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# Building for the future

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TT electronics plc Annual Report 2008

Our intention is to achieve growth by

- **Concentrating on highly-engineered, bespoke electronic components for niche growth markets, offering good margins**
- **Restructuring our sensor business to reduce our automotive exposure from approximately 40% to 25 – 30% of Group sales**
- **Investing in our Secure Power and Integrated Manufacturing Services businesses to realise growth and value potential**
- **Implementing a new operating structure to improve execution, facilitate cross divisional co-operation and drive sales**
- **Withdrawing from low growth, unprofitable areas**

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**Operational highlights**

- **Group revenue increased by 7.2% to £584.3m (2007: £544.9m) due to foreign exchange and acquisitions; on an underlying basis Group revenue was down 1.7% with rapid deterioration in the last quarter**
- **Profit before tax and exceptional items of £21.1m (2007: £33.3m), in line with October 2008 trading update**
- **Strong level of operating cash flow at £46.2m (2007: £42.9m)**
- **Sound financial position, continuing to trade comfortably within banking facilities**

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**Financial summary**

	2008 £million	2007 £million
Revenue	<b>584.3</b>	544.9
Operating profit <sup>1</sup>	<b>27.0</b>	37.7
Profit before taxation <sup>1</sup>	<b>21.1</b>	33.3
Cash generated from operations	<b>46.2</b>	42.9
Headline earnings per share from continuing activities <sup>1</sup>	<b>9.2p</b>	15.5p
Basic earnings per share from continuing operations	<b>7.5p</b>	15.5p
Ordinary dividends per share	<b>3.69p</b>	10.05p

<sup>1</sup> The above are reported before the exceptional loss in 2008. There were no exceptional items in 2007.

## Chairman's statement



TT electronics' performance was noticeably affected by the global economic recession from mid-September. For the year, the Group's turnover was £584.3 million (2007: £544.9 million), with the increase due to foreign exchange and acquisitions, producing operating profit before exceptional items of £27.0 million compared with £37.7 million in 2007. Finance costs were £5.9 million net (2007: £4.4 million) which comprised £4.1 million of banking and finance interest (2007: £4.5 million) and £1.8 million relating to pension fund accounting (2007: £0.1 million credit). Profit before tax and exceptional items was £21.1 million compared to £33.3 million in 2007. The underlying taxation charge of £6.8 million (2007: £9.3 million) represents an underlying rate of 32 per cent (2007: 28 per cent). Exceptional items relating to the closures of the AB Automotive factory at Cardiff and the AB Electronic facility at Romford were £3.8 million. Headline earnings per share from continuing operations were 9.2 pence compared with 15.5 pence in 2007.

**“ Despite the current difficulties of the market, the strengths of our worldwide activities will enable us to manage the business through this recession and give us the opportunity to come out of it as a stronger group.”**

We welcomed Geraint Anderson and Shatish Dasani as Group Chief Executive and Group Finance Director respectively during the year and with them undertook a fundamental assessment of the Group's strategy. As we announced in the outcome of the review in January 2009, the Board has recognised the need to focus on improving margins and organic growth

based on our strong underlying businesses, technologies and customers and to manage for value the non-core assets. During the year the Group acquired two companies supplying the aerospace and defence industries. In April 2008 we purchased New Chapel Electronics for an initial cash consideration of £4.2 million and deferred consideration capped at £1.0 million. New Chapel Electronics, based at Fairford, Gloucestershire, is a manufacturer of wiring harnesses and connectors for the aerospace and military industries. In August 2008 we acquired assets comprising the majority of the business of Semelab Limited for £9.7 million. The business, based in Lutterworth, Leicestershire, designs and produces specialised radio frequency and power modules, semiconductors, optoelectronic components and power microcircuits and modules.

During the year costs were incurred in reducing our climate control activities, and closing our facility in Romford, which are reported as exceptional items. We intend to cease manufacturing electronic systems for automotive climate control products as soon as possible. The Group also announced the closure of our sensor factory in Romford, with the majority of manufacturing transferred to facilities in China and India. The Group is reducing its exposure to the automotive sector progressively.

At 31 December 2008 the Group's net indebtedness was £113.2 million compared with £75.0 million at the previous year end. The borrowings were affected by the acquisition of Semelab and New Chapel Electronics, the fall in sterling against the US dollar and the euro, and the Group's payment of an additional £2.2 million into the pension scheme. The Group's indebtedness remains comfortably within the terms of its committed banking facilities. With our operations and net assets overseas, principally in the US, Europe and the

Far East, the adverse movement in sterling has strengthened the balance sheet.

The time and effort of the pension scheme trustees, together with the benefits reaped from a change in investment strategy, has enabled the pension schemes to end the year with only a marginal additional deficit, despite the adverse movement in the stock market. The pension schemes are now 94 per cent funded on an IAS 19 basis (2007: 94 per cent).

As stated in the January announcement the Board has decided not to recommend the payment of a final dividend for this year. Therefore the dividend for the year is 3.69 pence, compared with 10.05 pence in the previous year.

My thanks to our employees worldwide for their continuing support and performance during these difficult times. We will work together to ensure the future success of TT electronics.

Within the strategic review the Group announced my intention to become the non-executive Chairman later this year. As reported in the Interim Report, Rod Weaver and David Crowe retired as Directors during 2008. In January 2009 Jimmy Armstrong retired as the Group's Corporate Development Director and I would like to thank him for his ten years as a Director of TT electronics and the wealth of knowledge he brought to the Board.

Despite the current difficulties of the market, the strengths of our worldwide activities will enable us to manage the business through this recession and give us the opportunity to come out of it as a stronger group.

**John W Newman**  
Executive Chairman

13 March 2009

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## Summary of sectors

**As reported in the recent strategic review, the Group's businesses were organised into a new divisional structure with effect from 1 January 2009.\***

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### During 2008 the business comprised the following divisions:

#### Sensors and electronic systems

This division has two distinct areas of operation:

The sensors business consists primarily of sales into the German automotive market and includes products to monitor pedal position, engine and wheel speed, temperature and pressure, and chassis position. There is increasing use of sensors on vehicles due to tighter legislation on vehicle emissions and increasingly sophisticated engines and electronic systems.

The automotive electronic systems business includes climate control panels and infotainment modules destined largely for the European and North American automotive industry. This business made a significant operating loss during 2008 and the decision has been taken to withdraw from it as quickly as practicable.

#### Electronic manufacturing services

Our electronic manufacturing services operations are based in the UK, USA, China and Malaysia.

These specialise in providing high quality manufacturing support for customers in the defence, aerospace, telecom and premium industrial sectors. We have a broad capability from board assembly to full systems integration, design for manufacturing and logistics support.

Our business strategy is to become an integral part of our customers' manufacturing supply chain by meeting their demands for increasingly complex manufacturing solutions, often for integrated assemblies, in both established and emerging markets.

#### Electronic components

The focus of the Electronic components division is on delivering highly engineered, bespoke components. These are custom designed for specific customer applications by our global network of application sales engineers who support our customers' own design centres. The business has strong market positions in a number of product segments including fixed and variable resistors and is continuing to invest in new product development in growth segments such as visible optical, power semiconductors and radio frequency semiconductors.

Key drivers are the increased use of complex control electronics in defence, aerospace and industrial applications where high reliability is vital, the need for electronics to operate in harsh environments, and the increased circuit speeds required by modern electronic solutions.

#### Secure power and industrial

TT electronics operates in the secure power market through Dale Power Solutions in the UK and Ottomotores in Mexico. Both companies provide secure power solutions for customers' critical power needs in selected markets worldwide.

The interconnection business operates from two facilities in the UK and one facility in the US, and specialises in the manufacture of specialist connectors for harsh environments and interconnection systems for use by the defence, aerospace and traction markets.

In addition, the division includes businesses involved in the manufacture of electrical fusegear, specialist compounds and fine wire.

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\* More detail is provided in the Business review on pages 10 to 20.



# The way forward – building on a solid foundation

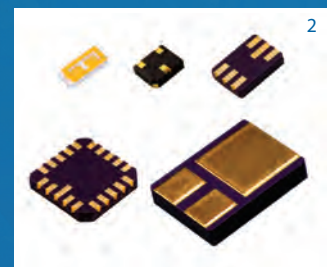
**Our business is built on world class engineering skills, an enviable customer base and sound finance. Through the recent strategic review we have identified clear priorities to significantly improve performance.**

## Clear Priorities

**We have clarified our priorities and simplified our organisation. We have identified the market segments which we believe will deliver the greatest returns and these are where we are investing our resources. We have categorised each of our businesses into the following groups and they will be managed accordingly: Strategic Focus; Development; and General Industrial.**

1 We will focus on markets where we believe we can obtain higher returns. These include the defence, aerospace and medical markets where we are already working with leading companies on advanced technology projects. We are looking to better utilise our capabilities and global customer base across the divisions.

2 The strategic review identified growth opportunities in the technologies of fixed and variable resistors, optoelectronics, semiconductors, connectors and microelectronics. Our design engineering teams work closely with customers on complex applications to meet the requirements of ever changing markets.



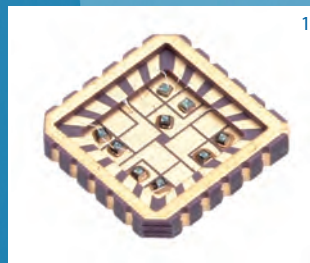




## Strategic Focus

**Our focus is on the design and manufacture of highly engineered bespoke electronic components. We will continue to invest in areas where we have a leading position today and focus on developing new technologies and markets which provide the greatest opportunities to deliver revenue and profit growth.**

- 1 We manufacture a unique range of multi-chip arrays for global government-sponsored aerospace applications. This growing and sustainable market demands the very highest standards in design, manufacture, testing and screening.
- 2 The addition of ultraviolet LEDs to our range further enhances the wide spectrum of environmentally sound solutions we provide to our markets. Ultraviolet LEDs will drive new and innovative applications in currency detection, industrial and medical curing applications.







## Development

**We will invest in the high quality businesses we own in the Integrated Manufacturing Services and Secure Power sectors to realise their potential and value for the Group.**

- 1 The formation of the Integrated Manufacturing Services division unites the skills and technologies of five electronic manufacturing facilities located in Europe, North America and Asia. The division continues to focus on higher mix/lower volume business, with a coordinated strategy to move towards more specialised integrated assembly.
- 2 2008 was another good year for our UK and Mexican secure power operations with significant growth in our generating set and uninterruptible power service business. The formation of a separate Secure Power division will bring the focus this business requires to realise its potential.







## General Industrial

**We have re-categorised into this division a number of businesses which are unlikely to deliver a material increase in shareholder returns and we intend to manage these for value with limited investment.**

- 1 Our CT06/30 product for building wire insulation offers a low smoke, halogen free (LSF) fire retardant solution to cable producers. This product has been specified in many infrastructure related projects in both the Middle East and Europe with sales approaching 1000 metric tonnes in the first year.
- 2 We are significantly involved in the distribution of electricity from the grid under the Self Help Project in Ghana, that is increasing access for township and rural communities.







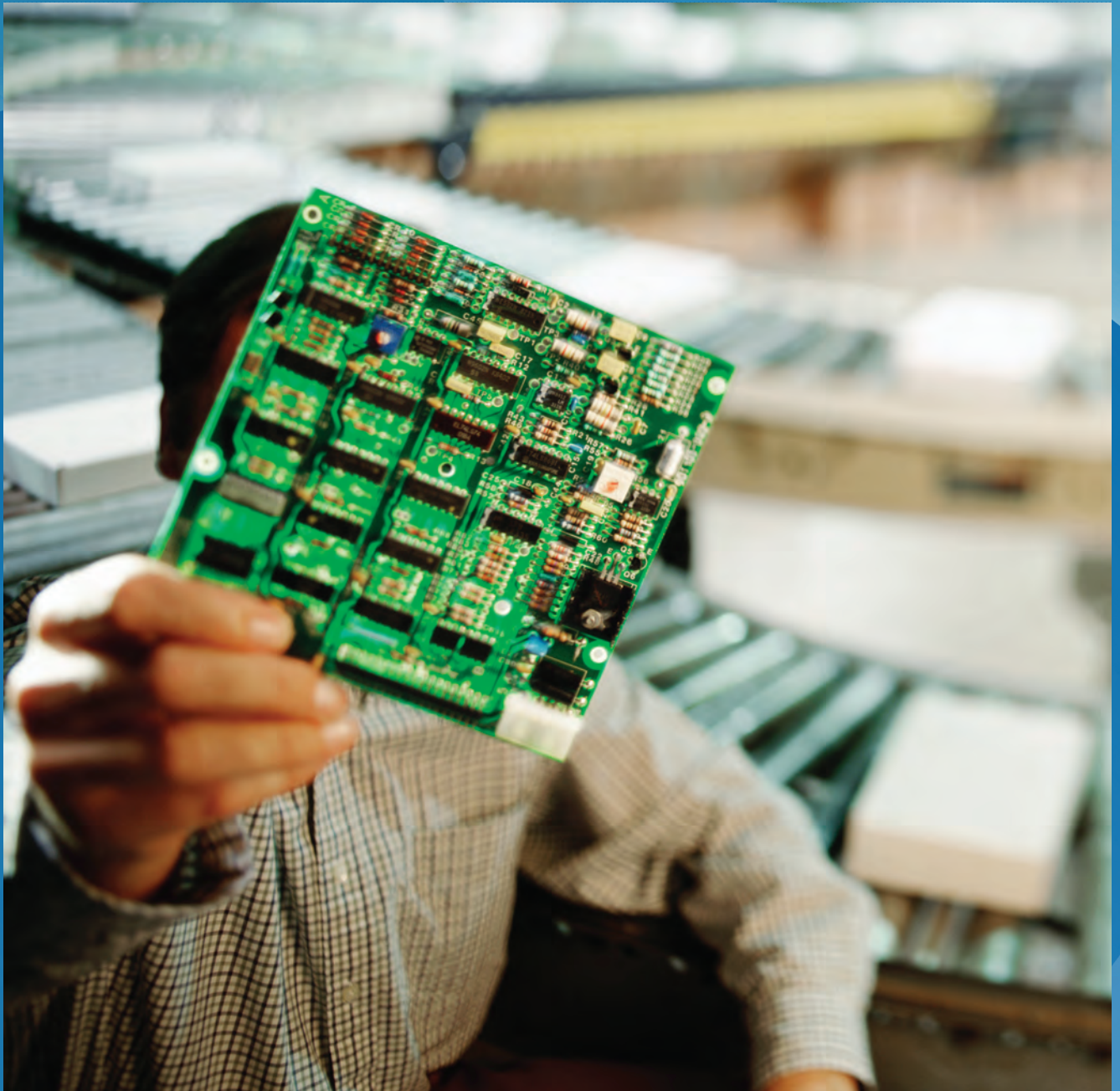
## Management Strength

**We will continue to invest in our employees, including recruiting new senior managers and investing in world class sales training to help deliver the Group's strategic objectives. The new operating structure will improve the way we work together as a group and bring greater clarity and accountability.**

- 1 We are increasing our focus on customers by integrating sales across the components companies in Europe. A key account programme has been established to ensure we work together across the divisions and regions, to support our strategic customers.
- 2 We continue to invest in our global engineering teams. They have a complete set of capabilities and work on complex customer applications covering all stages of the product cycle, from innovation, through whole-product design, to manufacture, assembly and testing.







## World Class

**We have a blue chip customer base and worldwide operations. We have leading technologies in many product segments and tremendous applications engineering expertise. Our goal is to utilise this foundation to be a leader in our chosen market segments.**

- 1 HALOSENSOR™ is a highly accurate drill position locator for aircraft assembly. Designed by our engineers in the UK, it has been used to build every Airbus aircraft since 2003, including the A400M Military Transport and the A380. We are currently developing new systems for the A350 XWB.
- 2 Using the latest high tech materials we have developed a unique and lightweight composite carbon fibre material. Immensely strong with high impact tolerance and chemical resistance, it is currently being used for the electrical harnesses on the Eurofighter Typhoon Landing Gear.





1 **Geraint Anderson** Group Chief Executive  
2 **Shatish D Dasani** Group Finance Director



**“ The recent strategic review identified the market segments which we believe will deliver the greatest returns and these are where we are investing our resources. We are focused on delivering against identified opportunities to significantly improve business performance and drive shareholder value.”**

**Geraint Anderson**

**“ The Group has a sound financial position and continues to generate a strong level of operating cash flow. The target for 2009 and beyond is to reduce costs and achieve a sustainable reduction in working capital and net debt.”**

**Shatish D Dasani**

TT electronics is a technology-based group providing components, sensors, integrated manufacturing services and secure power solutions to a broad base of customers worldwide.

The Group carried out a strategic review of its business in the second half of the year, the results of which were announced on 21 January 2009.

The review, which encompassed all Group businesses and assessed their markets, product segments and competitive positions, confirmed that the business is underpinned by a blue chip global customer base, good products and technologies, and world class engineering skills. Furthermore, the Group has established market leadership within certain niche markets. At the same time, the review identified significant opportunities to improve performance and increase margins in order to maximise value for shareholders. To deliver these benefits, a number of key decisions have been taken:

- New operational and organisational structures have been implemented to enable the active management of the Group's businesses from a global perspective and bring greater focus in terms of execution. The new structures will also facilitate improved co-operation across businesses and divisions and the co-ordination of a global sales effort.
- There will be an increased focus on the Components division (which now includes the connector businesses), which the Board believes is capable of achieving good margins and growth to drive shareholder value.
- The Sensors business has been redefined and will focus on exploiting its core sensor expertise in a broader range of markets to contribute to an overall reduction in Group exposure to the automotive industry over the medium term.

- The Secure Power and Integrated Manufacturing Services businesses now form separate global divisions with dedicated divisional directors to ensure their growth potential is supported and realised.
- The remaining businesses which are unlikely to deliver a material increase in shareholder returns have been grouped together in the General Industrial division which will be run separately and managed for value.

As a result of the review, the Group's businesses have been re-organised into the following divisions with effect from 1 January 2009:

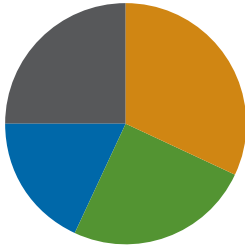
- Components
- Sensors
- Integrated Manufacturing Services ('IMS')
- Secure Power
- General Industrial

The primary focus of the Group is on the Components division and the delivery of highly engineered, bespoke electronic components for niche growth markets. The Sensors business, which is currently being re-structured, is expected to form part of the Components group in the future. The Group has set a target to reduce exposure to the automotive market from approximately 40 per cent of revenue in 2008 to between 25 per cent and 30 per cent in the medium term.

In addition, the Group will invest in its Integrated Manufacturing Services and Secure Power businesses which it believes can deliver material increases in shareholder value over the medium term.

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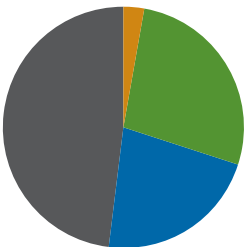
## Sales



- Sensors and electronic systems **32%**
- Electronic components **25%**
- Electronic manufacturing services **18%**
- Secure power and industrial **25%**

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## Operating profit



- Sensors and electronic systems **3%**
- Electronic components **27%**
- Electronic manufacturing services **22%**
- Secure power and industrial **48%**

A number of strategic actions for 2009 were outlined in January and we continue to make progress against these:

### Components: reconfigure European sales office

We are implementing the re-organisation of the sales structure in Europe to allow us to better serve our customers. In addition, we have initiated a key account management program to make sure we work together across our businesses to support our major customers.

### Components: restructuring

The current restructuring of the UK facility in Bedlington is on track to be completed by the end of March with further headcount reductions made in February.

### Components: develop US aerospace and defence business

Our US interconnection facility was awarded several contracts during 2008 to provide connectors for the US military totalling over \$90 million. We are making good progress towards achieving military approval certification for our new range of 38999 connectors.

### Sensors: European restructuring

We are in the process of reducing the headcount at our German facility in Werne by approximately 225 as part of the fundamental realignment of the division's cost base which will result in an exceptional cost of up to £5.5 million spread over the remainder of the year. These actions are expected to save £5.0 million on an annualised basis.

We are in a period of consultation which we expect to be completed with the reductions effective from early April.

We are continuing the closure of the AB Electronic Romford facility and a further seven lines have been moved off-shore in 2009. We are on track to exit this site on or before 30 June.

A new divisional director has been recruited.

### IMS: restructuring

Headcount has been reduced by more than 100 so far in 2009 and additional actions are planned.

### IMS: global structure and brand

We have completed the recruitment of a Global Sales Director to fill this newly created position. This individual will lead the development of the global sales structure and the IMS brand.

### Secure Power: develop service business

We have appointed a new Service Director in the UK and opened two new service centres in Mexico as part of our plans to increase the capture and retention of service business.

### General Industrial

The recruitment of a divisional director for this division is at an advanced stage.

### AB Automotive: withdraw from business

The closure of the AB Automotive climate control facility in Cardiff is on track to be completed in the first half of the year. We have continued to progress our withdrawal from this business globally.

### Headcount reductions

In the strategy review announcement in January we identified 1,295 positions to be eliminated in 2008 and 2009. More than 1,100 positions have been eliminated in 2008 and in the first two months of 2009 with approximately a further 225 underway in Germany. We are continuing to review our cost base in light of the deteriorating market conditions and we now expect total headcount reductions to be higher.

We assess business progress using a number of key performance indicators. Orders, revenue and cash balances are reviewed on a weekly basis. Every month we review these items, and a number of additional key financial metrics including profitability, working capital and cash flow conversion, against agreed budgets and targets. Progress against key strategic initiatives for each division is reviewed at regular management meetings and by the Board on a quarterly basis.

### Revenue analysis under new structure

The analysis of revenue for the new divisional structure is presented below.

	2008 £million	2007 £million
Components	192.1	176.3
Sensors	125.9	116.1
Integrated Manufacturing Services	103.4	92.2
Secure Power	65.9	59.9
General Industrial	97.0	100.4
	<b>584.3</b>	544.9

However, the commentary and the segmental analysis that follows and the financial statements are based upon the divisional structure that was in place throughout 2008.

