10.4 million (H1 2014: £13.1 million) with the reduction principally relating to a £1.4 million increase in R&D expense and £1.9 million of contractual price-downs in Transportation Sensing and Control, the £0.5 million non-recurrence of end of life sales in Advanced Components, together with a £2.1 million adverse mix impact in IMS. These adverse effects were partially offset by volume growth and cost reductions across the business including a strong performance in Industrial Sensing and Control due to good aftermarket sales, together with customer requested pull-forward of revenues in advance of a re-sourcing of materials. There was also a £1.2 million positive foreign exchange benefit. At constant currency, underlying operating profit declined by 30 per cent.

Cash performance was encouraging with a materially reduced free cash outflow of £5.1 million (H1 2014: outflow £35.0 million) and cash conversion of 71 per cent (H1 2014: minus 205 per cent). The improvement in cash conversion reflected tighter control of capital expenditure and significantly reduced working capital consumption. Net capital expenditure amounted to £8.1 million (H1 2014: £15.0 million) and capitalised development expenditure reduced to £0.8 million (H1 2014: £3.4 million), equivalent in total to 0.9 times underlying depreciation and amortisation (H1 2014: 1.7 times). There was a working capital outflow of £4.5 million (H1 2014: outflow £33.5 million). Inventory turns improved by 0.3 times from year-end, resulting in a £2.9 million inflow from inventory.

STRATEGIC PROGRESS

At the beginning of the year we set out our strategic plan to improve TT Electronics' performance across six priorities, delivering three outcomes to build sustainable, profitable growth and improve value for our shareholders. During the first half of the year, the divisional management teams have developed the details of their execution plans and have started to act on the strategic priorities:

- 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

Whilst we remain at a very early stage of the plan, we are already seeing signs of progress which we will be measuring in three outcomes:

- Improved customer performance
- Improved operational performance
- Improved returns and cash generation

The Operational Improvement Plan remains a key area of focus. Of the ten lines planned to be moved from Germany to Romania during 2015, nine have been transferred, with eight through customer qualification. The focus for the second half of the year is on the transfer of one more line. Six lines are planned for transfer during 2016 and we will continue to evaluate the business case for each line ahead of a final decision to proceed. The transfer of production from Fullerton to Mexicali is expected to be completed in the second half of 2015. Overall the Operational Improvement Plan is on track to be completed during the first half of 2017 with full run-rate benefits of £5.5 million per annum anticipated in 2018.

DIVISIONAL REVIEWS

TRANSPORTATION SENSING AND CONTROL

The Transportation Sensing and Control division develops both sensors and control solutions for automotive OEMs and tier one suppliers including powertrain providers for passenger cars and trucks. TT develops a wide range of products for multiple applications on a vehicle, from power controls, gear position and pedal sensors to fluid and emission sensors, with almost all of them focused on the safety and driver assistance features required by our customers.

	H1 2015	H1 2014	Change	Change constant fx
Revenue	£107.5m	£118.9m	(10)%	(1)%
Underlying operating profit[1]	£(0.9)m	£2.3m	(139)%	(139)%
Operating profit margin[1]	(0.8)%	1.9%	(270)bps	(270)bps

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

Revenue in the first half of 2015 was £107.5 million (H1 2014: £118.9 million), a decrease of 1 per cent on an organic basis, excluding an adverse foreign exchange impact of £9.7 million. The organic reduction was a result of contractual price-downs and reduced low margin pass-through sales, partially offset by volume increases.

There was an underlying operating loss for the period of £0.9 million compared with a profit in the first half of 2014, but the operating performance of the division was stable compared with the second half of last year (H1 2014: profit £2.3 million; H2 2014 loss £0.9 million). Foreign exchange had no impact on the operating loss, and there was an operating margin of minus 0.8 per cent (H1 2014: 1.9 per cent; H2 2014 minus 0.8 per cent). The reduction compared to the prior period was driven by increased R&D expense together with the impact of price-downs, partially offset by productivity improvement and cost reduction.

During the first half we successfully displaced an existing tier 1 manufacturer for the supply of an advanced next-generation haptic pedal solution for a global premium automotive OEM. This will see Transportation Sensing and Control shift from being a tier 2 component supplier, to being the tier 1 supplier of a complex, high-performance single-box solution. Series production is expected to commence in 2018.

We also successfully launched our AdBlue® optical fluid sensor for diesel exhaust systems. As a recognised leader in emission technologies, we have been able to create first-mover advantage by developing a product which overcomes the inherent issues with ultrasonic alternatives.

INDUSTRIAL SENSING AND CONTROL

The Industrial Sensing and Control division addresses challenging sensing requirements in terms of precision, speed of response, reliability or the physical environment in which the products operate. Its position, pressure, temperature, flow and fluid quality sensors are used for critical applications in a range of end markets including industrial automation and process control, medical and aerospace sectors.

