2018 Interim Results, 8 August 2018

TT Electronics plc

Results for the half-year ended 30 June 2018

For further information, please contact:

TT Electronics
Richard Tyson, Chief Executive Officer
Mark Hoad, Chief Financial Officer
Emma Darke, Head of Investor Relations and Communications Tel: +44 (0)1932 825 300

MHP Communications
Tim Rowntree / Katie Hunt / Nessyah Hart Tel: +44 (0)20 3128 8100

An analyst presentation will be held today at 08:00 at Numis, 10 Paternoster Square, London EC4M 7LT. A replay of the webcast will be available on the investor relations section of our website later today at www.ttelectronics.com.

Interim Results for the half-year ended 30 June 2018

Strong organic performance, enhanced by acquisitions

£ million unless otherwise stated	Underlying[1]				Statutory	
	H1 2018	H1 2017	Change	Change constant fx[2]	**H1 2018**	H1 2017
Revenue	**194.2**	180.5	8%	12%	**194.2**	180.5
Operating profit	**14.6**	10.9	34%	45%	**7.7**	6.8
Operating profit margin	**7.5%**	6.0%	150bps	170bps	**4.0%**	3.8%
Profit before taxation	**14.0**	9.5	47%	61%	**7.1**	5.4
Earnings per share (pence)	**6.9p**	4.6p	50%	60%	**4.4p**	2.4p
Return on invested capital [3,4]	**11.2%**	10.6%				
Cash conversion[5]	**105%**	128%				
Free cash flow[6]					**4.1**	6.8
Net (debt) / funds (2017: year-end)					**(41.2)**	47.0
Dividend per share (pence)					**1.95p**	1.75p

1. Excluding the effect of restructuring and acquisition and disposal related items
2. Change at constant currency calculated by comparing current year actual results to the prior year results retranslated at current year actual exchange rates
3. Rolling 12 month underlying operating profit return on average invested capital
4. Return on invested capital for full year 2017
5. Underlying operating cash flow (underlying EBITDA less net capital expenditure, capitalised development expenditure, working capital and non-cash movements) divided by underlying operating profit
6. Net cash flow from operating activities less net cash flow from investing activities less interest paid
The non-IFRS financial measures reported in this announcement are explained in note 6.

Financial Headlines

- 12% revenue growth; up 3% organically and 5% on a like-for-like basis; continued order intake momentum
- Underlying operating profit up 45% at constant currency; circa two-thirds from the base business, driving improvement in return on invested capital
- Underlying operating margins increased by 170 basis points at constant currency to 7.5%
- Excellent underlying cash conversion at 105%
- Dividend up 11% to 1.95p

Strategic Progress

- Continued strong business performance; growth from R&D efforts and focus on key customers
- Operational excellence and efficiency activity supporting sales growth and margin improvement
- Strong balance sheet gives flexibility to invest further in growth
- Stadium Group plc and Precision Inc. acquisitions completed in period and contributing well; integration on track and highlighting new opportunities from the business combination

Richard Tyson, Chief Executive Officer, said:

"TT has performed strongly in the first half. We have delivered good revenue growth and significant margin improvement reflecting operational leverage, better efficiency and the benefit of value-added acquisitions. Our strong business performance has been delivered alongside continued investment in the business to support future growth. The integration of Stadium and Precision is progressing well and is highlighting new opportunities.

Our strategy to position ourselves in structural growth markets benefitting from increasing electrification is resulting in a much stronger business with higher growth and higher margins. Our recent acquisitions have added more design-led product solutions, whilst providing a new growth dimension focused on connected devices and the Internet of Things. We continue to look for further opportunities to add to our portfolio. Our first half performance and order momentum give us confidence of progress for the full year ahead of our prior expectations."

H1 2018 OVERVIEW

The first half performance of the Group has been very strong, with the benefit of revenue growth and operational efficiencies driving significant margin progression. We are delighted with how our employees have embraced the level of change within the Group while delivering this financial performance.

Revenue grew by 12 per cent at constant currency and 3 per cent organically, against a strong comparator. Excluding last year's high margin one off sales in Power and Connectivity (previously named Power Electronics), revenue growth was 5% on a like-for-like basis with Sensors and Specialist Components and Global Manufacturing Solutions growing by 7 per cent and 6 per cent organically respectively. Foreign exchange had a £6.4 million adverse impact. Group revenue of £194.2 million (H1 2017: £180.5 million) included the contribution from the acquisitions of Stadium Group plc ("Stadium") (acquired in April 2018) and Precision Inc. ("Precision") (acquired in June 2018) which totalled £14.6 million. Growth was driven by new sales wins and strong market demand.

Underlying operating profit increased by 45 per cent to £14.6 million (H1 2017: £10.9 million), excluding the impact of foreign exchange, with the improvement largely driven by operational leverage and better efficiency. £3.1 million of improvement was from the base business, driving a 60 basis point increase in return on invested capital to 11.2 per cent (FY 2017: 10.6 per cent). Underlying operating profit from acquisitions made in the period was £1.4 million.

The underlying operating profit margin was 7.5 per cent, up 150 basis points as reported and 170 basis points at constant currency (H1 2017: 6.0 per cent). The strong margin progression has been achieved whilst making additional investment in the business to build capacity for future growth and expand our capabilities. This investment includes training and capability expansion in strategic sales and business development to support the selling required for product solutions and £0.6 million in Power and Connectivity to support capacity increases, as indicated at the time of the Trading Update in May.

Cash performance was excellent, with cash conversion of 105 per cent (H1 2017: 128 per cent). The Group's free cash inflow totalled £4.1 million (H1 2017: inflow £6.8 million). Net debt was £41.2 million at 30 June 2018 (31 December 2017: net funds £47.0 million). The net debt position reflects the acquisition of Stadium and Precision for a total of £76.9 million.

STRATEGIC PROGRESS

We are making good progress with our strategic priorities to drive sales growth and margin improvement.

Strategic business development

We are changing our approach to business development to reflect the increasingly design-led focus of the business which requires us to develop more strategic relationships with our customers. We are providing our sales force with new tools and developing their skills through training to improve our success in selling engineered product solutions and higher-value component capabilities. The team is focused on nurturing existing key accounts, driving new sales opportunities across target customers and markets, and developing new strategic relationships with key customers.

We have focused our sales efforts on customers in markets where we see good demand for our technical expertise and product solutions as a result of the proliferation of electronics. This has resulted in winning new customers and expanding what we do with a series of other customers across all market verticals.

R&D and Value-added product solutions

2018 will see the highest run rate of new product introduction the group has seen, running at three times that of 2015. Given the momentum in the business and the level of opportunities, we have continued to support increasing the R&D cash investment in the business to support future growth, up 23 per cent from H1 2017. As we increasingly focus on design-led product solutions while working as strategic partners with our customers, we believe moving further up the value chain becomes more important. During the period, we established a new product introduction and prototyping capability in Barnstaple to support faster and more efficient development of electromagnetic products. We have also evaluated potential avenues to extend our power electronics capability. In the second half we will be adding to our engineering teams and establishing an Advanced Technology Centre (ATC) for power electronics solutions focused on the aerospace and defence market.