The comparatives for revenue and operating profits are shown for continuing operations. There were no discontinued operations in 2008 but in 2007 the AEI Cables business was sold.

### Overview of Group performance

	2008 £million	2007 £million
<b>Revenue</b>		
Continuing operations		
Electronic components	145.2	131.2
Sensors and electronic systems	189.2	182.3
Electronic manufacturing services	103.4	92.2
Secure power and industrial	146.5	139.2
	<b>584.3</b>	544.9
<b>Operating profit<sup>1</sup></b>		
Continuing operations		
Electronic components	7.3	10.0
Sensors and electronic systems	0.8	10.0
Electronic manufacturing services	6.0	4.1
Secure power and industrial	12.9	13.6
	<b>27.0</b>	37.7
Profit before tax and exceptional items	21.1	33.3
Headline earnings per share	9.2p	15.5p
Cash generated from operations	46.2	42.9

<sup>1</sup> Throughout this review operating profit for 2008 is stated before exceptional items. There were no exceptional items in 2007.

Revenue for 2008 was £584.3 million compared with £544.9 million in 2007.

The increase was mainly due to favourable exchange rate movements of approximately £39 million in relation to subsidiaries based in the USA and mainland Europe. The acquisition of New Chapel Electronics and Semelab during 2008 also contributed to top line growth. However, after adjusting for these factors, there was an underlying reduction in revenue of 1.7 per cent, with falls in the Electronic components and Sensors and electronic systems operations offset by good performances from Secure power and industrial and Electronic manufacturing services.

Operating profit for 2008 was down by £10.7 million at £27.0 million. This decline was the result of a downturn in volumes, especially in the automotive market, consequent pressure on margins and ongoing restructuring costs incurred to reduce the cost base in line with reduced activity levels. There was a marginal exchange rate benefit to operating profits,

due to foreign exchange hedges taken out in accordance with Group policy.

Market conditions deteriorated progressively during the year with trading particularly difficult in the fourth quarter in our automotive markets where we saw significant declines in customer demand in both North America and Europe. In general, our other markets were more resilient but the effects of the credit crisis and global recession were felt in all of our businesses. Against this backdrop, we took steps to adjust the cost base of many of our businesses, including reducing our workforce and moving additional production to lower cost locations. We also announced the closure of two facilities in the UK serving the automotive market.

During the year we completed two acquisitions – New Chapel Electronics and Semelab. New Chapel Electronics, which is based in Fairford, Gloucestershire, manufactures wiring harnesses and connectors for the aerospace and defence industries and complements our international connection systems activities. The acquisition was completed in April 2008 for an initial cash consideration of £4.2 million and deferred consideration capped at £1.0 million. We completed the purchase of Lutterworth-based Semelab in August 2008 for £9.7 million. Semelab designs and produces specialised radio frequency and power semiconductors, optoelectronic components and power microcircuits and modules, primarily for the UK and European markets. Both acquisitions have performed well and clearly fit with our strategy of focusing on delivering niche component solutions to customers worldwide.



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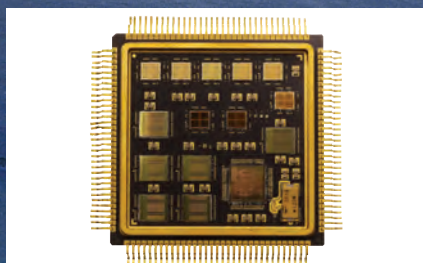
# Our safety critical electronic systems continue to prove themselves in the most extreme conditions.

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Our manufacturing and development facilities in Europe and the US provide precision components and electronic modules which meet the high reliability standards required in the avionics industry. Using established thick and thin film technologies, we are increasing the number of specific product applications we can offer to leading civil aircraft manufacturers.



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Our microcircuits engineering team in the UK is working alongside Aero Engine Controls, a joint venture between Rolls Royce and Goodrich, to supply multi chip module technology for the Airbus A380 and the Boeing 787 Dreamliner. We are working on Aero Engine Controls' Profit Through Partnership continuous improvement programme to develop and maintain our status as a valued supplier.

The strategic review has provided clarity in terms of the market areas which we believe represent the greatest opportunities for the Group to deliver revenue and profit growth. We will continue to invest in developing new products and technologies to address these opportunities.

### Electronic components

	2008 £million	2007 £million
Revenue	145.2	131.2
Operating profit	7.3	10.0
Capital employed	134.4	99.4
Return on capital employed	5%	10%
Number of employees	2,642	2,707

The focus of the Electronic components division is on delivering highly engineered, bespoke components. These are custom designed for specific customer applications by our global network of application sales engineers who support our customers' own design centres.

The components businesses already have strong market positions in a number of product segments including fixed and variable resistors, and the addition of Semelab's product range broadens TT electronics' offering considerably.

The acquisition represents an excellent addition to our electronic component activities, and we will continue to invest in new product development in such growth segments as visible optical, power semiconductors and radio frequency semiconductors.

During 2008, operating profit in the division fell from £10.0 million to £7.3 million due to difficult trading conditions in all markets, especially the automotive market, and additional costs being incurred as new products came on stream.

During the year a number of steps were taken to adjust the cost base including moving four manufacturing lines off-shore from the UK and reducing headcount. Two new senior appointments were made during the year to lead the US operations and bring greater focus to the European sales structure, which is being reorganised to allow us to better serve our customers across a number of different Group companies.

The division's existing businesses, together with the Group's interconnection business (previously included in the Secure power and industrial division), have been reorganised from 1 January 2009 to form the new Components division. This division will continue to refine its product portfolio placing greater emphasis on niche solutions targeted at higher growth sectors, including the medical and defence markets.

### Sensors and electronic systems

	2008 £million	2007 £million
Revenue	189.2	182.3
Operating profit	0.8	10.0
Capital employed	127.8	105.1
Return on capital employed	1%	10%
Number of employees	2,216	2,429

This division consisted of two distinct areas of operation – automotive sensors and automotive electronic systems. Together they recorded a profit of £0.8 million in 2008 compared with a profit of £10.0 million in 2007, the reduction being due to a sharp decrease in volumes, particularly towards the end of the year, and a deterioration in margins.

Automotive sensor technologies include products to monitor pedal position, engine and wheel speed, temperature and pressure, and chassis position. These products are sold primarily into the German original equipment market and are produced at our facilities in the UK and

Germany, with an increasing proportion being manufactured in lower cost locations in Eastern Europe and China.

The performance of the business was affected in the first half of the year by poor underlying demand from US automotive manufacturers and industrial action at a parts supplier. Demand in the second half of the year declined further in the US and in Europe with a particularly sharp reduction in demand in the fourth quarter, as all of our customers reduced their manufacturing output. In addition, deteriorating margins in poorly performing segments, such as the increasingly commoditised pedal sector, and the high cost of operations in Germany adversely affected performance.

A major restructuring is underway to focus on core sensor expertise, to broaden market exposure beyond automotive and to further re-align the European cost base.

The proposed closure of the AB Electronic facility in Romford, announced in October, is underway and is due to be completed by 30 June 2009. During 2008, seven production lines were transferred off-shore with a further 13 lines moving to lower cost regions in the current year.

Steps were taken in 2008 to reduce our cost base in Germany including the use of short-time working.

In addition, we are in the process of reducing the headcount at our facility in Germany by approximately 225.

It is these businesses which, since January 2009, have constituted the new Sensors division.

The automotive electronic systems business includes climate control panels and infotainment modules, largely destined for the European and North American automotive industry. The business made a substantial operating loss during 2008 as markets were adversely affected by declining volumes and



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**Our connectors and interconnection systems operate in harsh environments where high performance and reliability are mandatory.**

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**Strong partnerships with the world's leading defence companies, combined with specialist technical engineering skills, ensure that we remain a leader in the growing defence sector. 2008 saw us consolidate technical expertise and experience and, with the acquisitions of New Chapel Electronics and Semelab, we are able to offer a broader range of applications and skills to our customers.**



Our growing US interconnection facility supports many of the US land based military OEMs and was awarded several contracts during the year to provide connectors for the US military totalling over \$90m. Our specialist high power connectors enable various military vehicles to restart tanks and armoured vehicles when their batteries have failed.



by increasing price pressure from low cost competitors. The closure of the AB Automotive climate control facility in Cardiff was announced in July 2008. This is progressing according to schedule and should be complete in the first half of 2009. The decision has now been taken to withdraw from this business as quickly as possible. This will include the closure of the AB Automotive sites in Brazil and China. In future, this business will be reported as part of the General Industrial division.

#### Electronic manufacturing services

	2008 £million	2007 £million
Revenue	103.4	92.2
Operating profit	6.0	4.1
Capital employed	34.7	32.4
Return on capital employed	17%	13%
Number of employees	1,343	1,070

TT electronics' global electronic manufacturing services operations are based in the UK, USA, China and Malaysia. These specialise in providing high quality manufacturing support for customers operating in the defence, aerospace, telecom and premium industrial sectors. The Group offers broad capabilities from board assembly to full systems integration, design for manufacturing and logistics support. It has a substantial design engineering team and an international purchasing office based in China.

The Group's strategy is to leverage its global footprint to become an integral part of its customers' manufacturing solutions, with our western manufacturing bases supporting lower volume, more specialist production, and the low cost Far East manufacturing capabilities targeted to those contracts with higher volume. In addition, our operation in China has established a local sales team with the objective of winning business in the large domestic market.

The operations in the UK and China had a very successful first half year. Trading was more difficult in the second half with the completion of some large contracts in the UK. Overall, the business achieved a good improvement in operating profit from £4.1 million in 2007 to £6.0 million in 2008, together with an increase in margins.

During 2008 the businesses were further integrated with the UK, US, China and Malaysian sites brought under a new divisional director. The operations continue to work closely on building customer relations and promoting the division's global presence. The cost base was adjusted during the year and further reductions are planned for 2009. We will continue to monitor developments in the marketplace and act as necessary.

From January 2009 these businesses will be managed and reported as the Integrated Manufacturing Services division. This change of name reflects the division's delivery of integrated supply chain solutions to our customers, focused on higher value-added services for lower volume, complex build and assembly electronic products.

#### Secure power and industrial

	2008 £million	2007 £million
Revenue	146.5	139.2
Operating profit	12.9	13.6
Capital employed	54.0	40.1
Return on capital employed	24%	34%
Number of employees	1,391	1,340

The Secure Power business achieved an increase in profits due to good performances at both Dale and Ottomotores, assisted by some foreign exchange benefit arising from the strengthening US dollar for the Mexican business. The other businesses, notably AEI Compounds and WT Henley, also made satisfactory contributions. The overall reduction in the segment's profits from £13.6 million to £12.9 million was

mainly due to the connectors business which had achieved an exceptional level of profit in 2007 due to urgent military orders.

TT electronics operates in the secure power market through Ottomotores in Mexico and Dale Power Solutions in the UK. Both companies provide secure power solutions for customers' critical power needs in selected markets worldwide.

Ottomotores manufactures generator sets and distributes uninterruptible power supplies. It is the market leader in Mexico for generator sets and recorded underlying export growth of 22 per cent from the supply of standby generating sets to key markets in the Middle East and Latin America. A new factory was opened during the year in Mexico City. This facility will provide enhanced production capabilities and satisfy the increased demand for acoustic canopies and enclosures.

Dale Power Solutions also provides generator sets and uninterruptible power supplies. It has continued to expand both in the UK and in key emerging markets in the Middle East and North Africa. Projects for the supply of high-reliability, mission-critical power generation equipment for the petrochemical industry in Algeria and uninterruptible power supply equipment for the United Arab Emirates' electricity grid in Dubai were successfully delivered during the year.

From January 2009 these businesses have formed the new Secure Power division with a dedicated divisional Chief Executive to focus on further development.

The interconnection business, which since January 2009 has formed part of the new Components division, operates from two facilities in the UK and one facility in the US. In addition, it is taking advantage of the Group's low cost manufacturing footprint in Mexico, China and Malaysia.



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**Our advances in medical technology improve the reliability of equipment which helps to save lives.**

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**We are working with companies at the forefront of medical science developing applications for use in both hospitals and the growing community- and home-based healthcare markets. Our product applications include precision control of scanning equipment, high voltage solutions for defibrillator charge control, patient monitoring equipment, potentiometers for diagnostic equipment and advanced blood analysis systems.**



Our electronic components facility in California has developed technology to provide a more precise diagnosis during CAT and MRI scanning procedures. Our sensors are used to control the scanner active beam area, enabling medical staff to make more informed treatment decisions.



The business specialises in the manufacture of specialist connectors for harsh environments and interconnection systems for use by the defence, aerospace and traction markets. It supplies customers on a global basis and works with them in the design of interconnection systems.

The integration of New Chapel Electronics into this business has gone well and is nearing completion. New Chapel Electronics operates in the military and civilian aerospace market. The facility at Smithfield, North Carolina, has continued to expand from its original business of connector assembly to providing interconnection systems to the US military. Rail infrastructure projects continue to be a focus for the UK connector factory in Wales, having secured several contracts in 2008 for the supply of connectors and harnessing systems for new trains being built for London Underground.

The remaining businesses in the former Secure power and industrial division include businesses involved in the manufacture of electrical fusegear, specialist compounds and fine wire. These businesses, together with the automotive electronic systems business (covered under the Sensors and electronic systems division above), form the core of the new General Industrial division.

### Restructuring

Exceptional costs were incurred during 2008 in respect of the closure of the AB Automotive climate control facility in Cardiff and the AB Electronic facility at Romford.

	2008 £million
AB Automotive Electronics Ltd	2.7
AB Electronic Ltd	1.1
	<b>3.8</b>

### Dividends and earnings per share

Earnings per share before exceptional items were 9.2 pence (2007: 15.5 pence). Basic earnings per share were 7.5 pence (2007: 15.5 pence).

As announced in January 2009, the Board has set a dividend policy to maintain cover of at least two times underlying earnings per share and progressively increase dividends from this base.

For the year ending 31 December 2008, the Board has not recommended a final dividend. An interim dividend of 3.69 pence per share was paid in October 2008, making the total dividend for the year 3.69 pence per share (2007: 10.05 pence).

### Taxation

The overall rate of tax is 33 per cent (2007: 28 per cent). The underlying rate is 32 per cent before exceptional costs. Deductions arising from cash contributions to the pension funds and the exceptional costs at AB Automotive Electronics and AB Electronic offset taxable profits generated elsewhere within the UK group. The increase in the rate of tax results from changes in the overall mix of profits across the Group and, in particular, the reduced level of operating profits generated by the sensor businesses in Germany and a greater proportion of profits earned in the US and Mexico.

### Cash flow, borrowings and facilities

	2008 £million	2007 £million
Cash generated from operations	46.2	42.9
Capital expenditure	21.9	29.4
Development expenditure	10.9	10.1
Net debt	113.2	75.0
Stock turn	4.1	4.7
Debtor days	58	47
Creditor days	50	46

Cash generated from operations increased by £3.3 million due to a lower level of special contribution towards the pension deficit. Operating profits were lower and there was a net outflow from working capital, mainly due to inventory increases of £6.6 million. A key target for 2009 is a sustained reduction in working capital.

Capital expenditure of £21.9 million was lower than depreciation by £1.5 million. Acquisitions totalled £13.9 million, relating to the purchase of New Chapel Electronics in April 2008 and Semelab in August 2008.

Net debt was £113.2 million at 31 December 2008 (2007: £75.0 million), the increase reflecting the acquisitions described above and the adverse impact of £22.7 million of changes in exchange rates on dollar denominated borrowings. Gearing is calculated at 53 per cent compared with 41 per cent in 2007.

The Group had total banking facilities available of £166.0 million, of which £60.0 million are working capital facilities with a number of major UK and overseas banks which in the ordinary course are periodically renewable. The main term loan of £70.0 million is a multi-currency revolving facility with HSBC drawn down in US dollars and extending to 2011. The amount drawn down in dollars is required to be rebalanced to £70.0 million at the prevailing rate in June 2009 and periodically thereafter and forward contracts have been taken towards covering this position. The financial covenants in the loan agreement restrict gross debt to below three times total earnings before interest, tax, depreciation, amortisation and exceptional items ('EBITDA before exceptionals') and require that EBITDA before exceptionals covers gross interest by at least six times.



These loan covenants were satisfied comfortably at 31 December 2008:

	Target	Actual
Gross debt/EBITDA before exceptionals	< 3	2.0
EBITDA before exceptionals/gross interest	> 6	13.6

Two term loans of £20.4 million and £10.0 million respectively fall due for renewal in December 2009 and September 2009. Preliminary discussions with both banks concerned have been positive.

The Directors have reviewed the forecasts for 2009 and the projections for 2010 developed during the recent strategic review, which have been adjusted to take account of the current trading environment. Demand in most of the Group's end markets has been severely affected by the global economic recession. Recognising this, the Directors have considered a range of different scenarios and the impact of these on the Group's cash flow, facilities and headroom within its banking covenants. Further, the Directors have assessed the future funding requirements of the Group and compared them with the level of available borrowing facilities. Based on this work, the Directors are satisfied that the Group has adequate resources for the foreseeable future.

### Pensions

The Group operates both defined benefit and defined contribution pension schemes in the UK. Assets of the defined benefit scheme were valued at £283.1 million at 31 December 2008 (2007: £298.2 million) and the fund benefited from the change in investment strategy implemented during 2007 and 2008.

Scheme liabilities under International Accounting Standard No 19 (IAS 19) were valued by the actuaries at £301.7 million (2007: £315.6 million), giving a deficit of £18.6 million (2007: £17.4 million).

The previous funding agreement for the scheme was based on the annual IAS 19 deficit with the objective of elimination of this deficit by 2014. The arrangement was susceptible to undue volatility in cash payments by the Group and could have led to a substantial increase in contributions as 2014 approached.

A revised agreement has now been reached with the Trustee for fixed contributions extending out to 2016 based on the last actuarial deficit at April 2007. Contributions of £8.7 million in 2007 and £2.2 million in 2008 have already been made and under the new agreement, the Group will make further contributions as follows: £2.2 million in 2009, £3.2 million in 2010, £3.5 million in 2011, subsequently increasing by £0.2 million each year to £4.5 million in 2016.

### Exposure to risks

#### Financial risks

- **Liquidity**

The current economic conditions create uncertainty over the availability of bank financing in the present banking climate and consequently there is a risk that the Group may have insufficient resources to meet its financial liabilities as they fall due. The Group addresses this risk by maintaining adequate banking facilities and by continuously monitoring forecast and actual cash flows to ensure that bank covenants and liquidity requirements will be met. The Group regularly discusses its requirements with its principal bankers and it is considered unlikely that the Group will face any significant funding issues in the foreseeable future.

- **Foreign currency**

The Group's main foreign exchange exposures are to the effect of the translation of profits, and net assets denominated in overseas currencies into sterling and transactions in foreign currencies. The policy of the Group is to use hedges to reduce these risks. These hedges are achieved through forward currency contracts and currency borrowings.

- **Interest cost**

The interest rate is capped on \$50.0 million of total borrowings until February 2010. Short-term interest rate fixes are also used to reduce volatility in interest costs.

### Commercial and other risks

The current global financial crisis presents significant challenges to the Group, principally related to the level of market demand.

The Group's largest market sector is automotive where, directly and indirectly, it serves automotive OEM customers. This exposes the Group to several risks including significantly decreasing manufacturing volumes, the potential for material quality claims and financial exposure should such customers be unable to continue trading in their current form. It is possible that one of the larger US automotive manufacturers may seek protection from its creditors which in turn could result in some of its suppliers seeking similar creditor protection. In this event, the Group may not recover all of the amounts owed to it.

In addition, the Group is exposed to risks of product liability, credit risk, reliance on customers' commitments and other usual commercial risks in all of its businesses. The Group has a wide portfolio of products and operates in a number of market sectors.

There are established control procedures in place to manage such risks, including production quality control, management and financial control procedures and insurance with reliable insurers, which have been put in place taking into account the risk involved and the marketplace in which the exposure arises.

### Outlook

Trading conditions remained very difficult in the last quarter of 2008 and we have experienced a further significant weakening in customer demand in January and February with limited forward visibility of market demand. The outlook for most of our major markets is both challenging and uncertain as the unprecedented global economic recession continues to severely impact demand.

The outlook for automotive vehicle production is difficult to predict with any confidence and our Sensors division has seen a further rapid decline in demand in the first two months of 2009 as manufacturers reduce inventories and re-align output with consumer demand. The automotive element of the Components division has been similarly affected. We are seeing a significant slowdown in our IMS business as the reduction in manufacturing demand impacts the supply chain. The majority of our other businesses, including Secure Power, are also seeing slower demand. The traction, defence and aerospace markets are proving more resilient and we continue to see solid performance from our Components division in these areas, including our interconnection business and Semelab.

In January we identified 1,295 positions to be eliminated in 2008 and 2009. We have accelerated these actions with more than 1,100 jobs eliminated by the end of February and a further 225 underway in Germany. We are continuing to review our cost base in light of the deteriorating market conditions and we now expect total headcount reductions to be higher with increased benefit in the second half of the year. In addition, we have implemented short-time working and temporary shutdowns across a number of sites and an extensive pay freeze is in place. All of these actions are designed to help limit the impact of the current difficult trading conditions.

Our balance sheet is sound. Based on management expectations adjusted to take account of the present difficult trading environment, we continue to trade comfortably within our banking facilities with reasonable headroom within our covenants. We continue to generate strong cash flows with an ongoing focus on reducing working capital.

Trading conditions in the first two months of the year have become significantly more difficult. Accordingly, trading for the full year to 31 December 2009, and the medium term, is likely to fall materially below management's previous expectations.

The Board is confident that progress against our strategic plan and actions taken to adjust the cost base will provide long term benefits and enhance performance as markets recover.

**Geraint Anderson**  
Group Chief Executive

**Shatish D Dasani**  
Group Finance Director

13 March 2009



## Directors and Company Secretary



**1 John W Newman (63)**  
Executive Chairman  
Chairman of the Nominations Committee  
Chairman of the Corporate Governance Committee

Appointed to the Board in 1986. A Chartered Accountant who is also Chairman of the Newship group of companies.