	H1 2015	H1 2014	Change	Change constant fx
Revenue	£33.8m	£24.7m	37%	26%
Underlying operating profit[1]	£6.4m	£4.3m	49%	33%
Operating profit margin[1]	18.9%	17.4%	150bps	90bps

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

First half revenue was £33.8 million (H1 2014: £24.7 million), an organic increase of 10 per cent, excluding a favourable foreign exchange impact of £2.6 million and the £4.0 million contribution from the Roxspur acquisition. The organic increase was due in equal parts to strong demand for aftermarket products, as well as the impact of a pull forward in demand resulting from a customer request ahead of a change in material supply linked to a key programme.

Underlying operating profit for the half-year increased by 49 per cent to £6.4 million (H1 2014: £4.3 million). Excluding a favourable foreign exchange impact of £0.7 million, the increase amounted to 33 per cent. Operating margins increased by 150 basis points to 18.9 per cent (H1 2014: 17.4 per cent). Roxspur added £0.3 million of operating profit but the bulk of the increase was driven by the organic volume increase. Largely as a result of the revenue pull-forward, profits are expected to be more weighted to the first half.

Following a lengthy design programme with Delta Electronics, we received the first production order for our latest optical phase diode array, a critical component used in position sensors, particularly in robotic applications. Deliveries are due to commence in the second half of the year and this order validates our strategy of working with leading customers who require engineering support to develop sensing solutions for their critical applications.

The Roxspur business which was acquired in the second half of last year is being more fully integrated into the division and we are making steady progress to improve elements of their product range. In the first half of the year Roxspur secured a new 18 month contract with Tata, their largest customer, for high temperature sensors used in a metal processing application.

ADVANCED COMPONENTS

The Advanced Components division creates specialist, high performance, ultra-reliable, highly engineered electronic components for circuit protection, power management, signal conditioning and connectivity applications in harsh environments. It serves customers in the industrial, automotive, aerospace, defence and medical markets and focuses on creating value by developing innovative electronic solutions to challenging problems for our customers' electronic circuits or systems.

	H1 2015	H1 2014	Change	Change constant fx
Revenue	£49.8m	£48.1m	4%	-
Underlying operating profit[1]	£3.4m	£3.8m	(11)%	(13)%
Operating profit margin[1]	6.8%	7.9%	(110)bps	(100)bps

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

Revenue for the first half was £49.8 million (H1 2014: £48.1 million). On an organic basis, revenue was unchanged excluding a foreign exchange increase of £1.9 million. The prior period included £1 million of non-recurring revenues associated with the closure of the Smithfield USA facility. The impact of this in the first half of 2015 was offset by underlying organic growth.

There was a reduction in underlying operating profit for the period to £3.4 million (H1 2014: £3.8 million), principally as a result of the absence of the high-margin non-recurring orders. There was a £0.1 million favourable foreign exchange impact. Operating margins decreased by 110 basis points to 6.8 per cent (H1 2014: 7.9 per cent).

In the first half, Advanced Components released a number of new products including a custom inverter module for a major aerospace manufacturer, a custom microcircuit for space use and a AECQ200 approved high temperature moulded inductor for automotive use.

Advanced Components' market leading position is evidenced by our expertise in power modules for aircraft electrification, where the division was approved for participation in two development projects for 'Green Taxi' and helicopter safety programmes, both with major European aerospace manufacturers. Our enhanced customer focus and more targeted R&D are also realising benefits - after three years of collaboration, Advanced Components won its first major automotive programme from a Chinese manufacturer for the magnetic power components for a fuel saving stop/start function – an important first win in the automotive market in China.

IMS

The IMS division draws on its manufacturing 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.

	H1 2015	H1 2014	Change	Change constant fx
Revenue	£72.5m	£69.4m	4%	(1)%
Underlying operating profit[1]	£1.5m	£2.7m	(44)%	(59)%
Operating profit margin[1]	2.1%	3.9%	(180)bps	(230)bps

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

Revenue for the first half increased to £72.5 million (H1 2014: £69.4 million) but declined by 1 per cent excluding a foreign exchange increase of £3.8 million. The order book has grown in the first half of the year.

Underlying operating profit for the year declined as expected by 44 per cent to £1.5 million (H1 2014: £2.7 million) and by 59 per cent on a constant currency basis. Foreign exchange movements increased operating profit in the first half by £0.4 million. Operating margins reduced by 180 basis points to 2.1 per cent (H1 2014: 3.9 per cent) due to a shift in product mix. This adverse mix impact is expected to reverse substantially in the second half of the year.

In the first half IMS was chosen by L3 as a partner to support the highly iterative design and prototyping for a new product to help aircraft operators take advantage of the Next Generation Air Transportation System traffic management standards. As well as the mature, NADCAP-accredited engineering capabilities in our Perry, Ohio facility, IMS was also able to offer NADCAP accreditation in our Suzhou, China and Rogerstone, UK facilities assuring a low-risk transfer solution if manufacture in other regions were required.