Operational excellence

We continue our focus on operational improvement to enhance performance for our customers and drive margin improvement. During the period, we trained a new cohort of master lean practitioners using our own experts. These new practitioners have been deployed around the business to drive improvement, focusing on sites where we have the most opportunity to improve our operational efficiency. This has positively impacted the financial performance in a number of sites as well as driving better quality, shorter lead times and improved on-time delivery for our customers. We continue to believe there is more opportunity to drive operational efficiency and support margin improvement.

Value-enhancing acquisitions

During the period, we completed the acquisition of Stadium (April 2018) and acquired Precision (June 2018), which together in the period contributed revenue of £14.6 million and underlying operating profit of £1.4 million representing a 9.6 per cent underlying operating profit margin. Cletronics added £0.2 million of inorganic revenue growth in the period.

Stadium is a leading provider of design-led connectivity solutions across industrial, transportation, medical and aerospace and defence markets. The integration is progressing well, with expected cost synergies to date being realised. Costs addressed include the removal of duplicate “plc costs” and some initial procurement savings have been identified by applying our best practice approach to purchasing, including across freight and printed circuit board assemblies. The integration has also highlighted new opportunities emerging from our extended capabilities. To address these opportunities, we are adding additional investment in engineering focused on connected devices and the Internet of Things. We are hiring additional engineering resource in our Advanced Technology Centre in Kista, Sweden and Shenzhen, China. Our net cost synergy expectations remain unchanged, but our evaluation of their product capabilities combined with our market presence and scale points to future potential revenue upside.

Previously Stadium split its revenues between Technology Products and Electronic Assemblies. The Technology Products businesses are being integrated into the newly named Power and Connectivity division (previously named Power Electronics), whilst Electronic Assemblies is being integrated into the Global Manufacturing Solutions division.

In June 2018, we acquired Precision, an industry-leading designer and manufacturer of precision electromagnetic product solutions for critical applications, primarily in medical markets. The acquisition extends our capabilities by adding new design, simulation and manufacturing capabilities including ultra-fine wire winding. Precision provides an enhanced presence for us in the US, with close proximity to a hub of medical customers in Minneapolis. As announced at the time of the acquisition, Precision is being integrated into the Power and Connectivity division.

DIVISIONAL REVIEWS

SENSORS AND SPECIALIST COMPONENTS (37% of Group revenue)

The Sensors and Specialist Components division works with customers to develop standard and customised solutions including sensors and power management devices. Our solutions improve the precision, speed and reliability of critical aspects of our customers' applications.

	H1 2018	H1 2017	Change	Change constant fx
Revenue	**£71.3m**	£71.0m	0%	7%
Underlying operating profit	**£9.9m**	£8.6m	15%	24%
Underlying operating profit margin	**13.9%**	12.1%	180bps	190ps

Revenue in the first half was £71.3 million (H1 2017: £71.0 million), up 7 per cent organically. We have seen strong market demand continuing across the division. Overall, we have benefited from our strategy to position the business in areas with good market demand and having combined the sales force and launched a key account management approach, sales to our strategic distributors increased by 22 per cent.

Underlying operating profit for the period improved to £9.9 million (H1 2017: £8.6 million), up 24 per cent at constant currency. Underlying operating margins improved by 190 basis points at constant currency to 13.9 per cent (H1 2017: 12.1 per cent). The margin improvement has been driven by drop through on increased volumes, operational efficiency, and improved product mix.

In our Bedlington, UK facility we have continued to make capacity improvements which have enabled us to deliver a record output to support market demand. In the US, we have been increasing output to meet new demand for a high-reliability signal conditioning platform of products, which precisely measure signals in electronic circuits. This platform of products is now in its ramp up phase and has contributed to growth in the first half.

We continue to see good growth in our automotive power inductors product line, driven by the technological advancements for electric and hybrid electric vehicles, and the team won a new European customer in the period. In the medical market the increasing demand for portable medical devices is resulting in increased demand for our solutions. Customer wins have included two medical equipment manufacturers for applications in portable medical monitors.

We launched 3 new sensing and power management products from our new product and testing cell in Bedlington including a smaller sized power management component, able to withstand high current surges in an electronic circuit. The power management component can be used in applications across aerospace, military, communications, medical and industrial markets where the proliferation of electronics requires more advanced and reliable circuitry components.

POWER AND CONNECTIVITY (20% of Group revenue)

The Power and Connectivity division designs and manufactures power application products and connectivity devices which enable the capture and wireless transfer of data. We collaborate with our customers to develop innovative solutions to optimise their electronic systems.

	H1 2018	H1 2017	Change	Change constant fx
Revenue	**£38.7m**	£33.2m	17%	18%
Underlying operating profit	**£2.5m**	£3.4m	(26)%	(22)%
Underlying operating profit margin	**6.5%**	10.2%	(370)bps	(330)bps

Revenue for the first half was £38.7 million (H1 2017: £33.2 million), an increase of 18 per cent at constant currency, driven by the acquisitions of Stadium (April 2018) and Precision (June 2018). The 12 per cent organic revenue decline relates largely to the absence of the high margin one-off sales relating to the last time buy activity from a site closure in the US. Acquisitions contributed £9.9 million of revenue.

Underlying operating profit was £2.5 million (H1 2017: £3.4 million), down 22 per cent at constant currency. Profitability was adversely affected by the absence of last year's high margin one-off sales and £0.6 million of additional one-off investment to meet customer schedules and build capacity to support anticipated future growth. There was a 330 basis point impact to operating margin as expected and indicated at the time of the Trading Update in May. The profit contribution from acquisitions was £1.1 million.

The 'more electric aircraft' continues to drive a pipeline of demand for our solutions. Projects we have been working on with our customers include a development contract with a strategic partner for a fuel reduction initiative in aircraft, aligned with government initiatives around cleaner air targets; volume ramp-up of products linked to the A350 aircraft platform; and the extension of our capabilities into service support for engine test requirements. Growth in these areas is offsetting the expected reduction in revenue related to the 777 and A380 platforms.

To support current demand patterns and to provide capacity for future growth, we are transferring a number of product lines from Barnstaple, UK, to Kuantan, Malaysia, a Sensors and Specialist Components site, where we have established an aerospace capability. We have also established a new product introduction and prototype laboratory in Barnstaple to service the pipeline of new business opportunities. During the period we won a supplier award from a global engine manufacturer for our work on hybrid microsystems in Bedlington.