**2 Geraint Anderson (49)**  
Group Chief Executive  
Chairman of the Corporate and Social Responsibility Committee

Appointed to the Board on 4 August 2008. Previously Vice President and General Manager of the Worldwide Service Provider Organisation for Linksys, a Division of Cisco Systems, Inc.



**3 Shatish D Dasani (47)**  
Group Finance Director  
Member of the Corporate Governance Committee

Appointed to the Board on 1 August 2008. A Chartered Accountant, previously with De La Rue plc, Lafarge SA and Blue Circle Industries plc.



**4 David S Crowther (63)**  
Senior Independent Non-executive Director  
Chairman of the Audit and Remuneration Committees and member of the Nominations Committee

Appointed to the Board in 2005. A Chartered Accountant who was a senior partner with PricewaterhouseCoopers LLP. Member of the Professional Oversight Board, a part of the Financial Reporting Council, and a non-executive Board Member and chairman of the Audit Committee of the Treasury Solicitor's Department.



**5 John C Shakeshaft (54)**  
Independent Non-executive Director  
Member of the Audit, Remuneration, Nominations and Corporate Governance Committees

Appointed to the Board in 2007. Currently chairman of Ludgate Environmental Fund Limited and of Valiance Special Opportunities Fund of Funds and Co-Investment Fund; investment director, Corestone, AG and a director of Tele2 AB, Questair Technologies Inc and TEB, NV. Also an external member of the Audit Committee of Cambridge University. Previously a corporate financier with ABN AMRO, Lazard and Barings.



**6 Sean M Watson (60)**  
Independent Non-executive Director  
Member of the Remuneration, Nominations and Corporate and Social Responsibility Committees

Appointed to the Board in 2007. A solicitor and senior corporate finance partner at CMS Cameron McKenna LLP and a non-executive Director of Informa plc.



**7 Wendy J Sharp ACA (43)**  
Group Company Secretary  
Member of the Corporate Governance Committee

The Directors present their report and the audited financial statements for the year ended 31 December 2008.

### Principal activities and business review

TT electronics plc is the parent company of a Group whose principal activities during the year were the design, manufacture and sale of electronic and electrical components for the automotive, telecom and computer, aerospace, defence and other industrial markets. Further details of the Group's activities and future plans are set out in the Chairman's statement and the Business review on pages 2 and 10 to 20 of this Annual Report and these should be read as part of the Directors' report.

The principal operating subsidiaries are listed on page 75.

### Results and dividends

The Group's profit on ordinary activities before taxation and exceptional items was £21.1 million (2007: £33.3 million) and after taxation and exceptional items was £11.6 million (2007: £24.0 million). The audited financial statements of the Group and the Company are set out on pages 37 to 75. Further details of the Group's activities are set out in the Business review on pages 10 to 20.

The Directors are not recommending a final dividend for the year ended 31 December 2008 (2007: 6.36p). An interim dividend of 3.69p per share was paid on 23 October 2008, making the total dividend for the year 3.69p per share (2007: 10.05p).

### Acquisitions

On 2 April 2008 the Group announced the acquisition of New Chapel Electronics Limited. Further details are set out in note 26 to the consolidated financial statements.

On 21 August 2008 the Group announced that it had acquired assets comprising the majority of the business of Semelab Limited. Further details are set out in note 26 to the consolidated financial statements.

### Fixed assets

No professional valuation of land and buildings has been carried out during the year, but in the opinion of the Directors the market value, on an existing use basis, is considered to be not materially different from net book value.

### Research and development

The Group carries out research and development in order to develop new products and processes and to substantially improve existing products and processes.

### Financial risk management objectives and policies

These are set out under Exposure to risks in the Business review on page 19.

### Significant agreements relating to change of control

The Group has a number of borrowing facilities provided by various banking groups. Some of these facility agreements include change of control provisions which, in the event of a change in ownership of the Company, could result in renegotiation or withdrawal of these facilities.

There are a number of other agreements that may be renegotiated upon a change of control of the Company. None is considered to be significant in terms of their potential impact on the business of the Group as a whole.

### Supplier payments policy

The Group's policy in relation to the payment of its suppliers is to agree its terms of payment with each supplier when negotiating the terms of each business transaction. It is Group practice to abide by the agreed terms of payment unless the supplier defaults under its own obligations. Trade creditors at the year end amount to 50 days of average supplies for the year (2007: 46 days).

### Corporate governance

The application of the principles and provisions of the Combined Code is set out in the Directors' report on corporate governance.

### Directors

The Directors are listed on page 21 with brief biographical notes. All the Directors held office throughout the year, with the exception of S D Dasani and G Anderson who were appointed on 1 and 4 August 2008 respectively. N A Rodgers resigned on 11 June 2008. R W Weaver and D E A Crowe retired on 1 August 2008 and 3 September 2008 respectively. J W Armstrong retired on 5 January 2009.

At the forthcoming Annual General Meeting J W Newman retires and, being eligible, offers himself for re-election.

G Anderson and S D Dasani, having been appointed since the previous Annual General Meeting, retire in accordance with the Articles of Association and, being eligible, offer themselves for re-election.



Rules for the appointment and replacement of Directors are set out in the Company's Articles of Association. Directors are appointed by the Board on the recommendation of the Nominations Committee. Directors may also be appointed or removed by the Company by ordinary resolution at a general meeting of holders of ordinary shares. The office of a Director shall be vacated if his resignation is requested by all the other Directors and all the other Directors are not less than three in number. The Corporate governance report sets out further details of the requirements for re-election of Directors on page 26. In addition, further details of the activities of the Nominations Committee are set out on page 28.

Other than an extended notice period of 18 months which applies to G Anderson's service contract in the event of a bid approach on or prior to 3 August 2009 which is successful, there are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs as a result of a takeover bid. Further details of the executive Directors' service contracts can be found in the Directors' remuneration report on pages 31 to 36.

The Group maintains Directors' and Officers' liability insurance. The Directors of the Company also benefit from a qualifying third party indemnity provision in accordance with section 234 of the Companies Act 2006 and the Company's Articles of Association. The Company has provided a qualifying pension scheme indemnity within the meaning of section 235 of the Companies Act 2006 to directors of associated companies.

### Directors' interests

The Directors of the Company at 31 December 2008 held interests in the following numbers of the Company's ordinary shares of 25p each on 1 January 2008, 31 December 2008 and 9 March 2009:

	9 March 2009 Ordinary shares	31 Dec 2008 Ordinary shares	1 Jan 2008 (or date of appointment if later) Ordinary shares
J W Newman	10,848,627	10,848,627	9,598,627
G Anderson <sup>(1)</sup>	90,000	90,000	-
S D Dasani <sup>(2)</sup>	150,000	150,000	30,000
J W Armstrong <sup>(3)</sup>	n/a	70,582	39,582
D S Crowther	40,000	40,000	20,000
J C Shakeshaft	15,479	15,479	7,219
S M Watson	62,950	62,950	7,700

(1) appointed 4 August 2008

(2) appointed 1 August 2008

(3) retired 5 January 2009

The interests of the Directors in the Company's share options and Long Term Incentive Plan are shown in the Directors' remuneration report on pages 31 to 36.

### Substantial shareholdings

At 9 March 2009 the Company had been notified of the following voting rights attaching to TT electronics plc shares in accordance with the Disclosure and Transparency Rules:

	Number	%
Tweedy, Browne Company LLC	15,359,648	9.9
J W Newman <sup>(1)</sup>	9,452,010	6.1
J O Hambro Capital Management Limited	8,298,662	5.3
Mondrian Investment Partners Limited	7,783,343	5.0
Barclays Global Investors	5,163,416	3.3

(1) At the time of the last disclosure made by J W Newman in his capacity as a substantial shareholder under the Disclosure and Transparency Rules, 9,432,437 TT electronics shares in which J W Newman had voting rights were held by Newship Investments Limited. (Newship Investments Limited is a wholly-owned subsidiary of Newship Industries Limited, in which J W Newman holds a controlling interest).

So far as has been ascertained no other person or corporation holds or is beneficially interested in any substantial part of the share capital of the Company.

### Share capital

The Company's issued share capital comprises a single class of share capital which is divided into ordinary shares of 25p each. The share capital during the year and the number of ordinary shares reserved for issue are shown in note 15 to the consolidated financial statements. The rights and obligations attaching to the Company's ordinary shares are set out in the Company's Articles of Association, copies of which can be obtained from Companies House in the United Kingdom or by writing to the Company Secretary. Subject to applicable statutes, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide, or (if there is no such resolution or so far as it does not make specific provision) as the Board may decide. Holders of ordinary shares are entitled to speak at general meetings of the Company, to appoint one or more proxies and, if they are corporations, to appoint corporate representatives and to exercise voting rights. Holders of ordinary shares may also receive a dividend and on a liquidation may share in the assets of the Company.

In addition, holders of ordinary shares are entitled to receive the Company's Annual Report and accounts. Subject to meeting certain thresholds, holders of ordinary shares may require a general meeting of the Company to be held or the proposal of resolutions at Annual General Meetings.

### **Authority to Allot Shares and Disapply Statutory Pre-Emption Rights**

The Directors will be seeking to renew their authorities to allot unissued shares and to disapply statutory pre-emption rights at the Annual General Meeting to be held on 13 May 2009. Further details are set out in the papers containing details of the Annual General Meeting which accompany this document.

### **Purchase of Own Shares**

At the Annual General Meeting held on 14 May 2008, the Company was given authority to purchase up to 15,495,279 of its ordinary shares until the date of its next Annual General Meeting. No purchases were made during the year. The Directors will be seeking a new authority for the Company to purchase its ordinary shares at the forthcoming Annual General Meeting. Further details are set out in the papers containing details of the Annual General Meeting which accompany this document.

### **Voting Rights and Restrictions on Transfer of Shares**

On a show of hands at a general meeting of the Company every holder of ordinary shares present in person or by proxy and entitled to vote has one vote and on a poll every member present in person or by proxy and entitled to vote has one vote for every ordinary share held. Further details regarding voting at the Annual General Meeting can be found in the Notice of the Annual General Meeting which accompanies this document. None of the ordinary shares carry any special rights with regard to control of the Company. Electronic and paper proxy appointments and voting instructions must be received by the Company's Registrars not later than 48 hours before a general meeting. A shareholder can lose his entitlement to vote at a general meeting where that shareholder has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares.

The Directors may refuse to register a transfer of a certificated share which is not fully paid, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis. The Directors may also refuse to register a transfer of a certificated share unless the instrument of transfer: (i) is lodged, duly stamped (if stampable), at the registered office of the Company or any other place decided by the Directors accompanied by the certificate for the share to which it relates and/or such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; (ii) is in respect of only one class of shares; (iii) is in favour of a person who is not a minor, bankrupt or a person in respect of whom an order has been made on the ground that such person is suffering from a mental disorder or is otherwise

incapable of managing their affairs; or (iv) is in favour of not more than four transferees.

Transfers of uncertificated shares must be carried out using CREST and the Directors can refuse to register a transfer of an uncertificated share in accordance with the regulations governing the operation of CREST.

The Directors may decide to suspend the registration of transfers, for up to 30 days a year, by closing the register of shareholders. The Directors cannot suspend the registration of transfers of any uncertificated shares without obtaining consent from CREST.

There are no other restrictions on the transfer of ordinary shares in the Company except:

- certain restrictions may from time to time be imposed by laws and regulations (for example insider trading laws);
- pursuant to the Company's share dealing code whereby the Directors and certain employees of the Group require approval to deal in the Company's shares; and
- where a shareholder with at least a 0.25 per cent interest in the Company's certificated shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of ordinary shares or on voting rights.

### **Articles of Association**

The Company's Articles of Association may only be amended by special resolution approved at a general meeting of the shareholders.

### **Annual General Meeting**

The Annual General Meeting of the Company will be held on Wednesday 13 May 2009 at the Ironmongers' Hall, Shaftesbury Place, Barbican, London EC2Y 8AA at 12 noon. The Notice of the Company's Annual General Meeting accompanies this document.

### **Auditors**

Grant Thornton UK LLP have expressed their willingness to continue in office as Auditors and a resolution will be proposed to reappoint them at the Annual General Meeting.

The Auditors' responsibilities are set out on pages 37 and 66 and should be read in conjunction with those of the Directors as set out below.



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## Statement of Directors' responsibilities in relation to financial statements

The Directors are responsible for the preparation of financial statements for each financial year in accordance with applicable law and regulations.

The Directors are required to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Directors have elected to prepare the Company's financial statements under UK Generally Accepted Accounting Practice (UK GAAP).

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group.

The Directors, in preparing the financial statements, are required to:

- use suitable accounting policies and to apply them consistently;
- make reasonable and prudent judgements and estimates;
- state that the consolidated financial statements comply with IFRS as adopted by the European Union and that the Company financial statements comply with UK GAAP subject to any departures disclosed and explained in the financial statements

The Directors have responsibility for:

- ensuring that the Company and the Group prepare and maintain accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group at that time and which enable them to ensure that the financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation;
- taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and to prevent and detect fraud and other irregularities;
- the maintenance and integrity of the financial information on the Company's website

### Going concern

The Directors have reviewed the forecasts for 2009 and the projections for 2010 developed during the recent strategic review, which have been adjusted to take account of the current trading environment. Demand in most of the Group's end markets has been severely affected by the global economic recession. Recognising this, the Directors have considered a range of different scenarios and the impact of these on the Group's cash flow, facilities and headroom within its banking covenants. Further, the Directors have assessed the future funding requirements of the Group and compared them with the level of available borrowing facilities. Based on this work, the Directors

are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

To the best of each Director's knowledge and belief, there is no audit information relevant to the preparation of the Auditors' Report of which the Auditors are unaware and each Director has taken all the steps which might be expected to be aware of such relevant information and to establish that the Auditors are also aware of that information.

By order of the Board:

**W J Sharp**  
Company Secretary

13 March 2009

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## Responsibility statement

We confirm that to the best of our knowledge:

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

**G Anderson**  
Group Chief Executive

13 March 2009

**S D Dasani**  
Group Finance Director

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## Directors' report on corporate governance

The Company is committed to achieving and maintaining high standards of corporate governance. The principles of good corporate governance set out in Section 1 of the 2006 Combined Code ('Code') contained in the Listing Rules of the Financial Services Authority, have been complied with throughout the year ended 31 December 2008 and this compliance has continued through to the date of this report. Details and explanations of the application of the principles of corporate governance are set out below.

### The Board

The Board's main roles are to provide leadership to the management of the Group, determine the Group's strategy and ensure that the agreed strategy is implemented. The Board has also reserved certain specific matters to itself for decision. These include financial policy, acquisition and disposal policy, and the approval of major capital expenditure projects. The Board appoints its members and those of its Committees, and reviews recommendations of the Board Committees and the financial performance and operation of each of the Group businesses. It regularly reviews the identification, evaluation and management of the principal risks faced by the Group and the effectiveness of the Group's system of internal control.

During 2008 the Board comprised up to four executive Directors and up to four non-executive Directors of whom three were considered independent.

Of the executive Directors, J W Newman and J W Armstrong served throughout the year. N A Rodgers resigned on 11 June 2008 and R W Weaver retired on 1 August 2008. S D Dasani and G Anderson were appointed on 1 and 4 August 2008 respectively. Since the year end, J W Armstrong has also retired.

Of the non-executive Directors, D S Crowther, J C Shakeshaft and S M Watson served throughout the year. D S Crowther is the senior non-executive Director. D E A Crowe retired on 3 September 2008.

S M Watson is a senior corporate partner at CMS Cameron McKenna LLP, one of a number of law firms which advise the Company. Under provision A.3.1 of the Combined Code, a non-executive director cannot be considered independent if he has, or has had within the last three years, a material business relationship with the Company either directly, or as a partner, shareholder, director or senior employee of a body that has such a relationship with the Company.

Before his appointment as a non-executive Director, the Company, in consultation with Riskmetrics and major shareholders, undertook an assessment to ascertain whether S M Watson met this and the other criteria for independence set out in the Combined Code. It was concluded that he did as the value of the fees charged by CMS Cameron McKenna LLP to the Company, relative to each of their respective turnovers, was not significant enough to be considered material. This continues to be the position, the Company having paid CMS Cameron McKenna circa £67,000 during 2008. Accordingly, all current non-executive Directors are considered to be independent as defined by the Combined Code.

During the year there were 11 Board meetings on scheduled dates for which full notice was given. All Directors attended each Board meeting other than D E A Crowe and S M Watson who were each unable to attend one meeting.

Directors' biographies including the Committees on which they serve and chair are shown on page 21. Each Director will offer himself for re-election every three years.

### The Executive Chairman and Group Chief Executive

The Company has an executive Chairman and a Group Chief Executive, and their respective areas of responsibility are defined. On 21 January 2009, it was announced that the Chairman planned to become non-executive later in the year. The Chairman is responsible for the leadership of the Board ensuring that all Directors receive information on financial, business and corporate matters to enable them to participate effectively in Board decisions. He currently takes an active role in strategic planning and banking relationships and is also directly responsible, through the appropriate senior executives, for the functions of treasury, pensions and legal matters.

The Group Chief Executive is responsible for the operations of the Group, formulation of strategy and the maximisation of profits in the long-term. He is also responsible for ensuring that the Group's businesses are managed in line with strategy and approved business plans, and comply with applicable legislation and Group policy. Other areas of responsibility include investor relations and risk management.

Under the provisions of the Code, the Chairman should on appointment be considered independent. However, J W Newman was appointed executive Chairman in 1995 before the Company was bound by any provision as to the independence of its Chairman.



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## Board procedures and performance evaluation

All Directors have access to the advice and services of the Company Secretary and are offered training to fulfil their role as Directors, both on appointment and at any subsequent time. There is an agreed procedure for any individual Director to take independent professional advice at the Company's expense if he considers it necessary.

The Company amended its Articles of Association in May 2008 to deal with, amongst other things, the provisions on conflicts of interest in the Companies Act 2006 which came into force in October 2008. Following this, the Company has put in place procedures for the disclosure and review of any conflicts, or potential conflicts, of interest which the Directors may have and for the authorisation of such conflict matters by the Board. In deciding whether to authorise a conflict or potential conflict the Directors must have regard to their general duties under the Companies Act 2006. The authorisation of any conflict matter, and the terms of authorisation, may be reviewed at any time.

During the year the Board conducted an evaluation of its performance covering, among other matters:

- maintaining and improving its performance;
- developing the Group's strategy;
- maintaining the optimum mix of skills and knowledge among the Directors;
- ensuring robust and effective risk management; and
- considering full and timely information on financial and other performance.

In addition, each of the principal Committees carried out an assessment of its own performance during the year. The performance of individual Directors is also reviewed annually and includes discussions between the Chairman and senior non-executive Director on their respective performance.

Following these detailed reviews it was considered that the Board and its Committees were performing satisfactorily.

## Review of principal risks and internal controls

The Directors have overall responsibility for the Group's systems of internal control and for reviewing their effectiveness. These systems have been in place for the full financial year. The Group is committed to a policy of maintaining strict internal control over all of its activities. Controls are designed to provide the Directors with reasonable assurance that assets are safeguarded, transactions are properly authorised, and that material errors

and irregularities are either prevented or are discovered on a timely basis. The systems of control are reviewed regularly and improved where necessary to meet the Group's requirements. Business risk evaluation takes place at Group level as part of the annual budget preparation. Having identified risks, each operating company then monitors and reviews them regularly.

The Group Chief Executive oversees maintenance of the Group's Register of Principal Risks. Members of staff who are involved in the Group's risk management function report directly to the Group Chief Executive at a quarterly meeting. The principal risks of the Group are subject to review by the Audit Committee and the Board. Further details of the Group's exposure to risk are set out in the Business review on pages 10 to 20.

The risk management procedures and systems of internal control are designed to identify and assess the significant risks which the Group faces and to manage them appropriately. However, such systems can only provide reasonable and not absolute protection against material mis-statement or loss.

## Principal features of the system of internal control

- The Directors meet as a Board at least every other month to monitor financial performance, give direction on significant strategic and financial issues and review the principal risks of the Group.
- The Group Chief Executive chairs a Committee ('Operating Board') which meets on a regular basis and reviews the performance of the Group as a whole and oversees the implementation of strategy.
- Each operating company within the Group operates within the policies, rules and procedures determined by the Directors and communicated through a Group manual. The Directors exercise control over operating companies through divisional senior executives who monitor and oversee the activities, financial performance and controls of each operating company. The directors of operating companies are held accountable for the effectiveness of the implementation and maintenance of controls within their companies. This provides constant and consistent management.
- The Group has detailed financial planning and reporting systems. Detailed management accounts are prepared monthly by each operating company comparing actual performance with budget. The financial performance of each operating company is subjected to detailed formal review at monthly meetings. One purpose of these reviews is the early identification of potential business risks and agreement on suitable and prompt courses of action. Operating

companies prepare strategic plans and annual budgets which are reviewed and approved by the divisional senior executives, Group management and the Board.

- The Group has comprehensive control and approval procedures which are rigorously enforced. There are clear definitions of appropriate authorisation levels. Capital investment and other major items of expenditure are made only after compliance with detailed appraisal procedures and, if above set levels, only with the approval of the executive Directors.
- Accounting and reporting policies and practices require that the Group's accounting records are prepared consistently, accurately and in compliance with Group policy and relevant accounting standards.
- The framework for maintaining control and the adherence to procedures is reviewed by the Group Internal Controls Executive, who reports to the Group Finance Director and the Audit Committee.
- Certain key functions, including treasury, taxation, pensions, provision of legal advice, risk and insurance are controlled at the Group's head office and are monitored by the executive Directors.

The Directors have reviewed the effectiveness of the systems of risk management and internal control during the year to 31 December 2008 and during the period since then to the date of this report. They have made improvements where necessary.

#### Board Committees

The Board has established a number of Committees, each with its own delegated authority defined in terms of reference. These terms are reviewed periodically and the Board receives reports and copies of minutes of Committee meetings. The Board appoints the chairmen of all Board Committees, having received the recommendations of the Nominations Committee.