During the period, IMS was recognised by two customers for its excellent service. Cubic Defense recognised our Perry business with the Supplier Excellence Award and Carestream recognised our Suzhou business as the 2014 Supplier of the Year, affirming our focus on customer service as a key priority. IMS's Romanian facility received its TS13485 and ISO 9001 certifications along with numerous successful customer audits.

OTHER FINANCIAL INFORMATION

The net interest expense of £1.3 million increased by £0.7 million (H1 2014: £0.6 million) as a result of a gain in the prior period on the retranslation of foreign currency borrowings. Underlying profit before tax declined by 27 per cent to £9.1 million (H1 2014: £12.5 million) representing a 37 per cent reduction on a constant currency basis.

The underlying effective tax rate was 26.9 per cent (H1 2014: 23.6 per cent; Full Year 2014: 25.7 per cent) and basic underlying earnings per share decreased by 30 per cent to 4.2 pence (H1 2014: 6.0 pence), and by 40 per cent at constant currency.

The profit for the period improved to £4.1 million (H1 2014: loss £3.3 million) after a charge for items excluded from underlying profit of £2.8 million (H1 2014: £12.9 million). Included within this charge were restructuring costs of £2.2 million (H1 2014: £12.7 million), which related principally to the Operational Improvement Plan, and acquisition costs of £0.6 million (H1 2014: £0.2 million) relating primarily to non-cash amortisation of acquisition intangibles. The cash costs relating to these items totalled £4.7 million (H1 2014: £5.4 million).

Net debt at the end of the period was £25.4 million (2014 year-end: £14.3 million). At the balance sheet date £31.7 million of the total long-term borrowing commitments of £90.4 million remained undrawn. These facilities mature in August 2017. In addition, there are a further £18.8 million of short-term committed facilities of which £16.8 million was undrawn. Net debt to underlying EBITDA at the end of the first half was 0.5 times (2014 year-end: 0.3 times, H1 2014: 0.3 times).

The total accounting deficit under the Group's defined benefit pension schemes increased to £16.8 million (2014 year-end: £12.4 million). The increase in the deficit was due to reduced asset returns, partially offset by increased discount and inflation rates together with £2.1 million of deficit contribution payments to the UK scheme in first half.

DIVIDEND

The Board is maintaining the interim dividend at 1.7 pence per share. Payment of the dividend will be made on 29 October 2015 to shareholders on the register on 16 October 2015.

OUTLOOK

In March we set out our strategic plan aimed at re-building performance to deliver sustainable, profitable growth. In the context of 2015 being a year of transition, the first half results are encouraging with trading in line with our expectations and a good performance in terms of cash conversion. The Operational Improvement Plan is also progressing well.

We have strong positions in attractive growth markets, loyal customers who respect and value what we do, and strong, technically robust products that perform well in demanding environments. Current market conditions remain challenging, especially in Europe but, with our order book remaining solid and encouraging early progress on our strategic plan, our outlook for the full year is unchanged.

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

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS34 "Interim Financial Reporting" as adopted by the EU;
- the interim management report includes a fair review of the information required by DTR 4.2.7R:
  (i) an indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of financial statements; and
  (ii) a description of the principal risks and uncertainties for the remaining six months of the year
- the interim management report includes a fair review of the information required by DTR 4.2.8R:
  (i) related parties transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group in that period; and
  (ii) any changes in the related parties transactions described in the Annual Report 2014 that could have a material effect on the financial position or performance of the Group in the current period.

By order of the Board

Richard Tyson	**Mark Hoad**
Chief Executive Officer	Chief Financial Officer
19 August 2015	19 August 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.

Independent review report to TT Electronics plc

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 which comprises Condensed consolidated income statement, the Condensed consolidated statement of comprehensive income, the Condensed consolidated balance sheet, the Condensed consolidated statement of changes in equity, the Condensed consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

The annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Mike Barradell
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
19 August 2015

Condensed consolidated income statement (unaudited)

for the six months ended 30 June 2015

£million (unless otherwise stated)	Note	**Six months ended 30 June 2015**	Six months ended 30 June 2014*	Year ended 31 December 2014
Revenue	3	**263.6**	261.1	524.3
Cost of sales		**(216.0)**	(215.8)	(444.3)
Gross profit		**47.6**	45.3	80.0
Distribution costs		**(16.1)**	(14.6)	(29.7)
Administrative expenses		**(24.4)**	(31.2)	(56.0)
Other operating income		**0.5**	0.7	1.4
Operating profit/(loss)		**7.6**	0.2	(4.3)
Analysed as:				
Underlying operating profit	3a	**10.4**	13.1	29.2
Restructuring	4	**(2.2)**	(12.7)	(22.2)
Asset impairments	4	**–**	–	(9.4)
Acquisition related costs	4	**(0.6)**	(0.2)	(1.9)
Finance income		**1.4**	0.6	1.1
Finance costs		**(2.7)**	(1.2)	(2.7)
Profit/(loss) before taxation		**6.3**	(0.4)	(5.9)
Taxation	5	**(2.2)**	(2.9)	(4.6)
Profit/(loss) for the period attributable to owners of the Company		**4.1**	(3.3)	(10.5)
EPS attributable to owners of the Company				
Basic	6	**2.6**	(2.1)	(6.6)
Diluted	6	**2.6**	(2.1)	(6.6)