Stadium's Technology Products business forms TT's new connectivity offering and has been incorporated into this division. Our connectivity offering allows systems and applications to communicate with one another and transmit data wirelessly. Our solutions give us access to the fast growing Internet of Things (IoT) market. Our solutions include connectivity, low-power power supplies and human machine interface products. The business is performing in line with our expectations. Our evaluation of their product capabilities combined with our market presence and scale points to future potential revenue upside. As a result we are increasing investment to support the development of these opportunities and a range of new platform products.

GLOBAL MANUFACTURING SOLUTIONS (43% of Group revenue)

The Global Manufacturing Solutions division provides manufacturing services and engineering solutions for our product divisions and to customers that often require a lower volume and higher mix of different products. We produce printed circuit board assemblies through to full electronic products to our customers' designs coupled with engineering testing and integration services.

	H1 2018	H1 2017	Change	Change constant fx
Revenue	**£84.2m**	£76.3m	10%	13%
Underlying operating profit	**£5.9m**	£2.5m	136%	136%
Underlying operating profit margin	**7.0%**	3.3%	370bps	360bps

Revenue for the first half was £84.2 million (H1 2017: £76.3 million), up 13 per cent at constant currency, and up 6 per cent organically. Revenue from Stadium was £4.9 million. Organically, revenue growth was driven by demand in Asia and North America, primarily driven by medical customers.

Underlying operating profit for the period was £5.9 million (H1 2017: £2.5 million), up 136 per cent at constant currency, and up 124 per cent organically. Underlying operating profit from acquisitions was £0.3 million. Underlying operating margins were 7.0 per cent, up 360 basis points at constant currency compared to the previous year (H1 2017: 3.3 per cent), now around the top of the benchmark range. Margin improvement has been particularly strong in China where we have been adding more engineering services, extending our competencies from our manufacturing capabilities.

This was an exceptionally good performance, with the improvement in profitability largely a result of operational leverage on the revenue growth and efficiencies which have driven improvement in the European business. The improvement was also supported by short term favourable purchase price variances and transactional foreign exchange gains of £0.5 million which are not expected to recur in the second half.

The demand for technological advancements in the medical market, particularly in developing regions such as Asia, is driving demand for our solutions. During the period we won a contract with a new medical customer for printed circuit board assembly (PCBA) for a new digital mammography device for breast diagnostics and screening.

In the industrial market, we won contracts with two new customers including a contract with a new Japanese customer to develop PCBAs for lumiscopes. In addition, we have won a contract with a US based technology company for PCBAs for industrial radio remote controls.

We were successful during the period in winning a PCBA contract with an aerospace and defence customer that has been a longstanding customer in our Power and Connectivity division following our global business development focus on a small number of key customer accounts. The PCBAs will be used in navigation applications including in GPS systems.

We continue with our focus on operational improvement as part of our customer excellence programme and to drive margin improvement. During the period, we closed the facility in Romania, moving product lines to Rogerstone, UK, and Suzhou, China. Our European operations have been improving and during the period we won a new customer with a European marine company.

OTHER FINANCIAL INFORMATION

Corporate costs were £3.7 million (H1 2017: £3.6 million).

The net interest expense of £0.6 million decreased by £0.8 million (H1 2017: £1.4 million) reflecting the Group's net cash position through the first quarter of the year. Underlying profit before tax improved by 47 per cent to £14.0 million (H1 2017: £9.5 million) representing a 61 per cent increase on a constant currency basis.

The tax charge in the period totalled nil (H1 2017: £1.5 million) comprising an underlying tax charge of £2.8 million and a credit on items excluded from underlying profit of £2.8 million. The underlying effective tax rate for the continuing group was 19.8 per cent (H1 2017: 21.1 per cent; Full Year 2017: 20.0 per cent). Basic underlying earnings per share increased by 50 per cent to 6.9 pence (H1 2017: 4.6 pence), and by 60 per cent at constant currency.

Profit from continuing operations increased to £7.1 million (H1 2017: £3.9 million) after a charge for items excluded from underlying profit† of £6.9 million (H1 2017: £4.1 million). Restructuring and other costs were a credit of £1.8 million (H1 2017: charge £0.1m) and included a £3.6 million profit on disposal of a surplus property. Acquisition and disposal costs of £8.7 million (H1 2017: £4.0 million) related to the acquisitions of Stadium and Precision and £4.0 million of non-cash items. The cash costs relating to these items totalled £4.7 million (H1 2017: £4.1 million). Profit from discontinued operations was £nil (H1 2017: £4.4 million).

Cash performance was excellent, with cash conversion of 105 per cent (H1 2017: 128 per cent), and the combination of profit growth combined with high levels of cash conversion resulted in a 60 basis point improvement in return on invested capital to 11.2 per cent (FY 2017: 10.6 per cent). There was a £0.5 million working capital outflow (H1 2017: £2.0 million inflow) with active working capital management mitigating the impacts of revenue growth and the need to hold more inventory in the light of on-going component shortages. Net capital expenditure and development expenditure totalled £6.7 million, equivalent to 1.0 times depreciation and amortisation, with increased spend in product development across both product related divisions.

Net debt at the end of the period was £41.2 million (2017 year-end: net funds £47.0 million). Net debt to underlying EBITDA at the end of the first half was 1.0 times as reported, and 0.8 times including a pro-forma adjustment for the full year effect of EBITDA from acquisitions (2017 year-end: £nil, H1 2017: 0.9 times).

The net accounting surplus under the Group's defined benefit pension schemes increased to £19.8 million (2017 year-end: surplus £11.9 million). The improvement in the position of the schemes was due to changes in financial assumptions reducing the scheme liability, deficit contributions of £2.4 million made to the UK scheme in the first half, together with the impact of consolidating the Stadium Group pension schemes, which included a deficit contribution of £0.1 million. The Stadium Group pension schemes had a deficit of £3.7 million.

† See note 6 to the condensed consolidated financial statements for an explanation of alternative performance measures and why management believe they provide investors with a means of evaluating results on a consistent basis.

DIVIDEND

In light of the strong performance in the first half and the Board's confidence in the future prospects for the business, the Board has declared an interim dividend of 1.95 pence per share, an increase of 11 per cent. Payment of the dividend will be made on 18 October 2018 to shareholders on the register on 5 October 2018.

OUTLOOK

TT has performed strongly in the first half. We have delivered good revenue growth and significant margin improvement reflecting operational leverage, better efficiency and the benefit of value-added acquisitions. Our strong business performance has been delivered alongside continued investment in the business to support future growth. The integration of Stadium and Precision is progressing well and is highlighting new opportunities.

Our strategy to position ourselves in structural growth markets benefitting from increasing electrification is resulting in a much stronger business with higher growth and higher margins. Our recent acquisitions have added more design-led product solutions, whilst providing a new growth dimension focused on connected devices and the Internet of Things. We continue to look for further opportunities to add to our portfolio. Our first half performance and order momentum give us confidence of progress for the full year ahead of our prior expectations.