The principal Committees and brief descriptions of their terms of reference (full details of which are available for inspection by shareholders at the Annual General Meeting and on the Group's website) and duties are as follows:

##### a) Audit Committee

During the year, the Audit Committee comprised two of the independent non-executive Directors: J C Shakeshaft and D S Crowther (Chairman) who has recent and relevant financial knowledge, as required by the Code. The Committee's duties include reviewing and advising the Board on:

- the integrity of the financial statements;
- the appointment and remuneration of external auditors;
- the effectiveness of the Auditors in line with the requirements of the Code;
- the nature and extent of non-audit services provided by the Auditors to ensure that their independence and objectivity are maintained;
- changes to accounting policies and procedures, decisions of judgement affecting financial reporting, compliance with accounting standards and with the Companies Act;
- the Auditors' assessment of internal audit and other internal controls;
- the scope, performance and effectiveness of the internal audit and other internal control functions;
- risk management and any changes to the Register of Principal Risks; and
- the Company's written procedures for responding to any allegations made by whistleblowers.

In order to fulfil its duties the Audit Committee regularly receives reports on the findings of the Group Internal Controls Executive who is required to attend the Committee's meetings and the Committee reviews internal audit plans and recommendations.

During 2008 the Audit Committee met five times and both committee members attended all the meetings. Two of the meetings were also attended by the Auditors without executives of the Company being present.

The Committee reviewed the effectiveness of the external auditors during the year and also carried out a self assessment of its performance, based on a questionnaire completed by the members of the Committee.

##### b) Remuneration Committee

The Directors' remuneration report on pages 31 to 36 includes details of the Remuneration Committee and its work.

##### c) Nominations Committee

The Nominations Committee generally meets twice a year to make recommendations to the Board regarding the appointment of replacement or additional directors. It comprises the independent non-executive Directors and executive Chairman, who also chairs the Committee. The Committee has an established procedure for recommending Board appointments and for the appointment of members to the Audit and



Remuneration Committees. In 2008 the Committee met twice. The appointments of both G Anderson and S D Dasani were made on the recommendation of the Committee, following its review of the candidates shortlisted by headhunters. All Committee members attended both meetings, except for J C Shakeshaft who was absent from one meeting. The Committee also carried out an assessment of its performance in 2008.

### Board and Committee Meeting Attendance 2008

The table below shows the number of meetings held and the attendance of each of the Directors at those meetings.

	Board	Audit Committee	Remuneration Committee	Nominations Committee
<b>Total meetings held</b>	<b>11</b>	<b>5</b>	<b>7</b>	<b>2</b>
J W Newman	11	n/a	n/a	2
G Anderson <sup>(1)</sup>	4	n/a	n/a	n/a
S D Dasani <sup>(2)</sup>	4	n/a	n/a	n/a
N A Rodgers <sup>(3)</sup>	4	n/a	n/a	n/a
R W Weaver <sup>(4)</sup>	7	n/a	n/a	n/a
J W Armstrong <sup>(5)</sup>	11	n/a	n/a	n/a
D E A Crowe <sup>(6)</sup>	7	n/a	n/a	n/a
D S Crowther	11	5	7	2
J C Shakeshaft	11	5	7	1
S M Watson	10	n/a	6	2

(1) appointed 4 August 2008

(2) appointed 1 August 2008

(3) resigned 11 June 2008

(4) retired 1 August 2008

(5) retired 5 January 2009

(6) retired 3 September 2008

### Corporate Governance Committee

The Corporate Governance Committee is responsible for monitoring the Group's compliance with good corporate governance. During the year it was chaired by the Corporate Development Director and included the Group Finance Director, one non-executive Director and the Company Secretary. The Committee met twice during 2008.

Following J W Armstrong's retirement, the Chairman has taken over the role of chairing this Committee. The Committee therefore now comprises the Chairman, the Group Finance Director, one non-executive Director and the Company Secretary.

### Corporate and Social Responsibility Committee

The Group operates worldwide with a diverse workforce. Our managers deal with changing local and transnational regulatory frameworks, as well as running businesses, and must engage constructively with employees, customers, local residents, regulators and other interested third parties. The Company requires its managers and employees to act with integrity and to conduct business to high ethical standards. Being a trusted industrial partner and a responsible member of the community

benefits the Company in terms of its reputation and ability to conduct business effectively with customers and suppliers. It also helps in the recruitment, motivation and retention of employees at all levels. The Company's subsidiaries participate in the life of their local communities and make significant efforts to foster good relations with community stakeholders.

Ensuring a safe working environment for employees and reducing wasteful consumption are sound business practices as well as being examples of corporate responsibility, and the Company continuously seeks to improve its performance Group-wide.

Every company in the Group is encouraged to develop and implement employment policies and remuneration schemes designed so that employees identify with their company's achievements and their knowledge and skills can best contribute towards its success. The Directors recognise the importance of employee involvement throughout the Group and this is fostered by the development of communications through the normal subsidiary company reporting procedures.

The Corporate and Social Responsibility Committee monitors the Group's performance on these matters and regularly reports to the Board.

The Committee is chaired by the Group Chief Executive and also comprises one non-executive Director, the Group Legal Counsel, and up to three senior executives from within the Group. The Committee met three times during 2008 and has had one meeting to date during 2009.

The Board recently reviewed the remit of the Committee and decided that its role should be expanded in order to proactively advance social and environmental responsibility within the Group. With this in mind, the Committee, on behalf of the Company, intends to seek membership of the Electronic Industry Citizenship Coalition in 2009. This is an industry body promoting good corporate citizenship practices within the electronics industry.

The Committee's expanded duties include monitoring Group performance, reviewing and advising the Board on:

- **Employment**

The Group is committed to the fair and equal treatment of all its employees regardless of gender, race, age, religion, disability or sexual orientation. The Group makes significant efforts to ensure that high standards of employee welfare are maintained worldwide in all its operations, irrespective of geography and local market conditions, and intends to seek assurances from suppliers that they too are committed to high standards of employee welfare.

#### • Health and safety

The Directors must comply with all relevant legislation and codes of practice and are mindful of the importance of health and safety in the Group's activities. The Group constantly seeks to reduce the incidence of accidents, work-related ill-health, emissions, waste and dangerous occurrences and strives to achieve and maintain safe conditions of work for all employees and sub-contractors. In 2009 the Group will continue to encourage a culture in which employees ensure that they, their colleagues and members of the general public are kept safe from potential incidents and hazards and will also seek to promote the issue of health and safety with its suppliers.

#### • Environmental policy

The Group strives to meet requirements of all applicable environmental laws and regulations, to seek continuous improvement in environmental performance and to contribute to long-term economic, environmental and social sustainability. The pursuit of recognised environmental management standards, such as ISO 14001 accreditation, is encouraged throughout the Group.

Group companies will continue to:

- seek energy efficient means of manufacture;
- reduce, where possible, the use of dangerous, volatile or environmentally damaging chemicals;
- recycle and re-use waste; and
- dispose of non-reusable waste responsibly.

#### • Ethics

To meet its business objectives and its wider responsibilities in the communities in which it operates, the Group is committed to the highest standards of business integrity. The Corporate and Social Responsibility Committee establishes standards and monitors compliance in respect of the Group's business ethics, and takes the lead in communicating these core values to employees and stakeholders.

#### Donations

During the year the Group contributed £50,000 (2007: £50,000) for charitable purposes. Employees across the Group regularly fund-raise for charity.

There were no political contributions.

#### Communications with shareholders

G Anderson and S D Dasani meet institutional investors immediately after publication of the annual and interim results, as well as providing the information needed to maintain an orderly market in the Company's shares. The Company carries on a regular dialogue with institutional shareholders and analysts. Trading updates and press releases are issued as appropriate and the Company's brokers provide briefings on shareholder opinion and compile independent feedback from investor meetings. Information offered at the analysts' meetings together with our financial press releases are available on the Group's website. The Annual General Meeting is used by the Directors to communicate with both institutional and private investors.

Approved by the Board on 13 March 2009 and signed on its behalf by:

**W J Sharp**  
Company Secretary



## Directors' remuneration report

This report has been prepared in accordance with Schedule 7A of the Companies Act 1985 ('Act'). A resolution to approve the report will be proposed at the Annual General Meeting on 13 May 2009. It sets out the Company's policy for Directors' remuneration, the arrangements for 2008 and proposals for 2009.

The Act requires the Auditors to report to the Company's members on the auditable section of the Directors' remuneration report and to state whether in their opinion that part of the report has been properly prepared in accordance with the Act. The report has therefore been divided into separate sections for audited and unaudited information.

### Unaudited information

#### Remuneration Committee

The Remuneration Committee comprises the independent non-executive Directors and is chaired by D S Crowther (the senior independent non-executive Director). Its other members are J C Shakeshaft and S M Watson.

In 2008 the Committee met seven times and all members of the Committee attended each meeting other than S M Watson who was unable to attend one meeting. During the year the Committee carried out a self assessment of its performance, constitution and terms of reference based on a questionnaire completed by the members of the Committee.

The role of the Committee is to recommend to the Board the policy for the remuneration of the executive Directors, Divisional Chief Executives, Divisional Directors and the Company Secretary. This covers salaries and other benefits, pensions, performance related pay and share incentive plans and the terms and conditions of service.

The Committee is responsible for appointing external independent consultants to advise on senior executive remuneration matters. This advice was provided during 2008 by Hewitt New Bridge Street ('HNBS') and they continue to advise the Remuneration Committee. HNBS provided no other services to the Company during the year.

#### Remuneration policy

The objectives of the Group's remuneration policy are to recruit, retain and motivate senior executives with appropriate expertise to realise the Group's business objectives and to align their interests with those of shareholders.

#### Base salary

The remuneration policy is to provide senior executives with a base salary that is competitive with the base salary paid in other comparable companies.

The base salaries of executive Directors are reviewed annually at 1 July having regard to personal performance, Group performance, competitive market practice as determined by external research and pay levels within the Group.

Details of base salary levels for executive Directors, together with the previous salaries, are set out below:

	1 July 2008 (or date of appointment if later)	1 July 2007
J W Newman	<b>£214,882</b>	£206,617
G Anderson <sup>(1)</sup>	<b>£350,000</b>	n/a
S D Dasani <sup>(2)</sup>	<b>£220,000</b>	n/a

(1) appointed 4 August 2008

(2) appointed 1 August 2008, salary increased to £240,000 on 1 January 2009 as specified in his appointment contract.

It is currently envisaged that no base salary increases will be made at the 1 July 2009 review.

#### Annual bonus

Executive Directors, other than J W Newman, participate in an annual bonus arrangement. The objective of the performance linked element of remuneration is to stimulate improved results of the Group by providing the opportunity of increased remuneration subject to achieving challenging performance criteria.

For 2008, measurement was based on challenging, sliding scale Group profit before taxation targets. Because these profit targets were not met, no bonuses arise for 2008.

For 2009, following the completion of the strategic review, the Committee has concluded that a more balanced set of annual performance targets should be operated, with the introduction of sliding scale cashflow targets (30% of total potential) and personal objectives (20% of total potential) in addition to the sliding scale profit targets (50% of total potential, reduced from 100%). No bonus will be payable for personal objectives unless at least threshold performance against both the profit and cashflow sliding scale targets has been achieved.

The maximum potential bonus which can be earned remains capped at 100 per cent of salary.

#### Long term incentive plan 2005 ('LTIP')

The LTIP is the primary long-term incentive arrangement of the Company. LTIP participants may receive annual awards of up to 100 per cent of basic salary per annum. The award is a contingent right to receive shares in the future, subject to continued employment and the achievement of predetermined performance criteria.

Participants make no payment upon the grant, vesting or release of an award (other than such as may be required as a result of tax, social security or other regulatory requirements). Awards will vest three years after the date of grant.

The maximum number of shares which could be issued under outstanding grants is 2,189,744 compared to 1,144,002 in 2007.

### Performance conditions

The performance targets attached to awards granted in 2008 require the Group's earnings per share ('EPS'), measured over a three year period, to grow by at least 3 per cent compound per annum in excess of the Retail Price Index ('RPI'). At this level only 25 per cent of an award will vest. For an award to vest in full, the Group's EPS, measured over the same period must grow by at least 7 per cent compound per annum in excess of RPI. For EPS between these thresholds, the number of shares vesting will be calculated on a proportional basis.

Following a review of long-term incentive provision, the Committee has concluded that, while the use of EPS and the existing range of targets remain appropriately challenging, the LTIP should be refined to enhance the alignment between the management team and shareholders through the introduction of a relative total shareholder return ('TSR') performance measure.

Therefore, for awards to be granted in April 2009 and in future years, the current EPS performance targets will only apply to 50 per cent of an LTIP award (instead of the current 100 per cent) with TSR targets applying to the other 50 per cent. In effect therefore, it is proposed that two separate performance targets will apply:

- The performance target attached to 50 per cent of an award will be based on the current three year EPS targets, namely 25 per cent of the shares subject to this part of the award will vest for EPS growth of 3 per cent compound per annum in excess of RPI, increasing on a straight-line basis to 100 per cent vesting for EPS growth of at least 7 per cent compound per annum in excess of RPI; and
- The performance target attached to the other 50 per cent of an LTIP award will be based on TSR performance targets against the FTSE SmallCap (excluding investment trusts); 25 per cent of shares subject to this part of the award will vest at median performance increasing on a straight-line basis to 100 per cent vesting at the upper quartile of the comparator group. In addition to the TSR targets above, the Committee will also consider the Company's underlying financial performance to ensure that vesting percentages under this part of an award are appropriate.

The Committee considers that the combined use of EPS and TSR performance conditions will provide a good blend of performance metrics, with EPS rewarding strong financial performance and TSR rewarding relative stock market performance. The Company's largest shareholders and ABI and Riskmetrics will be consulted on the changes to the scheme and in advance of the 2009 awards being granted.

### Award levels

As an incentive to join and recognising forfeited rights G Anderson and S D Dasani received LTIP awards over shares worth 100 per cent of their respective base salaries on appointment in 2008. In 2008 awards to relevant executive Directors were made of 75 per cent of base salary, however, as a result of the fall in share price over the last year and in light of recent investor pronouncements with respect to reducing award levels where a company's share price has fallen, it is intended that executive Directors (other than J W Newman) will receive awards over shares to a value of circa 50 per cent of base salary for 2009.

### Share options

The Company has operated a number of share option schemes in the past. It is the Committee's policy not to make further grants to executive Directors under these plans. There are no other share-based incentive plans operated by the Company.

### Shareholding guidelines

In conjunction with the amendments to the LTIP performance targets set out above, shareholding guidelines for executive Directors will be introduced, linked to the out-turn of the LTIP.

At the time awards vest under the LTIP (or any other executive plan operated in the future), there will be a requirement to retain no fewer than 50 per cent of shares (net of taxes) until such time as a total personal shareholding equivalent to 100 per cent of prevailing base salary has been achieved.

### Service contracts

The executive Directors, other than the Chairman, have service contracts which reflect both current market practice and the appropriate balance between the interests of the Company and the individual Director. These contracts include 12 month non-compete clauses and standard provisions for summary termination and are terminable on 12 months notice from either side. As part of the terms of his appointment, G Anderson has an extended notice period of 18 months in the event of a bid approach on or prior to 3 August 2009 which is successful. After this date, his notice period reduces to 12 months.

## Pensions

The Company operates a defined benefit scheme and defined contribution scheme for employees including the executive Directors. G Anderson and S D Dasani are members of the defined contribution arrangement. Benefits are based on contributions paid and investment returns achieved during their membership of the scheme. All other executive Directors who served during the year are members of the defined benefit scheme. Benefits are based on the numbers of years of accrued service and pensionable salary.

### Non-executive Directors

The remuneration of each of the non-executive Directors is determined by the executive members of the Board, reflecting time commitment, responsibility of each role and the fees paid in other comparable companies. Fee increases awarded in 2008 were in line with inflation and the duties performed. No benefits in kind are provided for non-executive Directors.

## Audited information

### Aggregate Directors' emoluments

Set out below are tables of remuneration of the Directors who served during the year ended 31 December 2008. The amount of each element of the remuneration received and receivable by the Directors in the year including base salary and fees paid during the year, benefits in kind and other payments is:

	Salary/fees £000	Other £000	Benefits £000	Compensation for loss of office £000	2008 Total £000	2007 Total £000
<b>Executive Directors</b>						
J W Newman	211	–	15	–	226	428
G Anderson <sup>(1)</sup>	146	–	5	–	151	–
S D Dasani <sup>(2)</sup>	92	60	9	–	161	–
J W Armstrong <sup>(3)</sup>	194	–	22	–	216	259
N A Rodgers <sup>(4)</sup>	165	–	15	402	582	427
R W Weaver <sup>(5)</sup>	157	50	23	–	230	335
<b>Non-executive Directors</b>						
D S Crowther	41	–	–	–	41	37
D E A Crowe <sup>(6)</sup>	21	–	–	–	21	29
J C Shakeshaft	31	–	–	–	31	13
S M Watson	31	–	–	–	31	3
T H Reed	–	–	–	–	–	15
Sir L H P Magnus	–	–	–	–	–	16
	<b>1,089</b>	<b>110</b>	<b>89</b>	<b>402</b>	<b>1,690</b>	<b>1,562</b>

(1) appointed 4 August 2008.

(2) appointed 1 August 2008. S D Dasani received a payment of £60,000 for lost incentives as a result of leaving his previous employer.

(3) retired 5 January 2009.

(4) resigned 11 June 2008. N A Rodgers' compensation for loss of office comprised £330,000 payment in lieu of notice, £50,000 termination payment and benefits in kind valued at £22,000 in respect of the retained use of his company car and private medical insurance for the period to 30 June 2009.

(5) retired 1 August 2008. It was agreed that R W Weaver would receive a bonus of £50,000 in recognition of his performance up to the date of his retirement. He also retained his company car. This is included within the benefit figure disclosed above.

(6) retired 3 September 2008.

The value of benefits in kind received during the year comprised life assurance cover, company car benefits, telephone expenses and the provision of private medical insurance. No Directors received expense allowances during the year.

### Executive Directors' pensions - defined benefit

During the year four of the executive Directors were members of the Company's defined benefit pension scheme.

	Decrease in accrued pension £000	Accrued pension at 31 Dec 2008 £000	Pension com- mutation lump sum received £000	Value at 31 Dec 2008 £000	Increase in value £000	Value at 31 Dec 2007 £000
J W Newman	(46)	220	543	4,193	841	3,349
J W Armstrong	(1)	66	n/a	1,143	237	892
N A Rodgers	(47)	36	242	940	63	866
R W Weaver	(33)	62	411	1,463	350	1,102

#### Notes

- (a) J W Newman, R W Weaver and N A Rodgers all retired from the pension scheme during the year and elected to take a lump sum in exchange for part of their pension entitlement. They are now drawing their pensions.
- (b) J W Armstrong's accrued pension is that which would be paid annually on retirement at normal retirement date based on pensionable service and final pensionable salary to 31 December 2008.
- (c) Members of the scheme have the option to pay additional voluntary contributions; neither these contributions nor the resulting benefits are included in the above table.
- (d) The decrease in accrued pension during the year excludes any increases for inflation.
- (e) Values are calculated in accordance with 'Retirement Benefit Schemes – Transfer Values (GN 11)' published by the Institute of Actuaries and the Faculty of Actuaries.
- (f) The increase in value during the year is net of employee contributions made to the scheme and arises principally from the increased cost of pension provision during the year due to falls in gilt yields and increased life expectancies.
- (g) Each executive Director has a normal retirement date of his 65th birthday but can take a pension from age 60.
- (h) No actuarial reduction is made in respect of early retirement between the ages of 60 and 65.
- (i) Pensions in payment accrued between 1 January 1989 and 5 April 2005 for J W Newman and J W Armstrong, and in total for R W Weaver and N A Rodgers, are increased annually in line with the annual rise in the All Items Index of Retail Prices subject to a maximum of 5 per cent per annum. Post 5 April 2005, increases are subject to a maximum of 2.5 per cent per annum. Pensionable salaries have been frozen at the 6 April 2006 level for three years.
- (j) In the event of the death of an executive Director, a pension equal to one half of the Director's pension will become payable to a surviving spouse.



### Executive Directors' pensions – defined contribution

G Anderson and S D Dasani who were appointed during the year are members of the Company's group personal pension arrangement. During the year the Company contributed £5,833 for G Anderson and £5,683 for S D Dasani.

### Long Term Incentive Plan

Two awards under this plan were made during the year to the executive Directors of the Company. An initial award was made following the announcement of the Group's results and a further award over shares worth 100 per cent of base salary was made to G Anderson and S D Dasani on their respective appointments:

	Date of grant	1 January 2008	Awarded during the year	Lapsed	Vested	31 December 2008	Market price at grant date pence	Vesting date
J W Newman	16 Jan 07	117,596	–	–	–	117,596	248.0	16 Jan 10
G Anderson	28 Aug 08	–	341,463	–	–	341,463	102.5	28 Aug 11
S D Dasani	28 Aug 08	–	214,634	–	–	214,634	102.5	28 Aug 11
J W Armstrong <sup>(1)</sup>	16 Jan 07	38,754	–	–	–	38,754	248.0	16 Mar 09
	31 May 07	29,953	–	9,984	–	19,969	217.5	16 Mar 09
	24 Apr 08	–	129,545	86,363	–	43,182	110.0	16 Mar 09
N A Rodgers <sup>(2)</sup>	16 Jan 07	61,878	–	–	–	61,878	248.0	16 Jan 10
	31 May 07	47,826	–	47,826	–	–	217.5	–
	24 Apr 08	–	225,000	225,000	–	–	110.0	–
R W Weaver <sup>(1)</sup>	16 Jan 07	50,288	–	–	–	50,288	248.0	16 Mar 09
	31 May 07	38,868	–	12,956	–	25,912	217.5	16 Mar 09

(1) On their respective retirements it was agreed that R W Weaver and J W Armstrong would, subject to performance conditions, benefit from the vesting of proportions of the awards made under the LTIP arrangements. In respect of the award made in January 2007, the LTIPs may potentially vest in respect of the full LTIP award subject to performance. In respect of the awards made in May 2007 and April 2008, the maximum number of shares that may vest is two thirds and one third respectively of the awards made. The table shows the maximum amount of shares which may vest and reflects the shares which have lapsed. The shortened performance will be measured against the EPS for the end of the 2008 financial year and will vest or lapse on the announcement of the Group's results.