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

Condensed consolidated statement of comprehensive income (unaudited)

for the six months ended 30 June 2015

£million	**Six months ended 30 June 2015**	Six months ended 30 June 2014	Year ended 31 December 2014
Profit/(loss) for the period	**4.1**	(3.3)	(10.5)
Other comprehensive income/(expense) for the period after tax			
Items that are or may be reclassified subsequently to the income statement:			
Exchange differences on translation of foreign operations	**(2.8)**	(4.4)	1.9
Loss on hedge of net investment in foreign operations	**(3.4)**	(2.2)	(0.6)
Net gain/(loss) on cash flow hedges taken to equity less amounts taken to income statement	**0.8**	(0.4)	(1.7)
Items that will never be reclassified to the income statement:			
Remeasurement of defined benefit pension schemes	**(6.4)**	4.0	4.6
Remeasurement of other post-employment benefits	**–**	–	(0.3)
Tax on remeasurement of pension deficit movement	**1.3**	(0.8)	(1.1)
Tax on remeasurement of other post-employment benefits	**–**	–	0.1
Total comprehensive loss for the period	**(6.4)**	(7.1)	(7.6)

Total comprehensive expense for the six months ended 30 June 2015 is entirely attributable to the owners of the Company.

Condensed consolidated balance sheet (unaudited)

at 30 June 2015

£million	Note	Six months ended 30 June 2015	Six months ended 30 June 2014	Year ended 31 December 2014
ASSETS				
Non-current assets				
Property, plant and equipment		**87.0**	91.1	94.0
Goodwill		**68.8**	62.5	69.4
Other intangible assets		**19.3**	19.8	18.3
Deferred tax assets		**6.6**	6.0	5.6
Total non-current assets		**181.7**	179.4	187.3
Current assets				
Inventories		**73.3**	81.8	78.9
Trade and other receivables		**73.2**	81.1	70.7
Income taxes receivable		**–**	–	0.9
Derivative financial instruments		**0.8**	0.3	0.4
Cash and cash equivalents		**34.9**	27.9	39.4
Total current assets		**182.2**	191.1	190.3
Total assets		**363.9**	370.5	377.6
LIABILITIES				
Current liabilities				
Borrowings		**1.2**	5.6	53.7
Derivative financial instruments		**0.9**	0.1	1.3
Trade and other payables		**76.0**	81.5	81.6
Income taxes payable		**6.0**	11.9	10.0
Provisions		**15.9**	17.1	18.9
Total current liabilities		**100.0**	116.2	165.5
Non-current liabilities				
Borrowings		**59.1**	37.2	–
Deferred tax liability		**5.9**	4.4	5.6
Pensions	8	**16.8**	15.8	12.4
Provisions		**0.3**	0.2	0.2
Other non-current liabilities		**5.6**	5.8	6.1
Total non-current liabilities		**87.7**	63.4	24.3
Total liabilities		**187.7**	179.6	189.8
Net assets		**176.2**	190.9	187.8
EQUITY				
Share capital		**39.8**	39.8	39.8
Share premium		**1.6**	1.5	1.5
Share options reserve		**2.6**	1.8	1.9
Hedging and translation reserve		**11.5**	10.3	16.9
Retained earnings		**118.7**	135.5	125.7
Equity attributable to owners of the Company		**174.2**	188.9	185.8
Non-controlling interest		**2.0**	2.0	2.0
Total equity		**176.2**	190.9	187.8

Approved by the Board of Directors on 19 August 2015 and signed on their behalf by:

Richard Tyson Director

Mark Hoad Director

Condensed consolidated statement of changes in equity (unaudited)