Interim Results for the half-year ended 30 June 2018

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 12 months from the date of these interim results. 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 2017 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
7 August 2018	7 August 2018

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

Conclusion

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 2018 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and the related explanatory notes.

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 2018 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

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. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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.

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 International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 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.

The purpose of our review work and to whom we owe our responsibilities

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 DTR of 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.

Mike Barradell
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
7 August 2018

Condensed consolidated income statement (unaudited)

for the six months ended 30 June 2018

£million (unless otherwise stated)	Note	Six months ended 30 June 2018	Six months ended 30 June 2017[1]	Year ended 31 December 2017[1]
Revenue	3	**194.2**	180.5	361.1
Cost of sales		**(145.9)**	(134.3)	(268.3)
Gross profit		**48.3**	46.2	92.8
Distribution costs		**(12.5)**	(11.8)	(22.7)
Administrative expenses		**(28.2)**	(28.1)	(50.8)
Other operating income		**0.1**	0.5	0.7
Operating profit		**7.7**	6.8	20.0
Analysed as:				
Underlying operating profit	3	**14.6**	10.9	24.3
Restructuring and other	6	**1.8**	(0.1)	(1.6)
Acquisition and disposal related costs	6	**(8.7)**	(4.0)	(2.7)
Finance income		**0.3**	-	0.1
Finance costs		**(0.9)**	(1.4)	(2.4)
Profit before taxation		**7.1**	5.4	17.7
Taxation	7	**-**	(1.5)	(2.0)
Profit from continuing operations		**7.1**	3.9	15.7
Discontinued operations				
Profit from discontinued operations		**-**	4.4	32.0
Profit for the period attributable to the owners of the Company		**7.1**	8.3	47.7
EPS attributable to owners of the Company (p)				
Basic				
From continuing operations	8	**4.4**	2.4	9.7
From discontinued operations	8	**-**	2.7	19.8
		4.4	5.1	29.5
Diluted				
From continuing operations	8	**4.3**	2.4	9.5
From discontinued operations	8	**-**	2.7	19.3
		4.3	5.1	28.8

[1] *Restated for IFRS 15*

Condensed consolidated statement of comprehensive income (unaudited)

for the six months ended 30 June 2018

£million	**Six months ended 30 June 2018**	Six months ended 30 June 2017	Year ended 31 December 2017
Profit for the period	**7.1**	8.3	47.7
Other comprehensive income/(loss) for the period after tax			
Items that are or may be reclassified subsequently to the income statement:			
Exchange differences on translation of foreign operations	**3.0**	(4.3)	(9.3)
Gain on hedge of net investment in foreign operations	**0.6**	0.1	1.5
(Loss)/gain on cash flow hedges taken to equity less amounts taken to income statement	**(1.7)**	2.4	2.1
Foreign exchange gain on disposals taken to income statement	**-**	-	(5.1)
Items that will never be reclassified to the income statement:			
Remeasurement of defined benefit pension schemes	**9.9**	-	10.3
Remeasurement of other post-employment benefits	**-**	-	0.1
Tax on remeasurement of defined benefit pension schemes	**(1.7)**	-	(2.2)
Total comprehensive income for the period	**17.2**	6.5	45.1

Total comprehensive income for the six months ended 30 June 2018 is entirely attributable to the owners of the Company.

Condensed statement of financial position (unaudited)

at 30 June 2018

£million	Note	30 June 2018	30 June 2017[1]	31 December 2017[1]
ASSETS				
Non-current assets				
Property, plant and equipment		**47.6**	44.0	41.8
Goodwill		**123.1**	102.8	100.3
Other intangible assets		**73.9**	31.6	27.3
Deferred tax assets		**3.7**	5.2	5.6
Pensions	10	**26.9**	0.9	15.1
Total non-current assets		**275.2**	184.5	190.1
Current assets				
Inventories		**87.8**	60.8	61.8
Trade and other receivables		**76.2**	58.1	66.0
Income taxes receivable		**1.4**	-	1.3
Derivative financial instruments		**0.4**	1.7	1.6
Cash and cash equivalents		**38.9**	48.6	46.5
Assets held for sale	5	**-**	141.4	-
Total current assets		**204.7**	310.6	177.2
Total assets		**479.9**	495.1	367.3
LIABILITIES				
Current liabilities				
Borrowings		**0.4**	0.2	0.3
Derivative financial instruments		**1.1**	0.5	0.6
Trade and other payables		**92.0**	71.3	67.0
Income taxes payable		**12.8**	6.9	19.0
Provisions		**5.6**	6.2	7.3
Total current liabilities		**111.9**	85.1	94.2
Non-current liabilities				
Borrowings		**79.7**	113.9	0.3
Deferred tax liability		**9.0**	6.4	2.0
Pensions	10	**7.1**	3.2	3.2
Other non-current liabilities		**0.1**	0.1	0.1
Total non-current liabilities		**95.9**	123.6	5.6
Liabilities held for sale	5	**-**	51.7	-
Total liabilities		**207.8**	260.4	99.8
Net assets		**272.1**	234.7	267.5
EQUITY				
Share capital		**40.8**	40.6	40.7
Share premium		**3.0**	2.3	2.9
Other reserves		**2.2**	11.8	8.4
Hedging and translation reserve		**35.4**	42.5	33.5
Retained earnings		**188.7**	135.5	180.0
Equity attributable to owners of the Company		**270.1**	232.7	265.5
Non-controlling interests		**2.0**	2.0	2.0
Total equity		**272.1**	234.7	267.5

[1] *Restated for IFRS 15*

Approved by the Board of Directors on 7 August 2018 and signed on their behalf by:

Richard Tyson	**Mark Hoad**
Director	Director

Condensed consolidated statement of changes in equity (unaudited)