(2) It was agreed that N A Rodgers would, subject to performance conditions, benefit from the vesting of the full award made under the LTIP arrangement in January 2007 subject to performance.

No consideration is payable for the awards, the terms of which are set out earlier in this report.

## Directors' share options

Options set out below granted under the 1994 Executive Share Option Scheme (Approved) are marked<sup>(1)</sup>, the 1996 Executive Share Option Scheme (Unapproved) are marked<sup>(2)</sup> and the 2004 Company Share Option Plan (Unapproved) are marked<sup>(3)</sup>:

	1 January 2008	Lapsed	31 December 2008	Exercise price pence	Exercise period
JW Newman	19,825	19,825	0 <sup>(2)</sup>	300.0	Mar 2001 – Mar 2008
	147,058		147,058 <sup>(2)</sup>	136.0	Sep 2002 – Sep 2009
	248,192		248,192 <sup>(2)</sup>	166.0	May 2004 – May 2011
	128,593		128,593 <sup>(2)</sup>	165.0	Apr 2005 – Apr 2012
	273,180		273,180 <sup>(2)</sup>	80.0	Mar 2006 – Mar 2013
	155,241		155,241 <sup>(3)</sup>	145.0	May 2007 – May 2014
	112,823		112,823 <sup>(3)</sup>	205.5	Apr 2008 – Apr 2015
	<b>1,084,912</b>	<b>19,825</b>	<b>1,065,087</b>		
JW Armstrong <sup>(4)</sup>	5,033	5,033	0 <sup>(2)</sup>	300.0	Mar 2001 – Mar 2008
	73,529		73,529 <sup>(2)</sup>	136.0	Sep 2002 – Jul 2009
	109,289		109,289 <sup>(2)</sup>	91.5	Mar 2003 – Jul 2009
	38,253		38,253 <sup>(2)</sup>	166.0	May 2004 – Jul 2009
	11,818		11,818 <sup>(1)</sup>	165.0	Apr 2005 – Jul 2009
	28,975		28,975 <sup>(2)</sup>	165.0	Apr 2005 – Jul 2009
	86,662		86,662 <sup>(2)</sup>	80.0	Mar 2006 – Jul 2009
	49,247		49,247 <sup>(3)</sup>	145.0	May 2007 – Jul 2009
	37,181		37,181 <sup>(3)</sup>	205.5	Apr 2008 – Jul 2009
<b>439,987</b>	<b>5,033</b>	<b>434,954</b>			
N A Rodgers	2,852	2,852	0 <sup>(1)</sup>	300.0	Mar 2001 – Mar 2008
	10,570	10,570	0 <sup>(2)</sup>	300.0	Mar 2001 – Mar 2008
	23,662	23,662	0 <sup>(2)</sup>	177.5	Mar 2002 – Dec 2008
	45,901	45,901	0 <sup>(2)</sup>	91.5	Mar 2003 – Dec 2008
	6,550	6,550	0 <sup>(1)</sup>	163.0	Apr 2004 – Dec 2008
	20,450	20,450	0 <sup>(2)</sup>	163.0	Apr 2004 – Dec 2008
	6,424	6,424	0 <sup>(1)</sup>	165.0	Apr 2005 – Dec 2008
	21,091	21,091	0 <sup>(2)</sup>	165.0	Apr 2005 – Dec 2008
	58,500	58,500	0 <sup>(2)</sup>	80.0	Mar 2006 – Dec 2008
	84,137	84,137	0 <sup>(3)</sup>	145.0	May 2007 – Dec 2008
	59,367	59,367	0 <sup>(3)</sup>	205.5	Apr 2008 – Dec 2008
<b>339,504</b>	<b>339,504</b>	<b>0</b>			
RW Weaver <sup>(4)</sup>	20,000	20,000	0 <sup>(2)</sup>	300.0	Mar 2001 – Mar 2008
	147,058		147,058 <sup>(2)</sup>	136.0	Mar 2002 – Jan 2009
	109,289		109,289 <sup>(2)</sup>	91.5	Mar 2003 – Jan 2009
	49,638		49,638 <sup>(2)</sup>	166.0	May 2004 – Jan 2009
	9,090		9,090 <sup>(1)</sup>	165.0	Apr 2005 – Jan 2009
	43,845		43,845 <sup>(2)</sup>	165.0	Apr 2005 – Jan 2009
	112,455		112,455 <sup>(2)</sup>	80.0	Mar 2006 – Jan 2009
	48,248		48,248 <sup>(3)</sup>	205.5	Apr 2008 – Jan 2009
<b>539,623</b>	<b>20,000</b>	<b>519,623</b>			

Notes

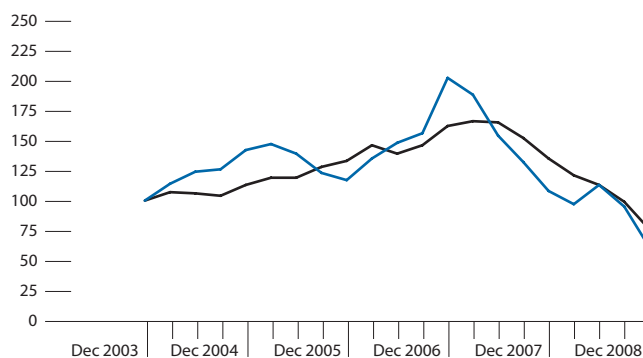
- (1,2) Options granted under the 1994 and 1996 Executive Share Option Schemes are generally exercisable not less than three and not more than ten years after their grant, and only then if a performance criterion has been achieved. Prior to 2001 the Group must have experienced annual growth in its earnings per share of at least 2 per cent over and above the Retail Price Index for a period of three years following the grant of the options. Options granted after 2000 carry a performance condition of annual growth in the Group's earnings per share of at least 4 per cent over and above the Retail Price Index for a period of three years following the grant of the options. The constituent parts of the condition are calculated each year to see if the performance condition has been met.
- (3) Options granted under the 2004 HMRC Approved and the Unapproved Company Share Option Plans carry a performance condition stating that the growth in the Group's earnings per share must exceed the increase in Retail Price Index by an average of 4 per cent per annum over a period of three consecutive years. Any year in which earnings per share is negative cannot be included. Options granted under these schemes lapse on the sixth anniversary of the date of grant in the event that any exercise condition is no longer capable of satisfaction.
- (4) Following retirement the options under the plan may be exercised within six months of the date of retirement provided the performance condition has been achieved.

During the year options granted to the executive Directors totalling 384,362 shares have lapsed. No options were exercised by the executive Directors.

The closing middle market prices for an ordinary share of 25p of the Company on 31 December 2008 and 2007 as derived from the Stock Exchange Daily Official List were 34.88p and 112.75p respectively. During the year the middle market price of TT electronics plc ordinary shares ranged between 23.88p and 134.88p.

**Total shareholder returns**

The Company's total shareholder return performance for the five years to 31 December 2008 is shown on the graph below compared with the performance achieved by the FTSE SmallCap companies (excluding investment trusts). The Company is a constituent of the FTSE SmallCap Index and for this reason the Directors consider it appropriate to benchmark the Company's performance against it.



- TT electronics plc
- FTSE SmallCap (excluding investment trusts)

Approved by the Board on 13 March 2009 and signed on its behalf by:

**D S Crowther**  
Chairman of the Remuneration Committee



We have audited the consolidated financial statements of TT electronics plc for the year ended 31 December 2008 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of recognised income and expense, the consolidated cash flow statement, the accounting policies and notes 1 to 32. These consolidated financial statements have been prepared under the accounting policies set out therein.

We have reported separately on page 66 on the Company financial statements of TT electronics plc for the year ended 31 December 2008 and the information in the Directors' remuneration report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the consolidated financial statements in accordance with United Kingdom law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the consolidated financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the consolidated financial statements give a true and fair view and whether the consolidated financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' report is consistent with the consolidated financial statements.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Directors' report on corporate governance reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we

report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited consolidated financial statements. The other information comprises only the Directors' report, the Chairman's statement, the Business review, the Directors' report on corporate governance, the unaudited part of the Directors' remuneration report and the historical record. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the consolidated financial statements. Our responsibilities do not extend to any other information.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the consolidated financial statements.

### Opinion

In our opinion

- the consolidated financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 December 2008 and of its profit for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' report is consistent with the financial statements.

**Grant Thornton UK LLP**  
Registered Auditors, Chartered Accountants

London, 13 March 2009

## Consolidated income statement

for the year ended 31 December 2008

	Note	2008 £million	2007 £million
Continuing operations			
<b>Revenue</b>	1	<b>584.3</b>	544.9
Cost of sales		<b>(480.8)</b>	(437.0)
<b>Gross profit</b>		<b>103.5</b>	107.9
Distribution costs		<b>(37.5)</b>	(36.0)
Administrative expenses		<b>(40.4)</b>	(35.2)
Other operating income		<b>1.4</b>	1.0
<b>Operating profit before exceptional items</b>	1	<b>27.0</b>	37.7
Exceptional items	4	<b>(3.8)</b>	–
<b>Operating profit</b>		<b>23.2</b>	37.7
Finance income	2	<b>18.1</b>	18.3
Finance costs	2	<b>(24.0)</b>	(22.7)
<b>Profit before taxation</b>	1	<b>17.3</b>	33.3
Taxation	5	<b>(5.7)</b>	(9.3)
<b>Profit for the year from continuing operations</b>		<b>11.6</b>	24.0
Discontinued operation			
<b>Loss for the year from discontinued operation</b>	6	–	(11.8)
<b>Profit for the year attributable to shareholders</b>		<b>11.6</b>	12.2
<b>Earnings per share</b>			
	8		
From continuing operations			
– basic		<b>7.5p</b>	15.5p
– diluted		<b>7.5p</b>	15.3p
From continuing and discontinued operations			
– basic		<b>7.5p</b>	7.9p
– diluted		<b>7.5p</b>	7.8p

## Consolidated balance sheet

at 31 December 2008

	Note	2008 £million	2007 £million
<b>Assets</b>			
Non-current assets			
Property, plant and equipment	10	137.4	112.0
Goodwill	11	74.5	52.3
Other intangible assets	12	23.6	17.3
Deferred tax assets	22	5.5	4.2
<b>Total non-current assets</b>		<b>241.0</b>	<b>185.8</b>
Current assets			
Inventories	13	120.0	91.0
Trade and other receivables	14	111.5	95.1
Cash and cash equivalents	14	10.1	7.6
<b>Total current assets</b>		<b>241.6</b>	<b>193.7</b>
<b>Total assets</b>		<b>482.6</b>	<b>379.5</b>
<b>Liabilities</b>			
Current liabilities			
Short-term borrowings	20	51.2	16.8
Financial derivatives	21	2.9	0.7
Trade and other payables	25	99.4	81.9
Current tax payable		3.1	–
Provisions for liabilities	24	5.6	0.3
<b>Total current liabilities</b>		<b>162.2</b>	<b>99.7</b>
Non-current liabilities			
Long-term borrowings	20	72.1	65.8
Deferred tax provision	22	8.7	6.0
Pensions and other post employment benefits	30	18.6	17.4
Provisions for liabilities	24	0.1	0.7
Other non-current liabilities	25	8.0	7.6
<b>Total non-current liabilities</b>		<b>107.5</b>	<b>97.5</b>
<b>Total liabilities</b>		<b>269.7</b>	<b>197.2</b>
<b>Net assets</b>		<b>212.9</b>	<b>182.3</b>
<b>Equity</b>			
Share capital	15	38.7	38.7
Share premium account	16	0.2	0.2
Share options reserve	16	1.2	1.1
Hedging and translation reserves	17	35.8	(1.5)
Retained earnings	18	134.6	141.8
Minority interests		2.4	2.0
<b>Total equity</b>	19	<b>212.9</b>	<b>182.3</b>

Approved by the Directors on 13 March 2009 and signed on their behalf by:

**G Anderson**  
Director

**S D Dasani**  
Director



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## Consolidated statement of recognised income and expense

for the year ended 31 December 2008

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	2008 £million	2007 £million
<b>Profit for the year</b>	<b>11.6</b>	12.2
Exchange differences on net foreign currency investments	<b>39.4</b>	4.8
Hedging reserve	<b>(2.1)</b>	(0.2)
Actuarial (loss)/gain on defined benefit pension schemes	<b>(3.2)</b>	38.3
Deferred tax on actuarial gains	–	(14.7)
<b>Total recognised income and expense for the year attributable to shareholders</b>	<b>45.7</b>	40.4

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## Consolidated cash flow statement

for the year ended 31 December 2008

	Note	2008 £million	2007 £million
<b>Operating activities</b>			
Profit for the year		11.6	12.2
<b>Adjustments for:</b>			
Finance costs		5.9	4.6
Taxation		5.7	8.3
Exceptional items		3.8	–
Depreciation of property, plant and equipment		23.4	21.7
Amortisation of intangible assets		10.9	9.6
Share based payment expense		0.1	0.3
Gain on disposal of property, plant and equipment		(1.9)	(2.7)
Loss on disposal of business		–	12.3
Pension curtailment gain		(1.2)	(1.1)
Other non-cash items		(3.8)	(1.5)
Exceptional costs		(1.7)	–
Additional payments to pension funds		(3.2)	(15.7)
<b>Operating cash flow before movements in working capital</b>		<b>49.6</b>	<b>48.0</b>
Decrease in financial derivatives		2.2	1.3
Increase in inventories		(6.6)	(4.2)
Decrease in receivables		–	0.4
Increase/(decrease) in payables		1.0	(2.6)
<b>Cash generated from operations</b>		<b>46.2</b>	<b>42.9</b>
Tax paid		(3.6)	(7.3)
<b>Net cash from operating activities</b>		<b>42.6</b>	<b>35.6</b>
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment		(21.9)	(29.4)
Proceeds from sale of property, plant and equipment and grants received		5.1	7.1
Development expenditure and purchase of patents and licences		(10.9)	(10.1)
Acquisition of subsidiaries net of cash acquired		(13.9)	–
Loan repayment		2.0	–
Net cash proceeds from sale of business	6	0.9	10.8
<b>Net cash used in investing activities</b>		<b>(38.7)</b>	<b>(21.6)</b>
<b>Cash flows from financing activities:</b>			
Interest paid (net)		(3.8)	(4.7)
Net changes in long-term borrowings and finance lease liabilities		9.0	0.3
Issue of shares		–	0.2
Dividends paid		(15.6)	(15.6)
<b>Net cash used in financing activities</b>		<b>(10.4)</b>	<b>(19.8)</b>
Net decrease in cash and cash equivalents		(6.5)	(5.8)
Cash and cash equivalents at beginning of period		(5.2)	0.7
Exchange difference		(0.5)	(0.1)
<b>Cash and cash equivalents at end of period</b>		<b>(12.2)</b>	<b>(5.2)</b>
Cash and cash equivalents comprise:			
Cash and cash equivalents	14	10.1	7.6
Bank overdrafts	20	(22.3)	(12.8)
		<b>(12.2)</b>	<b>(5.2)</b>

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## Accounting policies for the consolidated financial statements

The consolidated financial statements have been prepared under International Financial Reporting Standards (IFRS) as endorsed by the European Union.

The financial statements have been prepared under the historical cost convention modified by the revaluation of financial assets and derivatives held at fair value and by the revaluation at the transition date to IFRS of certain property, plant and equipment.

The Group is not yet required to, and has not, adopted the latest revisions of: IAS 1; IAS 23; IAS 27; IFRS 3; IFRS 8; IFRICs 12, 13, 14, 15, 16, 17 and 18. The adoption of these revisions and standards would not have had any significant effect on these financial statements.

### Basis of consolidation

The Group's financial statements consolidate the financial statements of TT electronics plc and all its subsidiaries. Subsidiaries are consolidated from the date on which control transfers to the Group and are included until the date on which the Group ceases to control them. Transactions between Group companies are eliminated, together with unrealised gains on inter-group transactions, on consolidation.

### Revenue recognition

Revenue is the fair value, usually the invoiced value, of goods and services supplied to external customers excluding value added tax and other sales related taxes. Transactions are recorded as sales when the delivery of products or performance of services takes place in accordance with the contract terms of sale.

### Goodwill

Goodwill arising on the acquisition of a business, representing the difference between the cost of acquisition and the fair value of the identifiable net assets acquired, is capitalised and is tested annually for impairment. The net book value of goodwill at the date of transition to IFRS has been treated as deemed cost. On the subsequent disposal or discontinuance of a previously acquired business, the relevant goodwill is dealt with in the income statement except for the goodwill already charged to reserves.

### Other intangible assets

Intangible assets acquired as part of a business combination are stated in the balance sheet at their fair value at the date of acquisition less accumulated amortisation. Internally generated intangible assets, principally product development costs, are stated in the balance sheet at cost less accumulated amortisation. The amortisation rates for intangible assets are:

Acquired patents and licences	– up to 10 years
Development projects	– up to 3 years
Customer relationships	– 3-8 years

Amortisation is on a straight-line basis.

The carrying values of intangible assets are tested for impairment when there is an indication that they may be impaired.

### Foreign currencies

Assets and liabilities of overseas subsidiaries are translated into sterling at the rate of exchange ruling at the balance sheet date. The results and cash flows of overseas subsidiaries are translated into sterling using the average rate of exchange for the year. Exchange movements on the restatement of the net assets of overseas subsidiaries, foreign currency loans held for the purpose of financing overseas investments, and the adjustment between the income statement translated at the average rate and the closing rate are recognised in equity and reported in the statement of recognised income and expense. All other exchange differences are dealt with through the consolidated income statement. On disposal of an overseas subsidiary any cumulative exchange movements relating to that subsidiary held in the translation reserve are transferred to the consolidated income statement.

The Group uses forward currency contracts in order to partially hedge its exposure to foreign exchange risks.



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## Property, plant and equipment

Property, plant and equipment are stated at cost less a provision for depreciation. Depreciation is calculated so as to write-off the cost less estimated residual value of the assets in equal instalments over their expected useful lives. No depreciation is provided on freehold land. Depreciation is provided on other assets at the following rates:

Freehold buildings	– 2%
Leasehold buildings	– 2% (or over the period of the lease if less than 50 years)
Plant, equipment and vehicles	– 10% to 33%

The carrying values of property, plant and equipment are reviewed for impairment when there is an indication that they may be impaired.

## Inventories

Inventories are valued at the lower of cost, including related overheads, and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and the overheads incurred in bringing inventories to their present location and condition. Cost is calculated on a weighted average cost basis.

## Deferred taxation

Deferred taxation is provided on taxable temporary differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which temporary differences can be utilised or that they will reverse. No provision is made for deferred tax which would become payable on the distribution of retained profits by overseas subsidiaries unless there is an intention to distribute such profits. Deferred tax is measured using the tax rates expected to apply when the asset is realised or the liability settled based on tax rates enacted or substantially enacted by the balance sheet date.

## Leases

Assets acquired under finance leases which confer substantially all the risks and rewards of ownership of an asset are capitalised within property, plant and equipment and the outstanding rental instalments, net of interest, are shown in borrowings. Assets held under finance leases are depreciated over the shorter of the lease terms and the expected useful lives of the assets.

Payments on operating leases are charged to the income statement on a straight-line basis over the lease term.

## Financial assets:

### Trade and other receivables

Trade and other receivables are carried at the invoiced or contractually agreed amount less any required allowances for uncollectable amounts.

### Financial derivatives

Derivative financial instruments are measured at fair value. The Group uses forward foreign exchange contracts and interest rate instruments to manage the relevant exposures. These derivative financial instruments are classified as fair value through profit or loss and all changes in fair value are recognised in the consolidated income statement.

### Cash and cash equivalents

Cash and cash equivalents comprise cash at hand, demand deposits and short-term highly liquid investments that are easily convertible into known amounts of cash.

## Financial liabilities:

### Hedge accounting

The Group uses cash flow hedges to reduce its exposure to exchange rate, interest rate and other financial risks. The application of the hedge is documented before hedge accounting commences and is regularly reviewed for effectiveness. The net gains or losses relating to hedged items to the extent that the hedge is effective are dealt with in the Statement of recognised income and expense. Any ineffective portions are dealt with in the income statement.

### Bank borrowings

Bank borrowings are carried at the amounts payable at the balance sheet date. The Group uses borrowings in overseas currencies to hedge its exchange rate exposure on overseas assets. All borrowing costs are expensed.

### Trade payables

Trade payables are carried at the amounts expected to be paid to counterparties.

### Employee benefits

The Group operates defined benefit post retirement benefit schemes and defined contribution pension schemes.

The liability recognised in the balance sheet for defined benefit schemes is the present value of schemes' liabilities less the fair value of schemes' assets. The operating and financing costs of defined benefit schemes are recognised separately in the income statement. Operating costs comprise the current service cost, any gains or losses on settlement or curtailments, and past service costs where benefits have vested. Finance items comprise the unwinding of the discount on schemes' liabilities and the expected return on schemes' assets. Actuarial gains or losses comprising differences between the actual and expected return on schemes' assets, changes in schemes' liabilities due to experience and changes in actuarial assumptions are recognised immediately in the Statement of recognised income and expense.

Pension costs for the defined contribution plans represent the amount of contributions payable in respect of the accounting period.

### Government grants

Government grants relating to non-current assets are treated as deferred income and credited to the income statement by equal instalments over the anticipated useful lives of the assets to which the grants relate. Other grants are credited to the income statement over the period of the project to which they relate.

### Research and development

Research costs are written-off as incurred. Development costs incurred in the development of new or substantially improved products and processes are capitalised as intangible assets if it is probable that the expenditure will generate future economic benefits and can be measured reliably. Such costs are amortised on a straight-line basis over three years.

### Share based payments

The fair value at the date of grant of share based remuneration is calculated using appropriate pricing models and charged to the income statement on a straight-line basis over the vesting period of the award. The charge to the income statement takes account of the estimated number of shares that will vest. All share based remuneration is equity settled.