for the six months ended 30 June 2015

£million	Share capital	Share premium	Share options reserve	Hedging and translation reserve	Retained earnings	Sub-total	Non-controlling interest	Total
At 1 January 2015	39.8	1.5	1.9	16.9	125.7	**185.8**	2.0	**187.8**
Profit for the period	–	–	–	–	4.1	**4.1**	–	**4.1**
Other comprehensive (expense)/income:								
Exchange differences on translation of foreign operations	–	–	–	(2.8)	–	**(2.8)**	–	**(2.8)**
Net loss on hedge of net investment in foreign operations	–	–	–	(3.4)	–	**(3.4)**	–	**(3.4)**
Net gain on cash flow hedges taken to equity less amounts taken to income statement	–	–	–	0.8	–	**0.8**	–	**0.8**
Remeasurement of defined benefit pension schemes	–	–	–	–	(6.4)	**(6.4)**	–	**(6.4)**
Tax on remeasurement of defined benefit pension schemes	–	–	–	–	1.3	**1.3**	–	**1.3**
Total other comprehensive (expense)/income	–	–	–	(5.4)	(5.1)	(10.5)	–	(10.5)
Transactions with owners recorded directly in equity:								
Equity dividends paid by the Company	–	–	–	–	(6.0)	**(6.0)**	–	**(6.0)**
Share-based payments	–	–	0.7	–	–	**0.7**	–	**0.7**
Deferred tax on share-based payments	–	–	–	–	–	–	–	–
New shares issued	–	0.1	–	–	–	**0.1**	–	**0.1**
At 30 June 2015	**39.8**	**1.6**	**2.6**	**11.5**	**118.7**	**174.2**	**2.0**	**176.2**

£million	Share capital	Share premium	Share options reserve	Hedging and translation reserve	Retained earnings	Sub-total	Non-controlling interest	Total
At 1 January 2014	39.7	1.4	1.2	17.3	141.7	201.3	2.0	203.3
Loss for the period	–	–	–	–	(3.3)	(3.3)	–	(3.3)
Other comprehensive income/(expense):								
Exchange differences on translation of foreign operations	–	–	–	(4.4)	–	(4.4)	–	(4.4)
Net gain on hedge of net investment in foreign operations	–	–	–	(2.2)	–	(2.2)	–	(2.2)
Net loss on cash flow hedges taken to equity less amounts taken to income statement	–	–	–	(0.4)	–	(0.4)	–	(0.4)
Remeasurement of defined benefit pension schemes	–	–	–	–	4.0	4.0	–	4.0
Tax on remeasurement of defined benefit pension schemes	–	–	–	–	(0.8)	(0.8)	–	(0.8)
Total other comprehensive (expense)/income	–	–	–	(7.0)	3.2	(3.8)	–	(3.8)
Transactions with owners recorded directly in equity:								
Equity dividends paid by the Company	–	–	–	–	(6.0)	(6.0)	–	(6.0)
Share-based payments	–	–	0.6	–	–	0.6	–	0.6
New shares issued	0.1	0.1	–	–	(0.1)	0.1	–	0.1
At 30 June 2014	39.8	1.5	1.8	10.3	135.5	188.9	2.0	190.9

Condensed consolidated cash flow statement (unaudited)

for the six months ended 30 June 2015

£million	Note	**Six months ended 30 June 2015**	Six months ended 30 June 2014*	Year ended 31 December 2014
Cash flows from operating activities				
Profit/(loss) for the period		**4.1**	(3.3)	(10.5)
Taxation		**2.2**	2.9	4.6
Net finance costs		**1.3**	0.6	1.6
Restructuring		**2.2**	12.7	22.2
Acquisition related costs		**0.6**	0.2	1.9
Asset impairments		**–**	–	9.4
Underlying operating profit		**10.4**	13.1	29.2
Adjustments for:				
Depreciation of property, plant and equipment		**8.0**	8.2	16.5
Amortisation of intangible assets		**2.0**	2.7	5.8
Other items		**0.4**	1.0	1.0
Decrease/(increase) in inventories		**2.9**	(3.9)	2.6
(Increase)/decrease in receivables		**(5.2)**	(9.0)	5.5
Decrease in payables		**(2.2)**	(20.6)	(24.9)
Underlying operating cash flow		**16.3**	(8.5)	35.7
Special payments to pension funds		**(2.1)**	(1.0)	(4.1)
Restructuring and acquisition related items		**(4.7)**	(5.4)	(13.0)
Net cash generated/(used in) from operations		**9.5**	(14.9)	18.6
Income taxes paid		**(4.8)**	(1.3)	(5.4)
Net cash flow from operating activities		**4.7**	(16.2)	13.2
Cash flows from investing activities				
Interest received		**–**	0.1	0.1
Purchase of property, plant and equipment		**(7.4)**	(14.2)	(24.9)
Proceeds from sale of property, plant and equipment and grants		**0.4**	1.0	1.2
Development expenditure		**(0.8)**	(3.4)	(6.8)
Purchase of other intangibles		**(1.1)**	(1.8)	(4.3)
Acquisitions of businesses		**–**	–	(8.4)
Cash with acquired businesses		**–**	–	0.4
Deferred consideration paid		**–**	(0.5)	(0.5)
Net cash flow from investing activities		**(8.9)**	(18.8)	(43.2)
Cash flows from financing activities				
Issue of share capital		**0.1**	0.1	0.1
Interest paid		**(0.9)**	(0.5)	(1.0)
Repayment of borrowings		**(5.0)**	–	–
Proceeds from borrowings		**12.9**	16.0	24.9
Finance leases		**–**	–	(0.1)
Other items		**–**	(0.5)	(0.5)
Dividends paid by the Company		**(6.0)**	(6.0)	(8.7)
Net cash flow from financing activities		**1.1**	9.1	14.7
Net decrease in cash and cash equivalents		**(3.1)**	(25.9)	(15.3)
Cash and cash equivalents at beginning of period	9	**39.4**	54.5	54.5
Exchange differences	9	**(1.4)**	(0.7)	0.2
Cash and cash equivalents at end of period	9	**34.9**	27.9	39.4