for the six months ended 30 June 2018

£million	Share capital	Share premium	Hedging and translation reserve	Other reserves	Retained earnings [1]	Sub-total [1]	Non-controlling interest	Total [1]
At 1 January 2018	**40.7**	**2.9**	**33.5**	**8.4**	**180.0**	**265.5**	**2.0**	**267.5**
Profit for the period	-	-	-	-	**7.1**	**7.1**	-	**7.1**
Other comprehensive income								
Exchange differences on translation of foreign operations	-	-	**3.0**	-	-	**3.0**	-	**3.0**
Gain on hedge of net investment in foreign operations	-	-	**0.6**	-	-	**0.6**	-	**0.6**
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	-	-	-	-	**9.9**	**9.9**	-	**9.9**
Tax on remeasurement of defined benefit pension schemes	-	-	-	-	**(1.7)**	**(1.7)**	-	**(1.7)**
Total other comprehensive income	-	-	**1.9**	-	**8.2**	**10.1**	-	**10.1**
Transactions with owners recorded directly in equity								
Equity dividends paid by the Company	-	-	-	-	**(6.6)**	**(6.6)**	-	**(6.6)**
Share-based payments	-	-	-	**(5.4)**	-	**(5.4)**	-	**(5.4)**
Deferred tax on share-based payments	-	-	-	**(0.8)**	-	**(0.8)**	-	**(0.8)**
New shares issued	**0.1**	**0.1**	-	-	-	**0.2**	-	**0.2**
At 30 June 2018	**40.8**	**3.0**	**35.4**	**2.2**	**188.7**	**270.1**	**2.0**	**272.1**
At 1 January 2017	40.6	2.1	44.3	9.6	133.5	230.1	2.0	232.1
Profit for the period	-	-	-	-	8.3	8.3	-	8.3
Other comprehensive income								
Exchange differences on translation of foreign operations	-	-	(4.3)	-	-	(4.3)	-	(4.3)
Gain on hedge of net investment in foreign operations	-	-	0.1	-	-	0.1	-	0.1
Gain on cash flow hedges taken to equity less amounts taken to income statement	-	-	2.4	-	-	2.4	-	2.4
Total other comprehensive income	-	-	(1.8)	-	-	(1.8)	-	(1.8)
Transactions with owners recorded directly in equity:								
Equity dividends paid by the Company	-	-	-	–	(6.3)	(6.3)	-	(6.3)
Share-based payments	-	-	-	1.8	-	1.8	-	1.8
Deferred tax on share-based payments	-	-	-	0.4	-	0.4	-	0.4
New shares issued	-	0.2	-	-	-	0.2	-	0.2
At 30 June 2017	**40.6**	**2.3**	**42.5**	**11.8**	**135.5**	**232.7**	**2.0**	**234.7**

[1] *Restated for IFRS 15*

Condensed consolidated cash flow statement (unaudited)

for the six months ended 30 June 2018

£million (unless otherwise stated)	Note	**Six months ended 30 June 2018**	Six months ended 30 June 2017[1]	Year ended 31 December 2017
Cash flows from operating activities				
Profit for the period		**7.1**	8.3	47.7
Taxation		**-**	1.5	2.0
Net finance costs		**0.6**	1.4	2.3
Restructuring and other		**(1.8)**	0.1	1.6
Acquisition and disposal related costs		**8.7**	4.0	2.7
Profit from discontinued operations		**-**	(4.4)	(32.0)
Underlying operating profit		**14.6**	10.9	24.3
Adjustments for:				
Depreciation of property, plant and equipment		**4.5**	4.5	9.0
Amortisation of intangible assets		**1.9**	2.1	3.8
Other items		**1.5**	1.3	3.4
Increase in inventories		**(9.1)**	(5.0)	(7.4)
Decrease/(increase) in receivables		**3.6**	(0.6)	3.0
Increase in payables		**5.0**	7.6	2.5
Underlying operating cash flow		**22.0**	20.8	38.6
Operating cash flow from discontinued operations		**-**	9.0	5.9
Special payments to pension funds		**(2.5)**	(2.3)	(4.7)
Restructuring, acquisition and disposal related costs		**(4.7)**	(4.1)	(4.9)
Net cash generated from operations		**14.8**	23.4	34.9
Net income taxes paid		**(3.5)**	(3.3)	(5.6)
Net cash flow from operating activities		**11.3**	20.1	29.3
Cash flows from investing activities				
Interest received		**0.1**	-	0.1
Purchase of property, plant and equipment		**(4.5)**	(5.9)	(11.4)
Proceeds from sale of property, plant and equipment and grants received		**0.1**	1.0	1.6
Development expenditure		**(1.6)**	(0.8)	(1.6)
Purchase of other intangibles		**(0.7)**	(1.3)	(2.1)
Investing cash flow from discontinued operations		**-**	(5.1)	(9.2)
Acquisitions of businesses		**(63.4)**	(1.2)	(1.2)
Dividends paid by subsidiary to former shareholders		**(0.8)**	-	-
Cash with acquired businesses		**(3.2)**	-	-
Disposal of subsidiaries		**-**	-	116.1
Tax arising on disposal of subsidiaries		**(2.9)**		
Deferred consideration received		**1.8**	-	-
Cash with disposed businesses		**-**	-	(2.4)
Net cash flow from investing activities		**(75.1)**	(13.3)	89.9
Cash flows from financing activities				
Issue of share capital		**0.2**	0.2	0.9
Interest paid		**(0.6)**	(1.2)	(2.0)
Repayment of borrowings		**(9.8)**	-	(119.1)
Proceeds from borrowings		**80.0**	10.9	13.9
Other items		**(6.9)**	-	(6.3)
Finance leases		**(0.1)**	(0.1)	(0.3)
Dividends paid by the Company		**(6.6)**	(6.3)	(9.1)
Net cash flow from financing activities		**56.2**	3.5	(122.0)
Net (decrease)/increase in cash and cash equivalents		**(7.6)**	10.3	(2.8)
Cash and cash equivalents at beginning of year	11	**46.5**	49.8	49.8
Cash transferred to assets held for sale	11	**-**	(11.1)	-
Exchange differences	11	**-**	(0.4)	(0.5)
Cash and cash equivalents at the end of period		**38.9**	48.6	46.5

[1] *Re-presented to show investing cash flow from discontinued operations separately*

Notes to the Condensed consolidated financial statements (unaudited)

1. General information

The Condensed consolidated financial statements for the six months ended 30 June 2018 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 2017 are based on the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditor 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 2017 Annual Report.

b) Basis of accounting

Other than as described below 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 2017.

The Group has implemented IFRS 15 Revenue from Contracts with Customers in the half-year ended 30 June 2018. The core principle of IFRS 15 is that an entity recognises revenue in accordance with principles set out in a five step model to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Implementation of the standard had the following impact on the income statement and balance sheet:

The effect of adopting IFRS 15 on the Group for the year ended 31 December 2017 is to increase continuing revenue by £1.1 million, with a corresponding increase to cost of sales. Similarly discontinued revenue has increased by £4.4 million, cost of sales has increased by £4.0m and administrative expenses increased by £0.4m. Inventory has increased by £2.7 million and other payables have increased by £4.0 million. Group net assets would decrease by £1.3 million.

The effect of adopting IFRS 15 on the Group for the half-year ended 30 June 2017 is to increase continuing revenue by £0.5 million, with a corresponding increase to cost of sales. Similarly discontinued revenue has increased by £3.7 million, cost of sales has increased by £3.6m and administrative expenses increased by £0.1m. Inventory has increased by £2.7 million and other payables have increased by £4.0 million. Group net assets have decreased by £1.3 million.

The Group also adopted IFRS 9 Financial Instruments in the half year ended 30 June 2018. Adoption of the new standard did not have a material impact on the Group. The Group continues to assess the impact of IFRS 16 Leases which will be effective for periods beginning 1 January 2019.