### Discontinued operations

The Group reports a business as a discontinued operation when its sale, probable sale or abandonment results in the cessation of a major line of business or geographical area of operation.

### Segmental reporting

The Group's primary reporting format is business segments which are subject to similar risks and returns. The secondary format is geographical segments.

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

There were no material transactions or events during the year requiring critical judgements in applying the Group's accounting policies.

However in preparing the accounts, there are a number of sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. These are shown below.

### Key sources of estimation uncertainty

#### i Recoverability of internally generated intangible assets

The recoverability of capitalised development costs is dependent on assessments of the future commercial viability of the relevant products and processes. The carrying amount of £18.3 million at 31 December 2008 is considered to be fairly stated.

#### ii Impairment of goodwill

The carrying amount of goodwill is £74.5 million. This has been tested for impairment by estimating the value in use of the cash generating units to which it has been allocated. The value in use is estimated by discounting future cash flows. This process gives rise to uncertainty in respect of the cash flows themselves and the discount factors applied.

#### iii Defined benefit pension obligations

The defined benefit pension obligations are calculated using a number of assumptions, such as future inflation, salary increases and mortality and the obligation is then discounted to its present value using an assumed discount rate. The pension deficit of £18.6 million at 31 December 2008 has been calculated using the assumptions set out in note 30.

#### iv Provisions

The Group makes appropriate provision on a consistent basis for risks of product liability, litigation, credit risk and other normal trading exposures.

#### v Deferred tax

The recognition of deferred tax assets is dependent on assessments of future taxable income in the countries concerned.

## Notes to the consolidated financial statements

### 1 Segmental reporting

The Group's primary reporting segments for 2007 and 2008 were the following business sectors

- **Sensors and electronic systems** – manufactured for major automotive and other customers.
- **Electronic components** – resistors, microcircuits, potentiometers and trimmers, power control modules.
- **Electronic manufacturing services** – printed circuit board and higher level assemblies.
- **Secure power and industrial** – standby and continuous power systems, electrical transmission and connection systems and insulation products.

	Revenue		Sector result	
	2008 £million	2007 £million	2008 £million	2007 £million
– Sensors and electronic systems	<b>189.2</b>	182.3	<b>0.8</b>	10.0
– Electronic components	<b>145.2</b>	131.2	<b>7.3</b>	10.0
– Electronic manufacturing services	<b>103.4</b>	92.2	<b>6.0</b>	4.1
– Secure power and industrial	<b>146.5</b>	139.2	<b>12.9</b>	13.6
Total	<b>584.3</b>	544.9	<b>27.0</b>	37.7
Exceptional operating items (note 4)			<b>(3.8)</b>	–
Operating profit			<b>23.2</b>	37.7
Finance income (note 2)			<b>18.1</b>	18.3
Finance costs (note 2)			<b>(24.0)</b>	(22.7)
Profit before tax			<b>17.3</b>	33.3
Taxation (note 5)			<b>(5.7)</b>	(9.3)
<b>Profit for the year from continuing operations</b>			<b>11.6</b>	24.0

There are no significant sales between sectors.

	Assets		Liabilities		Total capital employed	
	2008 £million	2007 £million	2008 £million	2007 £million	2008 £million	2007 £million
– Sensors and electronic systems	<b>162.1</b>	134.7	<b>34.3</b>	29.6	<b>127.8</b>	105.1
– Electronic components	<b>164.4</b>	120.8	<b>30.0</b>	21.4	<b>134.4</b>	99.4
– Electronic manufacturing services	<b>56.9</b>	50.2	<b>22.2</b>	17.8	<b>34.7</b>	32.4
– Secure power and industrial	<b>83.6</b>	62.0	<b>29.6</b>	21.9	<b>54.0</b>	40.1
Sector assets and liabilities – continuing operations	<b>467.0</b>	367.7	<b>116.1</b>	90.7	<b>350.9</b>	277.0
Pensions and other post employment benefits	–	–	<b>18.6</b>	17.4	<b>(18.6)</b>	(17.4)
Unallocated assets and liabilities	<b>15.6</b>	11.8	<b>135.0</b>	89.1	<b>(119.4)</b>	(77.3)
Total net assets	<b>482.6</b>	379.5	<b>269.7</b>	197.2	<b>212.9</b>	182.3



## 1 Segmental reporting continued

	Capital additions		Depreciation and amortisation	
	2008 £million	2007 £million	2008 £million	2007 £million
– Sensors and electronic systems	20.0	21.3	17.1	14.7
– Electronic components	7.6	11.0	10.9	10.0
– Electronic manufacturing services	1.0	2.3	2.3	2.4
– Secure power and industrial	4.2	4.6	3.6	3.5
Total – before exceptional items	32.8	39.2	33.9	30.6
Exceptional items	–	–	0.4	–
Total continuing operations	32.8	39.2	34.3	30.6

### Geographical segments

The following is an analysis of the carrying amount of segment assets and additions to property, plant and equipment and intangible assets analysed by the geographical area in which the assets are located.

	Capital additions		Carrying amount of segment assets	
	2008 £million	2007 £million	2008 £million	2007 £million
United Kingdom	6.6	8.6	117.3	102.5
Rest of Europe	17.6	21.3	114.7	89.1
North America	6.1	7.2	183.8	139.2
Rest of the World	2.5	2.1	51.2	36.9
Total – continuing operations	32.8	39.2	467.0	367.7

The Group operates globally. Revenue by geographical destination is:

	Continuing operations		Discontinued operation		Total	
	2008 £million	2007 £million	2008 £million	2007 £million	2008 £million	2007 £million
United Kingdom	108.3	111.2	–	31.1	108.3	142.3
Rest of Europe	213.4	201.1	–	1.6	213.4	202.7
North America	154.3	149.5	–	0.1	154.3	149.6
Rest of the World	108.3	83.1	–	4.8	108.3	87.9
	584.3	544.9	–	37.6	584.3	582.5

## 2 Finance costs – net

	Continuing operations		Discontinued operation		Total	
	2008 £million	2007 £million	2008 £million	2007 £million	2008 £million	2007 £million
Interest receivable	0.4	0.5	–	–	0.4	0.5
Expected return on pension scheme assets	17.7	17.8	–	0.7	17.7	18.5
Finance income	18.1	18.3	–	0.7	18.1	19.0
Interest on bank overdrafts and loans	4.4	4.7	–	0.2	4.4	4.9
Interest on finance leases	0.1	0.3	–	–	0.1	0.3
Unwinding of the discount on pension scheme liabilities	19.5	17.7	–	0.7	19.5	18.4
Finance costs	24.0	22.7	–	0.9	24.0	23.6
Finance costs – net	5.9	4.4	–	0.2	5.9	4.6

### 3 Profit for the year

Profit for the year is stated after charging/(crediting):

	Continuing operations		Discontinued operation		Total	
	2008 £million	2007 £million	2008 £million	2007 £million	2008 £million	2007 £million
Depreciation of property, plant and equipment	23.4	21.0	–	0.7	23.4	21.7
Amortisation of intangible assets included in cost of sales	10.9	9.6	–	–	10.9	9.6
Net foreign exchange losses	1.1	0.6	–	–	1.1	0.6
Cost of inventories recognised as an expense	480.8	437.0	–	35.0	480.8	472.0
Employee emoluments	153.9	144.2	–	6.3	153.9	150.5
Fees to group Auditors						
– company and consolidation statutory audits	0.1	0.2	–	–	0.1	0.2
Fees to group Auditors and associates						
– statutory audit of subsidiaries	0.8	0.6	–	–	0.8	0.6
– tax services	0.2	0.2	–	–	0.2	0.2
– audit of group pension schemes	–	0.1	–	–	–	0.1
Fees to other Auditors						
– statutory audit of subsidiaries	0.1	0.1	–	–	0.1	0.1
– tax services	0.1	0.1	–	–	0.1	0.1
Government grants credited	(1.4)	(1.2)	–	–	(1.4)	(1.2)
Share based payment	0.1	0.3	–	–	0.1	0.3

### 4 Exceptional items

	2008 £million	2007 £million
AB Automotive Electronics Limited	2.7	–
AB Electronic Limited	1.1	–
	<b>3.8</b>	–

The exceptional items are the costs of closing the UK production sites of AB Automotive Electronics Limited and AB Electronic Limited. Production for AB Electronic Limited is being relocated to Group companies in China and India.

The Group reports income or expenditure as exceptional 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.

## 5 Taxation

	Continuing operations		Discontinued operation		Total	
	2008 £million	2007 £million	2008 £million	2007 £million	2008 £million	2007 £million
Current tax	5.9	7.1	–	(1.0)	5.9	6.1
Deferred tax (note 22)	(0.2)	2.2	–	–	(0.2)	2.2
	5.7	9.3	–	(1.0)	5.7	8.3

UK tax is calculated at 28.5 per cent (2007: 30 per cent) of taxable profit. Overseas tax is calculated at the rates ruling in the relevant countries. The total tax charge for the year represents an overall rate of 33 per cent (2007: 28 per cent).

The tax charge is explained as follows:

	2008 £million	2007 £million
Profit before taxation		
Continuing operations	17.3	33.3
Discontinued operation	–	(12.8)
	17.3	20.5
Tax at the UK income tax rate	4.9	6.2
Tax rates of non UK subsidiaries	0.6	(0.4)
Utilisation of losses not previously recognised	(1.1)	(2.1)
Losses for which no deferred tax asset is recognised	0.5	4.0
Expenses not deductible for tax purposes	0.8	0.8
Other	–	(0.2)
	5.7	8.3

## 6 Discontinued operation

On 3 September 2007 the Group sold the business and net trading assets of AEI Cables Limited, which completed the Group's exit from the cables business. The loan note for £0.9 million forming part of the disposal proceeds was repaid on 3 September 2008.

The amount included in the income statement for this disposal comprises:

	2008 £million	2007 £million
Loss after taxation before curtailment gain	–	(0.6)
Curtailment of pension scheme benefits	–	1.1
Loss on disposal of business and assets	–	(12.3)
	–	(11.8)

## 7 Dividends

The following dividends have been paid in the year:

	2008 pence per share	2008 £million	2007 pence per share	2007 £million
Final dividend for prior year	6.36	9.9	6.36	9.9
Interim dividend for current year	3.69	5.7	3.69	5.7
	10.05	15.6	10.05	15.6

The Directors are not recommending the payment of a final dividend for 2008.



## 8 Earnings per share

### From continuing operations:

	2008 pence per share	2007 pence per share
Headline <sup>(1)</sup>	9.2	15.5
Basic	7.5	15.5
Diluted	7.5	15.3

Earnings per share has been calculated by dividing the profit attributable to shareholders by the weighted average number of shares in issue during the year. The numbers used in calculating basic and fully diluted earnings per share are reconciled below:

	2008 £million	2007 £million
Profit for the year attributable to shareholders	11.6	12.2
Add loss for the year from discontinued operation	–	11.8
Earnings from continuing operations	11.6	24.0
Weighted average number of shares in issue:		
	2008 million	2007 million
Basic	155.0	154.9
Adjustment for share options	0.1	1.5
Diluted	155.1	156.4

<sup>(1)</sup> Headline earnings per share on continuing operations before exceptional items of 9.2p (2007: 15.5p) is based on the profit for the year of £11.6 million (2007: £24.0 million) adjusted for exceptional items of £3.8 million (2007: £nil million) less the associated taxation of £1.1 million (2007: £nil million).

### From continuing and discontinued operations:

	2008 pence per share	2007 pence per share
Basic	7.5	7.9
Diluted	7.5	7.8
	2008 £million	2007 £million
Profit for the year attributable to shareholders:		
Earnings basic and diluted	11.6	12.2

The denominators are the same as shown above for both basic and diluted earnings per share.

### From discontinued operation:

	2008 pence per share	2007 pence per share
Basic – loss	–	(7.6)
Diluted – loss	–	(7.5)
	2008 £million	2007 £million
Loss for the year from discontinued operation	–	(11.8)

The denominators are the same as shown above for both basic and diluted loss per share.

## 9 Employees

The average number of full time equivalent employees (including Directors) during the year was:

	2008 number	2007 number
<b>By function</b>		
Production	6,455	6,709
Sales and distribution	645	589
Administration	492	463
	<b>7,592</b>	<b>7,761</b>
<b>By sector</b>		
– Sensors and electronic systems	2,216	2,429
– Electronic components	2,642	2,707
– Electronic manufacturing services	1,343	1,070
– Secure power and industrial	1,391	1,340
Total continuing operations	7,592	7,546
Discontinued operation	–	215
Total	<b>7,592</b>	<b>7,761</b>

The aggregate emoluments including those of Directors for the year were:

	2008 £million	2007 £million
Wages and salaries	129.1	126.2
Employers' social security charges	21.3	19.9
Employers' pension costs	3.5	4.4
	<b>153.9</b>	<b>150.5</b>

Remuneration in respect of the Directors was as follows:

	2008 £million	2007 £million
Emoluments	1.7	1.6

Further details of individual Directors' remuneration, pension benefits and share options are shown in the Directors' remuneration report on pages 31 to 36.

## 10 Property, plant and equipment

	Land and buildings £million	Plant and equipment £million	Total £million
<b>Cost</b>			
At 1 January 2007	55.0	292.6	347.6
Additions	4.9	24.5	29.4
Disposal of business	–	(10.0)	(10.0)
Disposals	(5.7)	(23.0)	(28.7)
Exchange translation differences	1.7	7.2	8.9
At 1 January 2008	55.9	291.3	347.2
Additions	3.4	18.5	21.9
Acquisition of subsidiaries	2.6	2.6	5.2
Disposals	(3.7)	(8.7)	(12.4)
Exchange translation differences	10.9	60.6	71.5
<b>At 31 December 2008</b>	<b>69.1</b>	<b>364.3</b>	<b>433.4</b>
<b>Accumulated depreciation and impairment</b>			
At 1 January 2007	12.4	226.6	239.0
Depreciation charge for the year	1.3	20.4	21.7
Disposal of business	–	(8.7)	(8.7)
Eliminated on disposals	(0.4)	(21.8)	(22.2)
Exchange translation differences	0.4	5.0	5.4
At 1 January 2008	13.7	221.5	235.2
Depreciation charge for the year	1.7	21.7	23.4
Acquisition of subsidiaries	–	1.0	1.0
Eliminated on disposals	(2.7)	(8.3)	(11.0)
Exchange translation differences	2.5	44.9	47.4
<b>At 31 December 2008</b>	<b>15.2</b>	<b>280.8</b>	<b>296.0</b>
<b>Carrying amount:</b>			
<b>At 31 December 2008</b>	<b>53.9</b>	<b>83.5</b>	<b>137.4</b>
At 31 December 2007	42.2	69.8	112.0

The following rates are used for the depreciation of property, plant and equipment:

Freehold property	2%
Leasehold land and buildings	2% (or over the period of the lease if less than 50 years)
Plant and equipment	10% to 33%

The carrying amount of land and buildings includes £0.4 million (2007: £0.5 million) in respect of assets held under finance leases.



## 11 Goodwill

	£million
<b>Cost</b>	
At 1 January 2007	53.1
Exchange translation differences	(0.8)
At 1 January 2008	52.3
Acquisition of subsidiaries	5.7
Exchange translation differences	16.5
<b>At 31 December 2008</b>	<b>74.5</b>

Goodwill is primarily attributed to the following cash generating units in the sectors shown:

	£million
BI Technologies – Electronic components	30.9
Optek Technology – Sensors and electronic systems	23.6
TT electronics integrated manufacturing services, Inc USA – Electronic manufacturing services	8.4
TT electronics integrated manufacturing services (Suzhou) Co Ltd – Electronic manufacturing services	5.1
New Chapel Electronics	3.4
Semelab	2.3

Goodwill has been tested for impairment by assessing the value in use of the relevant cash generating units. The value in use calculations were based on projected cash flows for the years 2009 – 18. Cashflows for 2009 are based on the budget for the year, which was finalised in December 2008 in light of changed economic conditions. Cashflows for 2010 and 2011 are based on the financial data derived from the strategic review initiated in August 2008 the results of which were announced on 21 January 2009. The strategic review was conducted for every subsidiary and reviewed in depth by key management and external consultants. The results of the strategic review have been endorsed by the Board.

In the outer years (2012 – 18), cashflows are based on a prudent level of sales growth of 3% per annum or lower, taking account of past performance and the strategic review projections. The terminal value has been conservatively estimated as 5 times EBITDA for the final year.

Cash flows for 2009 – 18 were discounted at 10% per annum, which is the estimated cost of capital for the businesses concerned. The impairment tests have been subjected to sensitivity analysis using a reduction in annual operating profits of 20%, changing the terminal value to 3 times EBITDA or changing the discount rate to 12%.

The conclusion reached is that no impairment provision is required.

## 12 Other intangible assets

	Development costs £million	Patents and licences £million	Customer relationships £million	Total £million
<b>Cost</b>				
At 1 January 2007	26.4	3.0	1.1	30.5
Additions	9.5	0.6	–	10.1
Retirements	(9.7)	–	–	(9.7)
Exchange translation differences	1.5	0.1	–	1.6
At 1 January 2008	27.7	3.7	1.1	32.5
Additions	10.3	0.6	–	10.9
Acquisition of subsidiaries	–	0.2	2.3	2.5
Retirements	(9.3)	–	–	(9.3)
Exchange translation differences	7.3	0.2	0.2	7.7
<b>At 31 December 2008</b>	<b>36.0</b>	<b>4.7</b>	<b>3.6</b>	<b>44.3</b>
<b>Amortisation</b>				
At 1 January 2007	13.6	0.8	0.1	14.5
Charge for the year	8.8	0.4	0.4	9.6
Retirements	(9.7)	–	–	(9.7)
Exchange translation differences	0.7	0.1	–	0.8
At 1 January 2008	13.4	1.3	0.5	15.2
Charge for the year	10.0	0.4	0.5	10.9
Retirements	(9.3)	–	–	(9.3)
Exchange translation differences	3.6	0.1	0.2	3.9
<b>At 31 December 2008</b>	<b>17.7</b>	<b>1.8</b>	<b>1.2</b>	<b>20.7</b>
Carrying amount				
<b>At 31 December 2008</b>	<b>18.3</b>	<b>2.9</b>	<b>2.4</b>	<b>23.6</b>
At 31 December 2007	14.3	2.4	0.6	17.3

Development costs are amortised over up to three years and are retired when fully written-off. Patents and licences are amortised over ten years. The attributed value of customer relationships are amortised over 3-8 years.

**13 Inventories**

	2008 £million	2007 £million
Raw materials	51.9	40.4
Work in progress	24.3	19.4
Finished goods	43.8	31.2
	<b>120.0</b>	91.0

Inventories are stated after deduction of a provision for slow moving and obsolete items of £19.0 million (2007: £14.2 million). The carrying amount of inventories has increased by £19.6 million as a result of currency exchange rate movements.

**14 Other financial assets and prepayments**

	2008 £million	2007 £million
<b>Trade and other receivables</b>		
Trade debtors	98.1	76.8
Prepayments	8.1	8.3
Other debtors	5.3	8.0
Loan to Newship Limited	–	2.0
	<b>111.5</b>	95.1

The loan to Newship Limited was repaid on 15 May 2008.

The carrying amount of trade and other receivables approximates to their fair value. The carrying amount of trade and other receivables has increased by £16.4 million as a result of currency exchange rate movements.

	2008 £million	2007 £million
<b>Cash and cash equivalents</b>	<b>10.1</b>	7.6

Cash and cash equivalents comprise bank balances and short-term bank deposits. The carrying amount approximates to fair value.

The Group's financial assets comprise cash and loans and receivables. The credit risk on the cash and cash equivalents is negligible because the counterparties are banks with high credit ratings. The carrying amount approximates to fair value.

Trade debtors are stated net of an allowance for estimated irrecoverable amounts of £2.8 million (2007: £2.2 million) and the carrying amount approximates to fair value. The Group is not reliant on any particular customer in the markets in which it operates and there is no significant concentration of credit risk.

An analysis of the age of trade debtors that were past due at the year end but for which no impairment provision was made is:

	2008 £million	2007 £million
Not more than 3 months	20.7	20.5
More than 3 months but not more than 6 months	1.4	1.7
More than 6 months but not more than 1 year	0.1	0.3
More than one year	–	0.3
	<b>22.2</b>	22.8

The Group has strict procedures in place to ensure debts are not entered into without appropriate authorisation and that they are collected in a timely manner.

Trade debtors are denominated in the currencies in which the Group trades. The Group's policy is that debtors and creditors not in the functional currency of the subsidiary concerned are covered by forward foreign currency exchange contracts. The exchange risk at Group level is therefore restricted to the risk on the translation of overseas assets, liabilities and cash flows into sterling.

## 14 Other financial assets and prepayments continued

Financial assets analysed by currency are:

	2008 £million	2007 £million
Sterling	35.5	32.4
US dollar	24.5	19.4
Euro	23.3	18.9
Other	29.7	23.7
	<b>113.0</b>	<b>94.4</b>

## 15 Share capital

	2008 £million	2007 £million
<b>Authorised</b> 226,000,000 (2007: 226,000,000) ordinary shares of 25p each	<b>56.5</b>	56.5
<b>Issued and fully paid</b> 154,952,795 (2007: 154,952,795) ordinary shares of 25p each	<b>38.7</b>	38.7

The ordinary shares of 25p each are equity share capital.

### Potential issues of ordinary shares

The Company has share option schemes, which are closed for future grants, and a Long Term Incentive Plan ('LTIP') for senior executives.