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

Notes to the Condensed consolidated financial statements (unaudited)

1. General information

The Condensed consolidated financial statements for the six months ended 30 June 2015 are unaudited and were authorised for issue in accordance with a resolution of the Board of Directors. They do not constitute statutory financial statements as defined in Section 434 of the Companies Act 2006. The comparative figures for the year ended 31 December 2014 are based on the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the Registrar of Companies. The report of the auditors was unqualified, did not include a reference to any matter to which the auditors drew attention by way of emphasis without qualifying their report, and did not contain a statement under section 498 of the Companies Act 2006.

2. Basis of preparation

a) Condensed consolidated half-year financial statements

These condensed consolidated half-year financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU. These condensed consolidated half-year financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the 2014 Annual Report.

b) Basis of accounting

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014. Adoption of amendments to published standards and interpretations effective for the Group for the half-year ended 30 June 2015 did not have any impact on the financial position and performance of the Group.

Comparative financial information has been represented for the half-year ended 30 June 2014 to reclassify acquisition related items from underlying profit. The effect on profit was to increase underlying operating profit by £0.2 million and increase acquisition related costs by £0.2 million. The effect on the cash flow statement was to increase the underlying operating profit by £0.2 million and decrease the acquisition related cost reconciling item by £0.2 million. The effect on EPS was to increase underlying earnings per share by 0.1 pence per share.

c) Estimates

The preparation of half-year financial statements requires management to make judgements, estimates and assumptions which affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated half-year financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those applied to the consolidated financial statements as at and for the year ended 31 December 2014.

d) Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate resources and financial headroom to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing the Condensed consolidated half-year financial statements. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business review on pages 2 to 7.

Notes to the Condensed consolidated financial statements continued

2. Basis of preparation (continued)

The Group had net debt of £25.4 million at 30 June 2015 (31 December 2014: £14.3 million). The Group had available £48.5 million of undrawn committed borrowing facilities and £54.4 million of undrawn uncommitted borrowing facilities, representing overdraft lines (£31.7 million) and the accordion facility (£22.7 million). Given the considerable financial resources available, together with long term partnerships with a number of key customers and suppliers across different geographic areas and industries, the Directors believe that the Group is well placed to manage its business risks successfully.

The Group continues to manage foreign currency risk at a transactional level through the use of hedges which are monitored by the Group Treasury Committee.

The Treasury Committee regularly reviews counterparty credit risk, and ensures cash balances are held with carefully assessed counterparties with strong credit ratings.

Pages 20 to 21 of the 2014 Annual Report provide details of the Group's policy on managing its operational and financial risks.

3. Segmental reporting

As part of the organisational change announced in November 2014, the Group is now organised into four 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:

- Transportation Sensing and Control – The Transportation Sensing and Control division develops both sensors and control solutions for automotive OEMs and tier one suppliers including powertrain providers for passenger cars and trucks. TT develops a wide range of products for multiple applications on a vehicle, from power controls, gear position and pedal sensors to fluid and emission sensors, with almost all of them focused on the safety and driver assistance features required by our customers;
- Industrial Sensing and Control – The Industrial Sensing and Control division addresses challenging sensing requirements in terms of precision, speed of response, reliability or the physical environment in which the products operate. Its position, pressure, temperature, flow and fluid quality sensors are used for critical applications in a range of end markets including industrial automation and process control, medical and aerospace sectors;
- Advanced Components – The Advanced Components division creates specialist, high performance, ultra-reliable, highly engineered electronic components for circuit protection, power management, signal conditioning and connectivity applications in harsh environments. It serves customers in the industrial, automotive, aerospace, defence and medical markets and focuses on creating value by developing innovative electronic solutions to challenging problems for our customers' electronic circuits or systems; and
- Integrated Manufacturing Services – The IMS division draws on its manufacturing 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 accounting policies of the reportable segments are the same as the Group's accounting policies and are as published in the 2014 Annual Report.