Estimates

The preparation of half-year condensed consolidated 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 2017. These relate to the determination of items of income and expense excluded from operating profit to arrive at underlying operating profit, taxation, property plant and equipment, impairment of goodwill, other intangible assets, provisions and defined benefit pension obligations.

c) 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 at least twelve months from the date of signing these interim results. 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 above and in note 14.

The Group had net debt of £41.2 million at 30 June 2018 (31 December 2017: £47.0 million net funds). The Group had available £74.3 million of undrawn committed borrowing facilities and £39.2 million of undrawn uncommitted borrowing facilities, representing overdraft lines (£9.2 million) and the accordion facility (£30.0 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 26 to 29 of the 2017 Annual Report provide details of the Group's policy on managing its operational and financial risks.

3. Segmental reporting

The Group is 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:

- Sensors and Specialist Components – The Sensors and Specialist Components division works with customers to develop standard and customised solutions including sensors and power management devices. Our solutions improve the precision, speed and reliability of critical aspects of our customers' applications;
- Power and Connectivity – The Power and Connectivity division develops and manufactures power application products and connectivity devices which enable the capture and wireless transfer of data.

We collaborate with our customers to develop innovative solutions to optimise their electronic systems; and

- Global Manufacturing Solutions – The Global Manufacturing Solutions division provides manufacturing services and engineering solutions for our product divisions and to customers that often require a lower volume and higher mix of different products. We produce printed circuit board assemblies through to full electronic products to our customers' designs coupled with engineering testing and integration services.

The key performance measure of the operating segments is underlying operating profit. Refer to note 6 for a definition of underlying operating profit.

Corporate costs - Resources and costs of the head office managed centrally but deployed in support of the operating units are allocated to segments based on a combination of revenue and operating profit. Resources and costs of the head office which are not related to the operating activities of the trading units are not allocated to divisions and are separately disclosed, equivalent to the segment disclosure information, so that reporting is consistent with the format that is used for review by the chief operating decision maker. This gives greater transparency of the underlying operating profits for each segment.

The accounting policies of the reportable segments are the same as the Group's accounting policies and are as published in the 2017 Annual Report.

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.

Income statement information

						Six months ended 30 June 2018
£million	Sensors and Specialist Components	Power and Connectivity	Global Manufacturing Solutions	Total Operating Segments	Corporate	Total
Sales to external customers	**71.3**	**38.7**	**84.2**	**194.2**	**-**	**194.2**
Underlying operating profit	**9.9**	**2.5**	**5.9**	**18.3**	**(3.7)**	**14.6**
Adjustments to underlying operating profit (note 6)						**(6.9)**
Operating profit						**7.7**
Net finance costs						**(0.6)**
Profit before taxation						**7.1**

£million	Sensors and Specialist Components	Power and Connectivity	Global Manufacturing Solutions	Total Operating Segments	Corporate	Six months ended 30 June 2017 Total
Sales to external customers	71.0	33.2	76.3	180.5	-	180.5
Underlying operating profit	8.6	3.4	2.5	14.5	(3.6)	10.9
Adjustments to underlying operating profit (note 6)						(4.1)
Operating profit						6.8
Net finance costs						(1.4)
Profit before taxation						5.4

£million	Sensors and Specialist Components	Power and Connectivity	Global Manufacturing Solutions	Total Operating Segments	Corporate	Year ended 31 December 2017 Total
Sales to external customers	142.3	64.5	154.3	361.1	-	361.1
Underlying operating profit	18.8	6.2	6.5	31.5	(7.2)	24.3
Adjustments to underlying operating profit (note 6)						(4.3)
Operating profit						20.0
Net finance costs						(2.3)
Profit before taxation						17.7

There is no significant revenue between segments.

Analysis of revenue by destination – continuing operations

£million	**Six months ended 30 June 2018**	Six months ended 30 June 2017	Year ended 31 December 2017
United Kingdom	**55.1**	47.5	97.6
Rest of Europe	**36.4**	31.8	63.7
North America	**53.8**	56.3	110.2
Central and South America	**0.7**	0.3	0.8
Asia	**46.6**	43.3	85.8
Rest of the World	**1.6**	1.3	3.0
Continuing operations	**194.2**	180.5	361.1

4. Acquisitions

On 17 April 2018 the Group acquired the entire equity share capital of Stadium Group plc for £45.8 million in cash and assumed net debt of £13.9 million.

From the date of acquisition to the period end the business contributed £13.1 million revenue (£8.2 million within Power and Connectivity and £4.9 million within Global Manufacturing Solutions), an operating profit of £1.2 million (£0.9 million within Power and Connectivity and £0.3 million within Global Manufacturing Solutions) and an underlying operating cash inflow of £1.7 million.

In addition, on 1 June 2018 the Group acquired Precision Inc. for an initial consideration of $23.5 million (£17.6 million) in cash and up to an additional $4.0 million (£3.0 million) which may become payable subject to business performance.

From the date of acquisition to the period end the business contributed £1.5 million revenue, an operating profit of £0.1 million to the Group's results and an operating cash outflow of £0.2 million.

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

			Stadium Group plc			Precision Inc
£million	Book value at date of acquisition	Fair value adjustments (provisional)	**Fair value at date of acquisition (provisional)**	Book value at date of acquisition	Fair value adjustments (provisional)	**Fair value at date of acquisition (provisional)**
Non-current assets						
Property, plant and equipment	4.5	-	**4.5**	1.2	-	**1.2**
Identifiable intangible assets	1.5	38.1	**39.6**	-	9.0	**9.0**
Deferred tax assets	0.6	-	**0.6**	-	-	**-**
Current assets / (liabilities)						
Inventory	13.1	1.3	**14.4**	2.1	-	**2.1**
Trade and other receivables	12.9	-	**12.9**	2.9	-	**2.9**
Cash / (overdraft)	(3.6)	-	**(3.6)**	0.4	-	**0.4**
Borrowings - current	(10.3)	-	**(10.3)**	-	-	**-**
Income taxes payable	(0.2)	-	**(0.2)**	-	-	**-**
Trade and other payables	(13.1)	(0.8)	**(13.9)**	(1.8)	-	**(1.8)**
Provisions - current	(0.9)	-	**(0.9)**	-	-	**-**
Non-current liabilities						
Pensions	(4.7)	-	**(4.7)**	-	-	**-**
Deferred tax liability	(0.3)	(6.6)	**(6.9)**	-	-	**-**
	(0.5)	32.0	**31.5**	4.8	9.0	**13.8**
Consideration paid/payable						
Cash			**45.8**			**17.6**
Deferred consideration			**-**			**3.0**
Goodwill			**14.3**			**6.8**

The acquisitions accelerate the Group's strategy of building leading positions where increasing electrification is fuelling the demand for the Group's highly engineered electronic solutions. The goodwill recognised on acquisition represents the Group's view of the future earnings growth potential and the technical know-how in the acquired businesses. The provisional fair values are based on the information currently available; IFRS 3 Business Combinations allows a period of one year from the date of acquisition for new information to come to light which may result in a revision to these fair values.