Details of the share options outstanding during the year are:

	Number of share options	2008 Weighted average exercise price (p)	Number of share options	2007 Weighted average exercise price (p)
At 1 January	5,136,108	135.0	5,798,564	147.9
Granted	–	–	–	–
Forfeited	(849,302)	111.4	(315,555)	230.7
Exercised	–	–	(154,692)	145.0
Expired	(141,387)	300.0	(192,209)	359.0
At 31 December	4,145,419	134.2	5,136,108	135.0
Exercisable at 31 December	546,730	145.0	721,445	145.0

For share options outstanding at 31 December 2008 the range of exercise prices was 80.0p to 205.5p (2007: 80.0p to 300.0p) and the weighted average remaining contractual life was 3.4 years (2007: 4.4 years). Options are equity settled, have a life of ten years (with the exception of certain schemes where the options lapse after six years if the performance criteria are not achieved) and vest after three years. Exercise of the options is conditional on there being an increase in earnings per share over any consecutive three year period of 2 per cent per annum for options granted prior to 2001 and 4 per cent per annum for options granted after 2000 above the increase in the Retail Price Index over the same period.

On 24 April 2008 and 28 August 2008 grants of awards were made under the LTIP for the issue of up to 1,019,045 and 556,097 shares in 2011. During the year, 529,400 shares were forfeited and 2,189,744 shares were outstanding as at 31 December 2008 (2007: 1,144,002 shares).

The award is a contingent right to receive shares in the future, subject to continued employment and the achievement of predetermined performance criteria. The performance targets attached to awards granted in 2008 are that the Group's earnings per share, measured over a three year period, must grow by at least 3 per cent compound per annum in excess of the Retail Price Index. At this level only 25 per cent of an award will vest. For an award to vest in full, the Group's earnings per share measured over the same period must have grown by at least 7 per cent compound per annum in excess of the Retail Price Index. For earnings per share between these thresholds, the number of shares vesting will be calculated on a proportional basis. Any part of an award that does not vest after three years where the performance criteria are not reached will lapse.



## 15 Share capital continued

The estimated fair values of the LTIP grants on 24 April 2008 and 28 August 2008 are 82.4p and 74.9p per share respectively. These fair values were calculated using the following inputs:

	24 April	28 August
Share price	110.0p	102.5p
Dividend per annum	10.05p	10.05p
Risk free rate	4.5%	4.4%
Grant vesting	25%	25%

The Group charged £0.1 million (2007: £0.3 million) to the Consolidated income statement in respect of share based payments. The charge represents the cost allocated to 2008 in respect of the LTIP grants in 2006, 2007 and 2008 offset by a credit of £0.1 million arising from attrition to options issued in 2003 and 2005.

## 16 Capital reserves

	Share premium account £million	Share option reserve £million	Total £million
At 1 January 2007	–	0.8	0.8
Share issues	0.2	–	0.2
Share based payments	–	0.3	0.3
At 1 January 2008	0.2	1.1	1.3
Share based payments	–	0.1	0.1
<b>At 31 December 2008</b>	<b>0.2</b>	<b>1.2</b>	<b>1.4</b>

## 17 Hedging and translation reserves

	Hedging reserve £million	Translation reserve £million	Total £million
At 1 January 2007	5.2	(11.3)	(6.1)
Exchange differences on translation of foreign operations	–	3.7	3.7
Exchange differences on US\$124 million borrowings	1.1	–	1.1
Cash flow hedges	(0.2)	–	(0.2)
At 1 January 2008	6.1	(7.6)	(1.5)
Exchange differences on translation of foreign operations	–	61.5	61.5
Exchange differences on US\$124 million borrowings	(22.1)	–	(22.1)
Cash flow hedges	(2.1)	–	(2.1)
<b>At 31 December 2008</b>	<b>(18.1)</b>	<b>53.9</b>	<b>35.8</b>

The cash flow hedges arise from the 2008 profit translation hedges £0.1 million and the forward foreign exchange contracts hedging 2009 transactions £2.2 million. The effect in the Consolidated income statement of hedges unwinding was £0.5 million (2007: £nil million).

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## 18 Retained earnings

	£million
At 1 January 2007	121.6
Profit for the year	12.2
Actuarial net gain on defined benefit pension schemes	38.3
Deferred tax thereon	(14.7)
Dividends paid	(15.6)
At 1 January 2008	141.8
Profit for the year attributable to equity	11.6
Actuarial net loss on defined benefit pension schemes	(3.2)
Dividends paid	(15.6)
<b>At 31 December 2008</b>	<b>134.6</b>

## 19 Shareholders' equity

	£million
At 1 January 2007	157.0
Profit for the year	12.2
Exchange differences on net foreign currency investments	4.8
Actuarial net gain on defined benefit pension schemes	38.3
Deferred tax on actuarial gain	(14.7)
Dividends paid	(15.6)
Share based payments	0.3
Premium on share issues	0.2
Cash flow hedges	(0.2)
At 1 January 2008	182.3
Profit for the year	11.6
Exchange differences on net foreign currency investments	39.4
Actuarial net loss on defined benefit pension schemes	(3.2)
Dividends paid	(15.6)
Share based payments	0.1
Cash flow hedges	(2.1)
Minority interests	0.4
<b>At 31 December 2008</b>	<b>212.9</b>

Details of movements in the constituent elements of shareholders' equity are given in notes 15, 16, 17 and 18.

**20 Borrowings**

	2008 £million	2007 £million
Bank overdrafts	22.3	12.8
Bank loans	100.5	67.6
Finance leases	0.5	2.2
	<b>123.3</b>	<b>82.6</b>

The borrowings are repayable as follows:

	2008 £million	2007 £million
In one year or less	51.2	16.8
In more than one year but not more than two years	1.7	0.6
In more than two years but not more than three years	70.0	1.5
In more than three years but not more than four years	0.1	62.5
In more than four years but not more than five years	0.1	0.3
In more than five years	0.2	0.9
In more than one year	<b>72.1</b>	<b>65.8</b>

The carrying amounts of the Group's borrowings are denominated in the following currencies:

	2008 £million	2007 £million
Sterling	22.2	5.2
US dollar	89.0	68.1
Euro	11.7	8.9
Other	0.4	0.4

Borrowings of £96.9 million (2007: £66.5 million) are at fixed interest rates for an average period of 0.4 years (2007: 0.4 years).

The average interest rates at the balance sheet date were:

	2008 %	2007 %
Bank overdrafts	3.1	5.7
Bank loans	4.0	4.9
Finance leases	7.8	7.9

The estimated fair value of borrowings is:

	2008 £million	2007 £million
Bank overdrafts	22.3	12.8
Bank loans	100.5	67.6
Finance leases	0.5	2.2

The borrowing facilities available to the Group amounted to £166.2 million (2007: £164.1 million).

At 31 December 2008, the Group had available £14.9 million (2007: £15.4 million) of undrawn committed borrowing facilities.

The Group borrowings are funded mainly through bank overdrafts including short-term committed facilities of £30.0 million and a committed unsecured £70.0 million multi-currency revolving bank loan facility which expires in April 2011. Under this facility funds can be drawn in sterling, US dollars or euros or a combination thereof at fixed rates of interest for periods varying from one month to a year. Interest rates are at a fixed margin over the inter-bank borrowing rate at the date the funds are drawn. The amount drawn down in dollars at 31 December 2008 is required to be rebalanced to £70.0 million at the prevailing rate in June 2009 and periodically thereafter and forward contracts have been taken towards covering this position.

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## 20 Borrowings continued

### Interest rate hedge

At 31 December 2008 the Group had an interest rate cap applying to \$50.0 million at a rate of 4.75% from 4 February 2008 to 4 February 2010. This cap is designated as a cash flow hedge and marked to market at the year end. At 31 December 2008 and 31 December 2007 the market value was £nil million.

### Hedge of net investment

The Group has designated \$124.0 million (2007: \$124.0 million) of its borrowings as a currency hedge of its US dollar denominated net assets. This is an effective partial hedge. The net result of translating the US dollar net assets and the \$124.0 million of borrowings is dealt with in the translation reserve and reported in the Consolidated statement of recognised income and expense, together with the exchange difference arising from the translation of the Group's other overseas net assets.

In 2008 there was a net gain of £39.4 million (2007: £4.8 million) on translation of overseas assets after accounting for this hedge.

## 21 Derivative financial instruments

	2008 Liabilities £million	2007 Liabilities £million
Forward foreign currency contracts	2.9	0.7

The Group uses forward foreign exchange contracts to reduce currency exposures on sales and purchasing transactions for up to a year ahead. In January 2006 the Group purchased an interest rate cap of 5.0 per cent for the period 2 February 2006 to 4 February 2008 for \$50.0 million of its borrowings. A further interest rate cap on \$50.0 million of borrowings for the period 4 February 2008 to 4 February 2010 was purchased in November 2007. These caps are designated as hedges of the interest expense relating to the \$124.0 million loan.

The Group hedged the effect of currency movements against sterling on the translation of 2008 profit earned in euros and US dollars, by selling forward euros and US dollars for sterling at fixed exchange rates. At 31 December 2007 contracts were in place for \$10.0 million and euro 4.0 million. Subsequently contracts for the sale of a further euro 4.0 million were entered into. The contracts were marked to market at 31 December 2007 and were a net liability of £0.1 million. No hedges against the effect of currency movements against sterling on the translation of 2009 profits were in place at 31 December 2008.

The Group's financial assets and liabilities are sensitive to movements in currency exchange rates against sterling. Analysis of financial assets and liabilities by currency are given in notes 14 and 25, the major overseas currencies being the US dollar and the euro. The effect of any such currency movement on the net financial liabilities is reported in equity in the Group accounts.

US dollar	– effect of 10% strengthening : a reduction in equity of £7.6 million
Euro	– effect of 10% strengthening : no significant net effect

Whilst the Group had a net financial liability in US dollars, overall it had a net asset position when taking into account inventory and non-current assets. Details of the Group's exposure to risk are given on pages 19 to 20 of the Business review.



## 22 Deferred tax

	Accelerated capital allowances £million	Deferred development costs £million	Retirement benefit obligations £million	Other £million	Total £million
At 1 January 2007	(5.9)	(3.4)	21.9	3.0	15.6
Income statement	1.0	(0.7)	(2.9)	0.4	(2.2)
Charge to equity	–	–	(14.7)	–	(14.7)
Exchange differences	(0.5)	–	–	–	(0.5)
At 1 January 2008	(5.4)	(4.1)	4.3	3.4	(1.8)
Income statement	0.6	(0.1)	–	(0.3)	0.2
Exchange differences	(1.6)	(1.3)	(0.2)	1.5	(1.6)
<b>At 31 December 2008</b>	<b>(6.4)</b>	<b>(5.5)</b>	<b>4.1</b>	<b>4.6</b>	<b>(3.2)</b>
			<b>2008</b> £million		<b>2007</b> £million
Deferred tax assets			<b>5.5</b>		4.2
Deferred tax liabilities			<b>(8.7)</b>		(6.0)

At 31 December 2008 the Group had unused tax losses of £14.0 million (2007: £13.9 million) for which no deferred tax asset has been recognised. None of these tax losses have an expiry date.

At the balance sheet date the aggregate unrecognised deferred tax liability in respect of undistributed earnings of subsidiaries is £2.1 million (2007: £2.2 million).

## 23 Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	<b>2008</b> £million	2007 £million	<b>2008</b> £million	2007 £million
Amounts payable under finance leases:				
One year or less	<b>0.1</b>	0.4	<b>0.1</b>	0.3
Between one and five years	<b>0.3</b>	1.4	<b>0.2</b>	1.0
Over five years	<b>0.2</b>	1.1	<b>0.2</b>	0.9

The obligations derive mainly from property leases where the risks and rewards of ownership are considered to be with the Group and which are therefore accounted for as finance leases. The average implicit interest rate used to evaluate the obligations is 8 per cent (2007: 8 per cent). The fair value of the lease obligation approximates to carrying amount. Total minimum lease payments include £0.1 million (2007: £0.7 million) of future finance costs.

## 24 Provisions for liabilities

	Reorganisation £million	Environmental £million	Legal and other claims £million	Total £million
At 1 January 2008	–	0.6	0.4	1.0
Reclassification	–	–	2.3	2.3
Utilised	(1.3)	(0.4)	(0.2)	(1.9)
Transfer from/(to) Consolidated income statement	3.8	(0.1)	0.6	4.3
<b>At 31 December 2008</b>	<b>2.5</b>	<b>0.1</b>	<b>3.1</b>	<b>5.7</b>

The reorganisation provision relates to the closure of production sites of AB Automotive Electronics Limited and AB Electronic Limited, see note 4. The environmental provision is for probable clean up costs of ex-production sites. Legal and other claims represent the best estimate for the cost of settling outstanding product and other claims.

The total provisions are analysed:

	2008 £million	2007 £million
Non-current	0.1	0.7
Current	5.6	0.3
	<b>5.7</b>	<b>1.0</b>

## 25 Trade and other payables

	2008 £million	2007 £million
Current liabilities		
Trade creditors	58.7	51.1
Taxation and social security	4.7	3.9
Other creditors, accruals and deferred income	36.0	26.9
	<b>99.4</b>	<b>81.9</b>
Non-current liabilities		
Accruals and deferred income	8.0	5.3
Other creditors	–	2.3
	<b>8.0</b>	<b>7.6</b>

The carrying amount of trade and other payables approximates to their fair value. Trade and other payables have increased by £14.3 million as a result of currency exchange rate movements.

Trade and other payables are denominated in the currencies in which the Group trades. The Group's policy is that trade debtors and creditors not in the functional currency of the subsidiary concerned are covered by forward foreign currency exchange contracts. The exchange risk at Group level is therefore restricted to the risk on the translation of overseas assets, liabilities and cash flows into sterling.

Financial liabilities comprising trade and other creditors, bank overdrafts and other borrowings analysed by currency are:

	2008 £million	2007 £million
Sterling	52.2	32.4
US dollar	100.6	77.9
Euro	22.6	18.5
Other	17.7	13.3
	<b>193.1</b>	<b>142.1</b>

## 26 Acquisition of subsidiaries

The Group acquired New Chapel Electronics Limited on 2 April 2008 and assets comprising the majority of the business of Semelab Limited on 21 August 2008. The Group owns 100 per cent of the equity of the acquired entities.

The net assets acquired and the goodwill arising are as follows:

	New Chapel Electronics Book value £million	Fair value £million	Semelab Book value £million	Fair value £million	Total Fair value £million
Intangible assets	–	1.3	–	1.2	2.5
Property, plant and equipment	0.2	0.3	3.5	3.9	4.2
Inventories	0.7	0.6	2.1	2.2	2.8
Trade and other receivables	0.8	0.8	1.9	2.0	2.8
Trade and other payables	(0.9)	(1.0)	(1.6)	(1.9)	(2.9)
Tax payables	(0.1)	(0.2)	–	–	(0.2)
	0.7	1.8	5.9	7.4	9.2
Goodwill		3.4		2.3	5.7
<b>Total consideration</b>		<b>5.2</b>		<b>9.7</b>	<b>14.9</b>
					<b>£million</b>
Net outflows arising					
Cash consideration					13.6
Cash costs					0.3
Net cash outflow					13.9
Deferred consideration, capped at £1.0 million					1.0
<b>Total consideration</b>					<b>14.9</b>

New Chapel Electronics Limited designs and manufactures specialist interconnection systems and is based in the United Kingdom. The goodwill on acquisition arises because it complements the Group's existing interconnection systems business by providing improved sales channels to the high margin military and civil aerospace market. New Chapel Electronics Limited is included in the secure power and industrial sector and contributed revenue of £4.8 million and operating profit of £0.3 million since acquisition. If the acquisition had been for the full financial year, revenue would have been £6.2 million and operating profit would have been £0.4 million.

Semelab Limited designs and produces specialised radio frequency and power semiconductors, optoelectronic components and power microcircuits primarily for the UK and European markets. The goodwill on acquisition arises from the broadening of the Group's product range, joint R&D efforts for new products and the Group's sales presence in North America providing the resources for expansion. Semelab Limited is included in the electronic components sector and contributed revenue of £4.6 million and operating profit of £0.5 million. If the acquisition had been made on 1 January 2008, revenue would have been £12.2 million and operating profit would have been £1.3 million.

## 27 Contingent liabilities

The Group has contingent liabilities amounting to £2.7 million (2007: £1.4 million) in respect of performance bonds and guarantees entered into in the normal course of business. The Group is the subject of claims which arise in the ordinary course of business. Other than those for which provisions have been included within note 24, the Directors consider the likelihood of any other claims giving rise to a liability to be remote.

## 28 Capital commitments

	2008 £million	2007 £million
Contractual commitments for the purchase of property, plant and equipment	<b>6.3</b>	7.4

## 29 Operating leases

	2008 £million	2007 £million
Minimum operating lease payments charged to operating profit:		
Fixtures and equipment	0.3	0.3
Land and buildings	4.6	4.1

The Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2008 £million	2007 £million
In less than one year	4.6	3.5
Between one and five years	11.0	7.5
After five years	4.2	2.9

Lease terms for land and buildings are predominantly for less than ten years with rents fixed for an average of four years. There are no contingent rents.

## 30 Retirement benefit schemes

### Defined contribution schemes

The Group operates defined contribution schemes in the United Kingdom and the Rest of the World and 401(k) plans in North America. The assets of these schemes are held independently of the Group. The total contributions charged by the Group in respect of defined contribution schemes were £1.6 million (2007: £1.6 million).

### Defined benefit schemes

The Group operated one significant defined benefit pension scheme in the United Kingdom and two overseas. The Company has reached agreement with the UK scheme for additional fixed contributions extending to 2016 based on the actuarial deficit at April 2007. These planned contributions amount to: 2009 £2.2 million, 2010 £3.2 million, 2011 £3.5 million then increasing by £0.2 million each year to £4.5 million in 2016. A curtailment gain of £1.2 million arises from the closure of the AB Automotive Electronics business and the extension of the freeze on pensionable salaries by one year. The Group also operates defined benefit schemes in the United States and Japan. All these schemes are closed to new members. Actuarial valuations of the schemes were carried out by independent qualified actuaries in 2007 and 2008 using the projected unit credit method. These actuarial valuations have been updated by the actuaries to assess the assets and liabilities of the schemes at 31 December 2008. Pension scheme assets are stated at market value at 31 December 2008.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

	2008 %	2007 %
Discount rate	6.1	6.0
Inflation rate	2.9	3.2
Increases to pensions in payment	2.2 – 2.9	2.5 – 3.2
Salary increases to April 2010 (pensionable salaries have been frozen)	–	–
Salary increases thereafter	3.4	3.7

A decrease in the discount rate by 0.1% per annum increases the liabilities by approximately £5.6 million. An increase in the inflation rate of 0.1% per annum increases the liabilities by approximately £4.2 million.

The expected percentage long-term rates of return on the main asset classes, net of expenses, set by management having regard to actuarial advice and relevant indices were:

	2008 Second half	2008 First half	2007 Second half	2007 First half
Equities	7.5	7.2	7.9	7.0
Bonds	6.1	5.6	5.5	4.5
Gilts and cash	4.5	4.2	4.9	4.0

The mortality tables applied by the actuaries at 31 December 2008 were PA92 MC + two years.



**30 Retirement benefit schemes** continued

The amounts recognised on the Consolidated balance sheet are:

	2008 £million	2007 £million	2006 £million	2005 £million	2004 £million
Equities	<b>174.7</b>	182.0	187.8	170.5	154.6
Bonds	<b>25.8</b>	12.4	10.9	2.9	4.0
Gilts and cash	<b>48.7</b>	103.8	73.4	72.3	44.9
Swaps	<b>33.9</b>	–	–	–	–
Fair value of assets	<b>283.1</b>	298.2	272.1	245.7	203.5
Present value of funded obligation	<b>(301.7)</b>	(315.6)	(344.7)	(335.9)	(274.4)
Net liability recognised on the Consolidated balance sheet	<b>(18.6)</b>	(17.4)	(72.6)	(90.2)	(70.9)

The schemes' assets do not include the Group's financial instruments nor any property occupied by, or other assets used by the Group. Swaps are liability driven hedges.

Amounts recognised in the Consolidated income statement are:

	2008 £million	2007 £million
Current service cost	<b>1.9</b>	2.8
Interest on obligation	<b>19.5</b>	18.4
Expected return on schemes' assets	<b>(17.7)</b>	(18.5)

Of the current service cost of £1.9 million (2007: £2.8 million), £1.3 million (2007: £1.5 million) is included in cost of sales in the income statement, £0.3 million (2007: £0.3 million) is included in distribution costs and £0.3 million (2007: £1.0 million) is included in administrative expenses. The actual return on schemes' assets was a loss of £7.7 million (2007: a gain of £19.0 million). Actuarial gains and losses are recognised directly in retained earnings and reported in the Consolidated statement of recognised income and expense and, since transition to IFRS, amount to a net gain of £2.1 million.

Changes in the present value of the defined benefit obligation are:

	2008 £million	2007 £million
Opening defined benefit obligation	<b>315.6</b>	344.7
Current service cost	<b>1.9</b>	2.8
Interest on obligation	<b>19.5</b>	18.4
Scheme participant contributions	<b>1.2</b>	1.5
Curtailment	<b>(1.2)</b>	(1.1)
Change in actuarial estimates and assumptions	<b>(22.2)</b>	(37.8)
Exchange differences	<b>2.2</b>	–
Benefits paid	<b>(15.3)</b>	(12.9)
Closing defined benefit obligation	<b>301.7</b>	315.6

Changes in the fair value of the schemes' assets are:

	2008 £million	2007 £million
Opening fair value of schemes' assets	<b>298.2</b>	272.1
Expected return on schemes' assets	<b>17.7</b>	18.5
(Deficit)/excess of actual over expected returns	<b>(25.4)</b>	0.5
Contributions by employer	<b>5.1</b>	18.5
Contributions by employees	<b>1.2</b>	1.5
Exchange differences	<b>1.6</b>	–
Benefits paid	<b>(15.3)</b>	(12.9)
Closing fair value of schemes' assets	<b>283.1</b>	298.2

### 30 Retirement benefit schemes continued

The experience adjustments arising on the schemes' assets and liabilities are reported in the Consolidated statement of recognised income and expense and are as follows:

	2008 £million	2007 £million	2006 £million	2005 £million	2004 £million
Experience adjustments on schemes' liabilities	<b>22.2</b>	37.8	(6.2)	(47.6)	(19.1)
Experience adjustments on schemes' assets	<b>(25.4)</b>	0.5	9.4	21.6	8.9

The Group expects to contribute approximately £5 million to defined benefit schemes in 2009.