Notes to the Condensed consolidated financial statements continued

3. Segmental reporting (continued)

The key performance measure of the operating segments is underlying operating profit. The Group reports non-trading income or expenditure outside underlying operating 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. Segment underlying operating profit represents the profit earned by each segment after the 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 within the segment of which it is a part.

a) Income statement information – continuing operations

Six months ended 30 June 2015

£million	Transportation Sensing and Control	Industrial Sensing and Control	Advanced Components	Integrated Manufacturing Services	Total
Revenue from external customers	**107.5**	**33.8**	**49.8**	**72.5**	**263.6**
Segment operating profit before exceptional items	**(0.9)**	**6.4**	**3.4**	**1.5**	**10.4**
Adjustments to underlying operating profit (note 4)					**(2.8)**
Operating profit					**7.6**
Net finance costs					**(1.3)**
Profit before taxation					**6.3**

Six months ended 30 June 2014

£million	Transportation Sensing and Control	Industrial Sensing and Control	Advanced Components	Integrated Manufacturing Services	Total
Revenue from external customers	118.9	24.7	48.1	69.4	261.1
Segment operating profit before exceptional items	2.3	4.3	3.8	2.7	13.1
Adjustments to underlying operating profit (note 4)					(12.9)
Operating profit					0.2
Net finance costs					(0.6)
Loss before taxation					(0.4)

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

Year ended 31 December 2014

£million	Transportation Sensing and Control	Industrial Sensing and Control	Advanced Components	Integrated Manufacturing Services	Total
Revenue from external customers	230.5	58.8	98.8	136.2	524.3
Segment operating profit before exceptional items	1.4	12.8	9.5	5.5	29.2
Adjustments to underlying operating profit (note 4)					(33.5)
Operating profit					(4.3)
Net finance costs					(1.6)
Loss before taxation					(5.9)

There is no significant revenue between segments.

Notes to the Condensed consolidated financial statements continued

3. Segmental reporting (continued)

b) Analysis of revenue by destination – continuing operations

£million	**Six months ended 30 June 2015**	Six months ended 30 June 2014	Year ended 31 December 2014
United Kingdom	**42.4**	43.4	86.4
Rest of Europe	**119.1**	133.4	256.0
North America	**56.0**	45.6	101.0
Central and South America	**1.5**	1.8	3.4
Asia	**43.3**	35.4	74.5
Rest of the World	**1.3**	1.5	3.0
Total continuing operations	**263.6**	261.1	524.3

4. Underlying measures

£million	**Six months ended 30 June 2015**	Six months ended 30 June 2014*	Year ended 31 December 2014
Restructuring			
Operational Improvement Plan	**(1.6)**	(10.2)	(15.0)
Other restructuring costs	**(0.6)**	(2.5)	(4.8)
Charges associated with management changes	**–**	–	(2.4)
	(2.2)	(12.7)	(22.2)
Asset impairments			
Impairment charges associated with capitalised development costs	**-**	-	(8.4)
Other impairments	**-**	-	(1.0)
	-	-	(9.4)
Acquisition related costs			
Contingent consideration	**(0.2)**	-	(0.8)
Amortisation of intangible assets arising on business combinations	**(0.4)**	(0.2)	(0.7)
M&A costs (included aborted deals)	**-**	-	(0.4)
	(0.6)	(0.2)	(1.9)
Total	**(2.8)**	(12.9)	(33.5)

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

Restructuring costs £2.2 million (June 2014: £12.7 million; December 2014: £22.2 million)

In the six months ended 30 June 2015 total restructuring costs of £2.2 million were incurred, of which £1.6 million related to the Operational Improvement Plan and £0.6 million related to other restructuring costs.

In the prior period total restructuring costs of £12.7 million were incurred, including £10.2 million relating to the Operational Improvement Plan and £2.5m relating to other restructuring costs including UK site consolidation and costs related to the IMS Romania facility.

Notes to the Condensed consolidated financial statements continued

4. Underlying measures (continued)

In the 12 months ended 31 December 2014 total restructuring costs of £22.2 million were incurred, including £15 million relating to Operational Improvement Plan and £7.2 million relating to other restructuring costs including UK site consolidation, costs related to the IMS Romania facility and change of management structure.

Asset Impairments £nil (June 2014: £nil; December 2014 £9.4 million)
In the 12 months ended 31 December 2014 £9.4 million of costs were incurred for the impairment of assets, relating mainly to capitalised development expenditure. No such costs were incurred in the six months ended 30 June 2015 or six months ended 30 June 2014.

Acquisition costs £0.6 million (June 2014: £0.2 million; December 2014 £1.9 million)
In the six months ended 30 June 2015 acquisition costs amounted to £0.6 million which related principally to the amortisation of acquired intangible assets.

In the prior period acquisition costs of £0.2 million related to the amortisation of acquired intangible assets.

In the 12 months ended 31 December 2014 £1.9 million of acquisition related costs were incurred, including deferred acquisition consideration of £0.8 million, £0.7 million relating to amortisation of acquired intangible assets and M&A costs of £0.4 million.