5. Discontinued operations

On 2 October 2017 the Group disposed of the Transportation Sensing and Control division to AVX Corporation for £125.6 million in cash before costs, comprising £118.8 million initial cash consideration and an additional £6.8 million in respect of working capital and net debt adjustments, of which £5.0 million was settled in cash during the year and £1.8 million settled in cash in early 2018.

The results from discontinued operations shown in the consolidated income statement are as follows:

£million	**Six months ended 30 June 2018**	Six months ended 30 June 2017[1]	Year ended 31 December 2017[1]
Revenue	-	135.6	205.5
Cost of sales	-	(120.3)	(179.7)
Gross profit	-	15.3	25.8
Distribution costs	-	(4.5)	(6.8)
Administrative expenses	-	(4.5)	(6.6)
Operating profit	-	6.3	12.4
Analysed as:			
Underlying operating profit	-	6.5	12.6
Restructuring	-	(0.2)	(0.2)
Finance income	-	-	0.1
Profit on disposal of discontinued operations	-	-	26.3
Profit before taxation	-	6.3	38.8
Taxation	-	(1.9)	(6.8)
Profit from discontinued operations	-	4.4	32.0

[1] *Restated for IFRS 15*

The profit on disposal of discontinued operations in 2017 is analysed below:

£million	Year ended 31 December 2017
Gross cash received	123.8
Less: legal and professional costs	(7.7)
Net proceeds per consolidated cash flow statement	116.1
Deferred consideration receivable	1.8
Less: provision for costs	(1.5)
Less: net assets at completion	(91.8)
Less: write off of capitalised software costs relating to disposed division	(3.4)
Add: foreign exchange gain on disposals	5.1
	26.3

6. Alternative performance measures

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

Alternative performance measures are presented in these Condensed consolidated financial statements as management believe they provide investors with a means of evaluating performance of the Group on a consistent basis, similar to the way in which management evaluates performance, that is not always apparent on an IFRS basis, given that certain non-recurring, infrequent or non-cash items that management does not believe are indicative of the underlying operating performance of the Group are included when preparing financial measures under IFRS.

The Directors consider there to be four main alternative performance measures: underlying operating profit, free cash flow, underlying EPS (see note 8) and underlying effective tax rate.

Underlying operating profit

This has been defined as operating profit from continuing operations excluding the impacts of significant restructuring programmes, significant one-off items including property disposals, business acquisition and divestment related activity. Business acquisition and divestment related items 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. Restructuring include significant changes in footprint (including movement of production facilities) and significant costs of management changes.

£million	**Six months ended 30 June 2018**		Six months ended 30 June 2017		Year ended 31 December 2017	
	Operating profit	**Tax**	Operating profit	Tax	Operating profit	Tax
As reported	**7.7**	**-**	6.8	(1.5)	20.0	(2.0)
Restructuring and other						
Restructuring	**(1.8)**	**0.3**	(1.1)	0.4	(3.7)	0.4
Property items	**3.6**	**-**	0.2	-	0.2	-
Pensions increase exchange past service credit	**-**	**-**	0.8	(0.2)	1.9	(0.4)
Impact of US tax reform legislation	**-**	**-**	-	-	-	1.8
	1.8	**0.3**	(0.1)	0.2	(1.6)	1.8
Acquisition and disposal related costs						
Release of acquisition and disposal tax provision	**-**	**1.7**	-	-	-	-
Amortisation of intangible assets arising on business combinations	**(2.7)**	**0.5**	(1.5)	0.3	(2.3)	0.5
Other acquisition and disposal related costs	**(6.0)**	**0.3**	(2.5)	-	(0.4)	0.1
	(8.7)	**2.5**	(4.0)	0.3	(2.7)	0.6
Total items excluded from underlying measure	**(6.9)**	**2.8**	(4.1)	0.5	(4.3)	2.4
Underlying measure	**14.6**	**(2.8)**	10.9	(2.0)	24.3	(4.4)

Restructuring and other costs charged in the period relate to costs arising on the closure of our GMS facilities in Timisoara, Romania (£1.0 million) and other site restructuring (£0.8 million) and a profit arising on the sale of certain properties (£3.6 million)

Acquisition and disposal related costs include amortisation of acquired intangible assets (£2.7 million) and other costs (£6.0 million) largely relating to the acquisitions of Stadium and Precision Inc. along with costs incurred on the disposal and separation of the Transportation Sensing and Control Division.

Free cash flow

This has been defined as net cash flow from operating activities less cash flow from investing activities (excluding acquisitions and disposal proceeds and tax arising thereon) less interest paid.

£million	**Six months ended 30 June 2018**	Six months ended 30 June 2017	Year ended 31 December 2017
Net cash flow from operating activities	**11.3**	20.1	29.3
Net cash flow from investing activities	**(75.1)**	(13.3)	89.9
Acquisition of business	**63.4**	1.2	1.2
Dividends paid by subsidiary to former shareholders	**0.8**	-	-
Cash with acquired businesses	**3.2**	-	-
Disposal of subsidiaries	**(1.8)**	-	(116.1)
Tax arising from disposal of subsidiaries	**2.9**	-	-
Cash with disposed businesses	**-**	-	2.4
Interest paid	**(0.6)**	(1.2)	(2.0)
Free cash flow	**4.1**	6.8	4.7

Underlying earnings per share

This is the profit for the year attributable to the owners of the Company adjusted to exclude the items not included within underlying operating profit divided by the weighted average number of shares in issue during the year. See note 8 for the calculation of underlying earnings per share.

Underlying effective tax charge

This is the tax charge adjusted to exclude items not included within underlying operating profit.

£million	**Six months ended 30 June 2018**	Six months ended 30 June 2017	Year ended 31 December 2017
Underlying operating profit	**14.6**	10.9	24.3
Net interest	**(0.6)**	(1.4)	(2.3)
Underlying profit before tax	**14.0**	9.5	22.0
Underlying tax	**2.8**	2.0	4.4
Adjusted underlying effective tax rate	**19.8%**	21.1%	20.0%

7. Taxation

The half-year tax charge is based on a forecast effective tax rate of 19.8% on profit excluding restructuring, asset impairments and acquisition and disposal related costs. The tax charge arising on the profit in the period is offset by tax credits arising on prior periods.

The enacted UK corporation tax rate applicable from 1 April 2015 is 20%, from 1 April 2017 is 19% and from 1 April 2020 is 17%.

8. Earnings per share

Basic earnings per share is calculated by dividing the profit 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 161.4 million (30 June 2017: 162.4 million, 31 December 2017: 161.7 million).

Underlying earnings per share is based on the underlying profit after interest and tax.