### 31 Related party transactions

All related party transactions are with entities in which J W Newman was interested during the year.

	Purchase of goods and services		Sale of goods and services		Rents paid		Rents received	
	2008 £000	2007 £000	2008 £000	2007 £000	2008 £000	2007 £000	2008 £000	2007 £000
TT electronics plc	<b>1</b>	–	<b>9</b>	1	<b>165</b>	165	<b>5</b>	28
Subsidiaries	–	–	–	–	<b>2</b>	3	–	–
	<b>1</b>	–	<b>9</b>	1	<b>167</b>	168	<b>5</b>	28

	Amounts owed by related parties		Amounts owed to related parties	
	2008 £000	2007 £000	2008 £000	2007 £000
TT electronics plc	–	5	<b>16</b>	16
Subsidiaries	–	–	–	–
	–	5	<b>16</b>	16

Sales and purchases of goods and services were on normal credit terms at third party prices. Rentals, which included for premises used by J W Newman in performing duties as executive Chairman, were calculated on open market bases and paid to agreed terms.

As part of the demerger from TT electronics on 14 May 2001 two loans totalling £8 million were made to Newship Limited (formerly Send Group Limited). Subsequently, Newship Limited became a related party on 15 November 2002. One loan of £6.0 million was repaid in 2004 and the other of £2.0 million was repaid on 15 May 2008. Interest on the loan amounted to £46,000 (2007: £130,000) of which £nil (2007: £34,000) was outstanding at the year end.

### Compensation of key management personnel

The remuneration of key management during the year was as follows:

	2008 £million	2007 £million
Short-term benefits	<b>2.3</b>	2.7
Compensation for loss of office	<b>0.4</b>	–
Post-employment benefits	<b>0.2</b>	0.2
Share based payments	<b>0.1</b>	0.1
	<b>3.0</b>	3.0

Key management personnel comprise the Directors, Company Secretary and Divisional Chief Executives. Their compensation is considered and recommended to the Board by the Remuneration Committee.

### 32 Post balance sheet event

On 21 January 2009, the Group announced the results of its strategic review, details of which are given in the Business review and on the Group's website. The strategic review reported the exit from the climate control business and European and other restructurings which were estimated to have an exceptional cost of £12.8 million in 2009 and from which substantial cost savings were anticipated.

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## Report of the Independent Auditors to the members of TT electronics plc

We have audited the Company financial statements of TT electronics plc for the year ended 31 December 2008 which comprise the balance sheet, the accounting policies for the Company financial statements and notes 1 to 13. These Company financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' remuneration report that is described as having been audited.

We have reported separately on page 37 on the consolidated financial statements of TT electronics plc for the year ended 31 December 2008.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' remuneration report and the parent company financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Company financial statements and the part of the Directors' remuneration report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Company financial statements give a true and fair view and whether the Company financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Company financial statements. The other information comprises only the Directors' report, the unaudited part of the Directors' remuneration report, the Chairman's statement, the Business review, the Directors' report on corporate governance and the historical record. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Company financial statements. Our responsibilities do not extend to any other information.

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements and the part of the Directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Company financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Company financial statements and the part of the Directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Company financial statements and the part of the Directors' remuneration report to be audited.

### Opinion

In our opinion:

- the Company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008;
- the Company financial statements and the part of the Directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

### Grant Thornton UK LLP

Registered Auditors, Chartered Accountants

London, 13 March 2009

## Company balance sheet

at 31 December 2008

	Note	2008 £million	2007 £million
<b>Fixed assets</b>			
Tangible assets	1	2.3	2.4
Investments	2	132.3	139.3
		<b>134.6</b>	141.7
<b>Current assets</b>			
Debtors	3	122.0	105.8
Financial derivatives	5	–	–
Cash at bank and in hand		–	0.3
		<b>122.0</b>	106.1
Creditors: amounts falling due within one year	4	(20.6)	(5.5)
<b>Net current assets</b>		<b>101.4</b>	100.6
<b>Total assets less current liabilities</b>			
Creditors: amounts falling due after more than one year	4	(70.0)	(62.2)
<b>Total net assets</b>		<b>166.0</b>	180.1
<b>Capital and reserves</b>			
Share capital	6	38.7	38.7
Share premium	8	0.2	0.2
Profit and loss account	8	127.1	141.2
<b>Shareholders' funds</b>		<b>166.0</b>	180.1

Approved by the Directors on 13 March 2009 and signed on their behalf by:

**G Anderson**  
Director

**S D Dasani**  
Director



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## Accounting policies for the Company financial statements

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The financial statements of TT electronics plc (the Company) have been prepared under the historical cost convention as modified by the revaluation of financial assets and derivatives held at fair value in accordance with applicable United Kingdom accounting standards.

### The principal accounting policies of the Company are:

#### Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less a provision for depreciation. Depreciation is calculated so as to write-off the cost less estimated residual value of tangible fixed assets, in equal instalments over their expected useful lives. No depreciation is provided on freehold land. The depreciation rates for the major categories of asset are given in note 1. The carrying values of fixed assets are reviewed for impairment when there is an indication that the assets may be impaired.

#### Investments

Investments in subsidiaries are carried at cost less amounts written-off.

#### Deferred taxation

Deferred taxation is the taxation attributable to timing differences between the results computed for taxation purposes and results as stated in the financial statements. It is recognised on all timing differences where the transaction or event which gives the Company an obligation to pay more tax, or the right to pay less tax in the future, has occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using the rates of tax enacted or substantively enacted by the balance sheet date.

#### Pension costs

The Company is a member of a multi-employer defined benefit scheme. The Company cannot identify its share of the scheme assets and liabilities. Pension costs are therefore accounted for under the rules for defined contribution schemes and represent the contributions payable in respect of the period.

#### Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date.

#### Share based payments

The fair value at the date of grant of share based remuneration, principally share options, is calculated using a binomial pricing model and charged to the profit and loss account on a straight-line basis over the vesting period of the award. The charge to the profit and loss account takes account of the estimated number of shares that will vest. All share based remuneration is equity settled.

#### Leases

Payments on operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

#### Financial instruments

Derivative financial instruments used to manage exposure to interest rate risk and to changes in currency exchange rates are measured at fair value. All changes in fair value are recognised in the profit and loss account.

## Notes to the Company financial statements

### 1 Tangible fixed assets

	Freehold land and buildings £million	Plant, equipment and vehicles £million	Total £million
<b>Cost at 31 December 2008 and 1 January 2008</b>	2.9	0.7	3.6
Depreciation at 1 January 2008	0.6	0.6	1.2
Charge for the year	0.1	–	0.1
<b>Depreciation at 31 December 2008</b>	<b>0.7</b>	<b>0.6</b>	<b>1.3</b>
Net book amounts			
<b>At 31 December 2008</b>	<b>2.2</b>	<b>0.1</b>	<b>2.3</b>
At 31 December 2007	2.3	0.1	2.4

Freehold land and buildings includes a carrying value for freehold land of £0.6 million (2007: £0.6 million).

No depreciation is provided on freehold land. Depreciation is provided on other assets at the following rates:

Freehold buildings	2%
Plant, equipment and vehicles	10% to 33%

### 2 Fixed asset investments

	Subsidiary undertakings £million
At 1 January 2008	139.3
Provision	(7.0)
<b>At 31 December 2008</b>	<b>132.3</b>

The Company's principal operating subsidiary undertakings and the location of their principal operations are shown in note 13.

The Company owns 100 per cent of the ordinary share capital or equivalent and 100 per cent of voting rights of all subsidiary undertakings other than Thuthuka Conductors and Insulations (Pty) Ltd which is 74 per cent owned, Padmini TT Electronics Private Limited which is 51 per cent owned and Rodco Limited, which is non-trading and is 60 per cent owned. Shareholdings are held indirectly for all principal operating subsidiary undertakings.

### 3 Debtors

	2008 £million	2007 £million
<b>Amounts falling due within one year</b>		
Trade debtors	0.1	0.1
Amounts owed by subsidiary undertakings	116.7	93.6
Prepayments and accrued income	0.6	1.0
Corporation tax	4.6	9.1
Loan to Newship Limited	–	2.0
	<b>122.0</b>	105.8

**4 Creditors**

	2008 £million	2007 £million
<b>Amounts falling due within one year</b>		
Short-term borrowings (note 5)	14.4	–
Trade creditors	0.8	0.5
Amounts owed to subsidiary undertakings	2.3	1.7
Taxation and social security	0.5	0.5
Accruals and deferred income	2.6	2.8
	<b>20.6</b>	<b>5.5</b>
<b>Amounts falling due after more than one year</b>		
Bank loans (note 5)	70.0	62.2

**5 Borrowings and financial derivatives**

The Company's principal borrowing is under a committed unsecured multi-currency loan facility which expires in April 2011. Under this facility funds can be drawn in either sterling, US dollars or euros or a combination thereof at fixed rates of interest for periods varying from one month to one year. Interest rates are at a fixed margin over the appropriate inter-bank borrowing rate at the date the funds are drawn. In November 2007 the Company purchased an interest rate cap of 4.75% on \$50.0 million of borrowings for the period 4 February 2008 to 4 February 2010.

The carrying amounts of the Company's borrowings are denominated in the following currencies:

	2008 £million	2007 £million
Sterling	–	–
US dollars	84.4	62.2
	<b>84.4</b>	<b>62.2</b>

The borrowings are repayable as follows:

	2008 £million	2007 £million
On demand or within one year	14.4	–
In the third year	70.0	–
In the fourth year	–	62.2
	<b>84.4</b>	<b>62.2</b>

The fair value of borrowings is the same as their carrying value. At 31 December 2008, the Company had committed undrawn borrowing facilities available of £nil million (2007: £7.8 million). There are other substantial committed and uncommitted borrowing facilities available to the Group.

**Financial derivatives**

	2008 £million	2007 £million
<b>Current assets</b>		
Interest rate cap	–	–

**6 Share capital**

	2008 £million	2007 £million
<b>Authorised</b>		
226,000,000 (2007: 226,000,000) ordinary shares of 25p each	56.5	56.5
<b>Issued called up and fully paid</b>		
154,952,795 (2007: 154,952,795) ordinary shares of 25p each	38.7	38.7

Ordinary shares of 25p each are equity share capital.

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## Share option schemes

At 31 December 2008 options were exercisable over 4,145,419 (2007: 5,136,108) ordinary shares under the Group share option schemes up to 2015. Subscription prices range from 80.0p to 205.5p with a weighted average of 134.2p. Subsequent to 31 December 2008 no options have been exercised. Following the approval of the Long Term Incentive Plan 2005 at the Extraordinary General Meeting held on 20 October 2006, all existing share option schemes were closed for future grants.

### 1994 Executive scheme

This scheme for senior executives was approved at the Annual General Meeting on 24 May 1994. The options outstanding at the date of this report are over 888,550 ordinary shares and such options are:

	Exercisable on or after	Options	Subscription price (p)
	31.03.2002	82,236	177.5
	28.03.2003	158,452	91.5
	18.04.2004	153,195	163.0
	03.04.2005	220,042	165.0
	26.03.2006	274,625	80.0

### 1996 Executive scheme

This scheme for senior executives was approved at the Annual General Meeting on 14 May 1996. The options outstanding at the date of this report are over 2,221,299 ordinary shares and such options are:

	Exercisable on or after	Options	Subscription price (p)
	31.03.2002	40,616	177.5
	15.09.2002	367,645	136.0
	28.03.2003	336,441	91.5
	18.04.2004	72,190	163.0
	23.05.2004	336,083	166.0
	03.04.2005	273,277	165.0
	26.03.2006	795,047	80.0

Options issued under the 1994 and 1996 Executive Share Option Schemes may not generally be exercised for a period of three years from the date of grant and are conditional on there being an increase in earnings per share over any consecutive three year period between the date of grant and the date of exercise of 2 per cent per annum for options granted prior to 2001 and 4 per cent for options granted after 2000 above the increase in the All Items Index of Retail Prices over the same period. For this purpose earnings per share on any relevant date is that derived from the audited financial statements of the Company and its subsidiaries last published prior to such date.

### 2004 Approved Plan

This scheme for senior executives was approved at the Annual General Meeting on 19 May 2004. The options outstanding at the date of this report are over 224,830 ordinary shares and such options are:

	Exercisable on or after	Options	Subscription price (p)
	25.05.2007	126,400	145.0
	07.04.2008	98,430	205.5



### 2004 Unapproved Plan

This scheme for senior executives was approved at the Annual General Meeting on 19 May 2004. The options outstanding at the date of this report are over 810,740 ordinary shares and such options are:

	Exercisable on or after	Options	Subscription price (p)
	25.05.2007	420,330	145.0
	17.04.2008	390,410	205.5

Options issued under the 2004 Approved and Unapproved Company Share Option Plans may not generally be exercised for a period of three years from the date of grant and are conditional on there being growth in the Group's earnings per share exceeding the Retail Price Index by an average of 4 per cent per annum over a period of three consecutive years prior to exercise. Any year in which earnings per share is negative cannot be included. For this purpose the earnings per share on any relevant date is that derived from the audited financial statements of the Company and its subsidiaries last published prior to such date.

### Long Term Incentive Plan 2005

This scheme for senior executives was approved at the Extraordinary General Meeting held on 20 October 2006. On 24 April 2008 and 28 August 2008 grants of awards were made under the Long Term Incentive Plan 2005 for the issue of up to 1,019,045 and 556,097 shares in 2011.

The awards outstanding at the date of this report are over 2,189,744 ordinary shares and such awards potentially vest on the following dates:

	Normal vesting date	Shares
	16.01.2010	472,203
	31.05.2010	462,387
	24.04.2011	699,057
	28.08.2011	556,097

The award is a contingent right to receive shares in the future, subject to continued employment and the achievement of predetermined performance criteria. The performance targets attached to awards granted in 2007 and 2008 are that the Group's earnings per share, measured over a three-year period, must grow by at least 3 per cent compound per annum in excess of the Retail Price Index. At this level only 25 per cent of an award will vest. For an award to vest in full, the Group's earnings per share measured over the same period must have grown by at least 7 per cent compound per annum in excess of the Retail Price Index. For earnings per share between these thresholds, the number of shares vesting will be calculated on a proportional basis. Any part of an award that does not vest after 3 years where the performance criterion is not reached will lapse.

## 7 Share based payments

Details of the share options issued are given in note 6. The bases of calculation of the share based payments are given in the consolidated financial statements, note 15.

## 8 Reserves

	Share premium £million	Profit and loss account £million
At 1 January 2008	0.2	141.2
Final dividend 2007	–	(9.9)
Interim dividend 2008	–	(5.7)
Share based payment	–	0.1
Profit for the year	–	1.4
<b>At 31 December 2008</b>	<b>0.2</b>	<b>127.1</b>

In accordance with the exemption allowed by Section 230 of the Companies Act 1985, the Company has not presented its own profit and loss account.

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## 9 Guarantees and financial commitments

Financial commitments relating to bank loans are set out in note 5. The Company has no guarantees or contingent financial commitments.

## 10 Obligations under operating leases

The operating lease payments due within one year to which the Company was committed at 31 December 2008 were:

	Land and buildings £million	Other £million	2008 Total £million	Land and buildings £million	Other £million	2007 Total £million
On leases expiring:						
Within one year	0.3	–	0.3	0.2	–	0.2
Between two and five years	0.5	0.1	0.6	0.2	0.1	0.3
Over five years	–	–	–	0.4	–	0.4
	0.8	0.1	0.9	0.8	0.1	0.9

## 11 Pension schemes

### Defined benefit scheme:

The Company is a member of a multi-employer defined benefit scheme which is closed to new entrants. The Company is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly the Company has applied the exemption in FRS 17 and accounted for the scheme as if it were a defined contribution scheme. The total contributions charged by the Company in respect of the year ended 31 December 2008 were £2.5 million (2007: £14.0 million). The most recent triennial valuation of the scheme has been updated by an independent qualified actuary, taking account of the requirements of FRS 17 to assess the liabilities of the scheme at 31 December 2008. The market value of the scheme's assets at the year end was £279.0 million and the present value of the scheme's liabilities was £294.1 million.

Further details and an analysis of the Group's pension schemes are given in note 30 to the consolidated financial statements.

### Defined contribution scheme:

The Company operates a defined contribution scheme which is set up under trust and whose assets are therefore independent of the Company. The total contributions charged by the Company in respect of the year ended 31 December 2008 were £84,000 (2007: £59,000).

## 12 Employees

The average number of employees (including Directors) during the year was:

	2008 number	2007 number
<b>By function</b>		
Administration	46	50

The aggregate emoluments (including those of Directors) for the year were:

	2008 £million	2007 £million
Wages and salaries	4.4	4.3
Employer's social security charges	0.6	0.5
Employer's pension contributions	2.5	14.1
	<b>7.5</b>	<b>18.9</b>

Remuneration in respect of the Directors was as follows:

	2008 £million	2007 £million
Emoluments	1.7	1.6

Further details of individual Directors' remuneration, pension benefits and share options are shown in the Directors' remuneration report on pages 31 to 36.

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### 13 Principal operating subsidiaries

The principal operating subsidiaries are:

#### Sensors and electronic systems

AB Automotive Electronics Limited  
AB Interconnect, Inc, USA  
AB Electronic Limited  
AB Elektronik GmbH, Germany  
AB Elektronik Sachsen GmbH, Germany  
Optek Technology, USA, Mexico  
Padmini TT Electronics Private Limited, India (51% owned)

#### Electronic components

AB Mikroelektronik GmbH, Austria  
BI Technologies, USA, UK, Mexico, Malaysia  
International Resistive Company, Inc, USA  
MMG India Private Limited, India  
Welwyn Components Limited  
Semelab Limited

#### Electronic manufacturing services

TT electronics integrated manufacturing services Limited  
TT electronics integrated manufacturing systems Limited  
TT electronics integrated manufacturing services (Suzhou) Co Ltd, China  
TT electronics integrated manufacturing services, Inc, USA  
BI Technologies, Malaysia

#### Secure power and industrial

Dale Power Solutions plc  
Ottomotores SA de CV, Mexico  
AB Connectors Limited  
New Chapel Electronics Limited  
AEI Compounds Limited  
Wire Systems Technology (Pty) Limited, South Africa  
WT Henley Limited  
BAS Components Limited

Companies are located and incorporated in the UK except where indicated.



## Historical record

Accounting year		2008	2007	2006	2005	2004
Revenue	(£million)	<b>584.3</b>	544.9	539.4	503.8	505.9
Operating profit	(£million)	<b>27.0</b>	37.7	36.2	29.9	34.7
Profit before taxation	(£million)	<b>21.1</b>	33.3	31.2	24.5	31.6
Earnings	(£million)	<b>14.3</b>	24.0	21.8	16.4	21.2
Earnings per ordinary share	(p)	<b>9.2</b>	15.5	14.1	10.6	13.7
Ordinary dividend	(£million)	<b>5.7</b>	15.6	15.6	15.6	15.6
Ordinary dividend per share	(p)	<b>3.69</b>	10.05	10.05	10.05	10.05
Average ordinary shares in issue	(million)	<b>155.0</b>	154.9	154.8	154.8	154.8
Net debt	(£million)	<b>113.2</b>	75.0	71.0	47.1	67.3
Shareholders' funds	(£million)	<b>212.9</b>	182.3	157.0	151.7	166.7

### Notes

- 1 Results have been adjusted where appropriate to exclude discontinued operations.
- 2 Operating profit, profit before taxation, earnings and earnings per share are stated as being before impairment provisions, goodwill amortisation and exceptional items where appropriate for the applicable accounting standards ruling at that time.

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## Shareholder information

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### Annual General Meeting

The Annual General Meeting will be held on 13 May 2009 at 12 noon at the Ironmongers' Hall, Shaftesbury Place, Barbican, London EC2Y 8AA.

### Results

Announcement of 2009 half year results – late August 2009.

Preliminary announcement of 2009 results – late March 2010.

Annual report 2009 – to be posted mid April 2010.

### Dividends

For the year ending 31 December 2008, the Board has not recommended a final dividend. An interim dividend of 3.69p per share was paid on 23 October, making the total dividend for the year 3.69p per share (2007: 10.05p).

### Multiple accounts on the shareholder register

If you have received two or more copies of this document, this means that there is more than one account in your name on the shareholder register. This may be caused by either your name or address appearing on each account in a slightly different way. For security reasons, the Registrars will not amalgamate the accounts without your written consent, so if you would like any multiple accounts combined into one account, please write to Equiniti Limited at the address given below.

### Share dealing services

Shareview Dealing is a telephone and internet service provided by Equiniti and provides a simple and convenient way of buying and selling TT electronics plc shares.

Log on to [www.shareview.co.uk/dealing](http://www.shareview.co.uk/dealing) or call 08456 037037 between 8.30am and 4.30pm, Monday to Friday, for more information about this service and for details of the rates and charges.

A weekly postal dealing service is also available and a form together with terms and conditions can be obtained by calling 0871 384 2248\*. Commission is 1 per cent with a minimum of £10.

### ShareGift

ShareGift is a charity share donation scheme for shareholders, administered by The Orr Mackintosh Foundation. It is especially for those who may wish to dispose of a small parcel of shares whose value makes it uneconomical to sell on a commission basis. Further information can be obtained at [www.sharegift.org](http://www.sharegift.org) or from Equiniti.

### Shareholder enquiries

Equiniti maintain the register of members of the Company. If you have any queries concerning your shareholding, or if any of your details change, please contact the Registrars:

Equiniti Limited  
Aspect House  
Spencer Road  
Lancing  
West Sussex  
BN99 6DA

Telephone 0871 384 2396\*  
Fax 0871 384 2100\*

Textphone for shareholders with hearing difficulties 0871 384 2255\*

Equiniti also offer a range of shareholder information on-line at [www.shareview.co.uk](http://www.shareview.co.uk).

\* Calls to this number are charged at 8p per minute from a BT landline. Other telephony provider costs may vary.

### Website

Information on the Group's financial performance, activities and share price is available at [www.ttelectronics.com](http://www.ttelectronics.com).



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