5. Taxation

The half-year tax charge is based on a forecast effective tax rate of 26.9% on profit excluding restructuring, asset impairments and acquisition related costs.

The enacted UK tax rate applicable from 1 April 2015 is 20%. The UK Government have announced, but not enacted, legislation to reduce the UK tax rate to 19% from 1 April 2017 and 18% from 1 April 2020.

6. Earnings per share

Basic earnings/loss per share is calculated by dividing the profit/loss attributable to the owners of the Company by the weighted average number of shares in issue during the period. The weighted average number of shares in issue is 159.0 million (30 June 2014: 158.2 million, 31 December 2014: 158.3 million).

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

Pence	**Six months ended 30 June 2015**	Six months ended 30 June 2014	Year ended 31 December 2014
Basic earnings/(loss) per share	**2.6**	(2.1)	(6.6)
Diluted earnings/(loss) per share	**2.6**	(2.1)	(6.6)

Notes to the Condensed consolidated financial statements continued

6. Earnings per share (continued)

The numbers used in calculating underlying earnings per share are shown below:

£million	Six months ended 30 June 2015	Six months ended 30 June 2014*	Year ended 31 December 2014
Continuing operations			
Profit/(loss) for the period attributable to owners of the Company	**4.1**	(3.3)	(10.5)
Restructuring	**2.2**	12.7	22.2
Acquisition related costs	**0.6**	0.2	1.9
Asset impairments	**–**	–	9.4
Tax effect of above items	**(0.2)**	(0.1)	(2.5)
Underlying earnings	**6.7**	9.5	20.5
Underlying earnings per share (pence)	**4.2**	6.0	12.9

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

7. Dividends

	Pence per share	Six months ended 30 June 2015 £million	Pence per share	Year ended 31 December 2014 £million
Final dividend for prior year	**3.8**	**6.0**	3.8	6.0
Interim dividend for current year	**–**	**–**	1.7	2.7
	3.8	**6.0**	5.5	8.7

The Directors have declared an interim dividend of 1.7 pence per share which will be paid on 29 October 2015 to shareholders on the register on 16 October 2015. Shares will become ex-dividend on 15 October 2015. The Group has a progressive dividend policy.

Notes to the Condensed consolidated financial statements continued

8. Retirement benefit schemes

The Group operates one significant defined benefit scheme in the UK and an overseas defined benefit scheme in the USA. These schemes are closed to new members and the UK scheme is closed to future accrual.

The amounts recognised in the Condensed consolidated balance sheet are:

£million	**Six months ended 30 June 2015**	Six months ended 30 June 2014	Year ended 31 December 2014
Fair value of assets	**451.1**	397.1	464.9
Present value of funded obligation	**(467.9)**	(412.9)	(477.3)
Net liability recognised in the balance sheet	**(16.8)**	(15.8)	(12.4)

The costs recognised in the Condensed consolidated income statement are:

£million	**Six months ended 30 June 2015**	Six months ended 30 June 2014	Year ended 31 December 2014
Scheme administration costs	**0.3**	0.3	0.7
Net interest on employee obligations	**0.2**	0.4	0.8

The triennial valuation of the UK scheme as at April 2013 showed a deficit of £19.1 million 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. £2.1 million was paid in the half-year. 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.

Notes to the Condensed consolidated financial statements continued

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

£million	Net cash	Borrowings and finance leases	Net (debt)/funds
At 1 January 2014	54.5	(27.6)	26.9
Cash flow	(25.9)	(16.0)	(41.9)
Non-cash items	–	(0.1)	(0.1)
Exchange differences	(0.7)	0.9	0.2
At 1 July 2014	27.9	(42.8)	(14.9)
Cash flow	10.6	(8.9)	1.7
Non-cash items	–	(0.1)	(0.1)
Exchange differences	0.9	(1.9)	(1.0)
At 1 January 2015	39.4	(53.7)	(14.3)
Cash flow	(3.1)	(7.9)	(11.0)
Non-cash items	–	–	–
Exchange differences	(1.4)	1.3	(0.1)
Balance at 30 June 2015	**34.9**	**(60.3)**	**(25.4)**

Net cash includes overdraft balances of £nil (30 June 2014: £nil, 31 December 2014: £nil).

10. Share capital

During the period the Company issued 59,391 ordinary shares as a result of share options being exercised under the Sharesave scheme and Share Purchase plans. The aggregate consideration received was £0.1 million, which was represented by a £0.1 million increase in share premium.

11. 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 during the six months ended 30 June 2015 that have affected the financial position or performance of the Group.

12. Principal risks and uncertainties

As described on pages 20 to 21 of the 2014 Annual Report, 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. The Directors do not believe that the risks faced by the Group have changed significantly during the first six months of 2015, and these relate to the following areas:

Product development; margin erosion; Operational Improvement Plan; health and safety; people and capability; supplier resilience and continuity; product quality, product liability and contractual risk; legal and regulatory compliance.