Pence	**Six months ended 30 June 2018**	Six months ended 30 June 2017	Year ended 31 December 2017
Basic earnings per share			
Continuing operations	**4.4**	2.4	9.7
Discontinued operations	**-**	2.7	19.8
Total	**4.4**	5.1	29.5
Diluted earnings per share			
Continuing operations	**4.3**	2.4	9.5
Discontinued operations	**-**	2.7	19.3
Total	**4.3**	5.1	28.8

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

£million	**Six months ended 30 June 2018**	Six months ended 30 June 2017	Year ended 31 December 2017
Continuing operations			
Profit for the period attributable to owners of the Company	**7.1**	3.9	15.7
Restructuring and other	**(1.8)**	0.1	1.6
Asset impairments	**-**	-	
Acquisition and disposal related costs	**8.7**	4.0	2.7
Tax effect of above items (see note 6)	**(2.8)**	(0.5)	(0.6)
Impact of US tax reform legislation	**-**	-	(1.8)
Underlying earnings	**11.2**	7.5	17.6
Underlying earnings per share (pence)	**6.9**	4.6	10.9

9. Dividends

	2018 pence per share	**2018 £million**	2017 pence per share	2017 £million
Final dividend for prior year	**4.05**	**6.6**	3.90	6.3
Interim dividend for current year	**-**	**-**	1.75	2.8
	4.05	**6.6**	5.65	9.1

The Directors have declared an interim dividend of 1.95 pence per share which will be paid on 18 October 2018 to shareholders on the register on 5 October 2018. Shares will become ex-dividend on 4 October 2018. The Group has a progressive dividend policy.

10. Retirement benefit schemes

At 31 December 2017 the Group operated one significant defined benefit scheme in the UK (the TT Group scheme) and overseas defined benefit schemes in the USA. These schemes are closed to new members and the UK scheme is closed to future accrual. On the acquisition of Stadium, the Group acquired two new UK defined benefit schemes (Stadium Group and Southern & Redfern schemes).

The amounts recognised in the condensed consolidated balance sheet are:

£million	**30 June 2018**	30 June 2017	31 December 2017
Fair value of assets	**561.3**	549.8	559.8
Present value of funded obligation	**(541.5)**	(552.1)	(547.9)
Net liability recognised in the balance sheet	**19.8**	(2.3)	11.9
Represented by			
Schemes in net surplus	**26.9**	0.9	15.1
Schemes in net deficit	**(7.1)**	(3.2)	(3.2)
	19.8	(2.3)	11.9

Represented by:

£million	**30 June 2018**	30 June 2017	31 December 2017
TT Group (1993)	**26.9**	0.9	15.1
Stadium Group (1974)	**(3.7)**	-	-
Southern & Redfern	**-**	-	-
USA schemes	**(3.4)**	(3.2)	(3.2)
	19.8	(2.3)	11.9

The costs recognised in the condensed consolidated income statement are:

£million	**Six months ended 30 June 2018**	Six months ended 30 June 2017	Year ended 31 December 2017
Scheme administration costs	**0.5**	0.6	1.2
Past service credit (non-underlying)	**-**	1.0	2.3
Net interest (credit)/cost	**(0.1)**	0.1	0.1

The triennial valuation of the TT Group scheme as at April 2016 showed a deficit of £46.0 million against the Trustee's funding objective compared with £19.1 million at April 2013. The Company has agreed fixed contributions through to 2020 based on the actuarial deficit at April 2016. Given the nature of the Company's control of the plan under the Scheme's rules, a pension surplus has been recognised under IFRIC 14.

These planned contributions amount to £4.9 million (of which £2.4 million had been paid in the first half of the year), £5.1 million and £3.9 million to be paid over the next three years. In addition, the Group has set aside £2.5 million to be utilised in agreement with the Trustee for reducing the long-term liabilities of the scheme.

The triennial valuation of the Stadium Group scheme as at April 2017 showed a deficit of £4.3 million against the Trustee's funding objective. Fixed contributions of £0.6 million per annum through to 2025 have been agreed with the Trustee (of which £0.1 million had been paid in the first half of the year post acquisition).

The total payments made in period ended 30 June 2018 in respect of UK schemes ('special payments') was £2.5 million.

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

£million	Net cash	Borrowings and finance leases	Unamortised loan arrangement fees	Net funds/(debt)
At 1 January 2017	49.8	(105.2)	-	(55.4)
Cash flow	10.3	-	-	10.3
Proceeds from borrowings		(10.9)	-	(10.9)
Finance lease payments		0.1	-	0.1
Amortisation of loan arrangement fees	-	(0.2)	-	(0.2)
Transferred to assets / liabilities held for sale	(11.1)	1.6	-	(9.5)
Exchange differences	(0.4)	0.5	-	0.1
At 30 June 2017	48.6	(114.1)	-	(65.5)
Amounts included in assets / liabilities held for sale	11.1	(1.6)	-	9.5
At 30 June 2017	59.7	(115.7)	-	(56.0)
Cash flow	(13.1)	-	-	(13.1)
Repayment of borrowings	-	119.1	-	119.1
Proceeds from borrowings	-	(3.0)	-	(3.0)
Finance lease payments	-	0.2	-	0.2
Amortisation of loan arrangement fees	-	(0.1)	-	(0.1)
Reclassification of loan arrangement fees	-	(1.1)	1.1	-
Exchange differences	(0.1)	-	-	(0.1)
At 1 January 2018	**46.5**	**(0.6)**	**1.1**	**47.0**
Cash flow	**(7.6)**	**-**	**-**	**(7.6)**
Repayment of borrowings	**-**	**9.8**	**-**	**9.8**
Proceeds from borrowings	**-**	**(80.0)**	**-**	**(80.0)**
Finance lease payments	**-**	**0.1**	**-**	**0.1**
Amortisation of loan arrangement fees	**-**	**(0.2)**	**-**	**(0.2)**
Reclassification of loan arrangement fees	**-**	**1.1**	**(1.1)**	**-**
Acquisitions	**-**	**(10.3)**	**-**	**(10.3)**
At 30 June 2018	**38.9**	**(80.1)**	**-**	**(41.2)**

Net cash includes overdraft balances of £nil (30 June 2017 and 31 December 2017: £nil).

12. Share capital

The performance conditions of the Long Term Incentive Plan awards issued in 2014 and 2015 were met and shares were allocated to award holders from existing shares held by an Employee Benefit Trust for nil consideration.

During the period the Company issued 106,326 ordinary shares as a result of share options being exercised under the Sharesave scheme and Share Purchase plans. The aggregate consideration received was £0.2 million, which was represented by a £0.1 million increase in share capital and a £0.1 million increase in share premium.

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 during the six months ended 30 June 2018 that have affected the financial position or performance of the Group.

14. Principal risks and uncertainties

As described on pages 26 to 29 of the 2017 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. These risks relate to the following areas:

General economic downturn; contractual risks; research and development; people and capability; supplier resilience; IT systems and information; M&A and integration; legal and regulatory compliance.