

A close-up photograph of a microchip manufacturing process. A golden-colored probe or tool is positioned over a grid of small, dark square components on a blue substrate. The lighting is dramatic, with a strong blue hue and a bright, warm glow from the probe's tip. A horizontal dotted line is visible across the middle of the image.

# Positioned for **sustainable growth**

## Who we are

TT electronics is a focused, global electronics group supplying leading manufacturers in the defence, aerospace, medical, automotive and industrial electronics markets.

Our development of new technologies is based on understanding our customers' needs and providing innovative solutions to meet them.

## OVERVIEW

## Our performance

## Revenue

£499.6m

2008: £584.3m

Underlying operating cash flow<sup>1</sup>

£83.9m

2008: £50.1m

Profit before taxation<sup>1</sup>

£0.8m

2008: £21.1m

## Net debt

£56.9m

2008: £113.2m

## Creditable performance in challenging market conditions

Group revenue was down 14.5% to £499.6 million (2008: £584.3 million). Excluding the impact of foreign exchange, Group revenue was down 22%, reflecting the severe economic downturn

The Group traded profitably in the second half of 2009 and reported a full year operating profit before exceptional items of £6.5 million (2008: £27.0 million). Profit before tax and exceptional items was £0.8 million (2008: £21.1 million)

Exceptional restructuring costs of £14.2 million were incurred during the year and together with other measures implemented during 2008 and 2009 will have resulted in an annualised cost reduction of over £31 million

Significant reduction in working capital of £47.2 million with underlying operating cash flow of £83.9 million (2008: £50.1 million), resulting in a near halving of net debt to £56.9 million (December 2008: £113.2 million)

Good progress in implementing the actions identified in the Strategic Review with the new organisation structure and leadership enabling a clear focus on delivery and accountability

<sup>1</sup> Reported before exceptional items in 2009 and 2008.

## Cautionary statement on forward-looking statements and related information

This document contains a number of forward-looking statements relating to the Group/Company with respect to, amongst others, the following: financial conditions; results of operations; economic conditions in which the Group/Company operates; the business of the Group/Company; and management plans and objectives. The Group/Company considers any statements that are not historical facts as "forward-looking statements". They relate to events and trends that are subject to risks and uncertainties that could cause the actual results and financial position of the Group/Company to differ materially from the information presented in the relevant forward-looking statement. When used in this document the words "estimate", "project", "intend", "aim", "anticipate", "believe", "expect", "should" and similar expressions, as they relate to the Group/Company or the management of it, are intended to identify such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements which speak only as at the date of this document. Neither the Group/Company nor any member of the Group's/Company's Board or management undertake any obligation publicly to update or revise any of the forward-looking statements, whether as a result of new information, future events or otherwise, save in respect of any requirement under applicable laws, the Listing Rules, and other regulations.

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## OVERVIEW

## Chairman's statement



John W Newman  
Chairman

TT electronics is pleased to be able to report a creditable performance against the backdrop of the global economic recession. For the year ended 31 December 2009, Group revenue was £499.6 million (2008: £584.3 million), down 14.5 per cent, producing an operating profit before exceptional items of £6.5 million compared with £27.0 million in 2008. This includes an operating loss of £2.9 million from AB Automotive, the climate control business which was closed during the year. Finance costs were £5.7 million net (2008: £5.9 million) which comprised £3.4 million of banking and finance interest (2008: £4.1 million) and £2.3 million relating to pension fund accounting (2008: £1.8 million). Profit before tax and exceptional items was £0.8 million compared with £21.1 million in 2008. The taxation charge was £2.4 million (2008: £5.7 million). Exceptional charges relating to closure costs and redundancies were £14.2 million (2008: £3.8 million). In addition, the Group has recognised an impairment to the goodwill relating to Optek Technology, Inc of £3.8 million. Headline loss per share was 1.3 pence compared with 9.2 pence of earnings in 2008. In line with the dividend policy set out in January last year, the Board is not recommending the payment of a dividend for 2009.

Given the weaker economic climate TT electronics has done well, especially significantly reducing net debt which at 31 December 2009 was £56.9 million compared with £113.2 million at the previous year end, a decrease of 49.7 per cent. This was principally due to a reduction in working capital and lower capital expenditure. Significant time and resources were committed to restructuring the businesses with costs incurred relating to factory closures and redundancies, which regrettably resulted in a reduction in the total number of our employees by 19 per cent compared to June 2008.

**“The Board would like to express its thanks to employees worldwide who have continued to support the Group during a challenging year.”**

Despite the difficult market conditions, we have made good progress against the strategic plan announced in January 2009. We have taken significant steps to improve the way in which we service our major customers with the implementation of unified regional sales teams in the Components division and a continued focus on our key account management programme. We have also taken actions to focus the Group on those markets which we believe will provide us with the opportunity for higher growth and enhanced margins in the medium term.

In line with the Group's strategy to manage the businesses within the General Industrial division for value, on 17 February 2010, we announced the conditional sale of Wire Systems Technology (Pty) Ltd, our South African manufacturer of winding wire, electrical motor components and electrical insulation products. The consideration for the sale, payable in cash on completion, is Rand 60 million (currently approximately £5.4 million) plus an amount equal to the cash balances of the company on the day preceding the completion date. This represents the most significant disposal from our General Industrial division, following the sales of two smaller businesses during 2009.

The pension scheme trustees have benefited from the guidance of their investment advisers. We believe the pension scheme has performed well and, on an IAS19 basis, it is 88 per cent funded (2008: 94 per cent).

The Board would like to express its thanks to employees worldwide who have continued to support the Group during a challenging year.

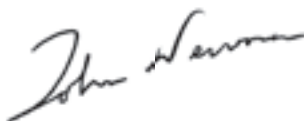
## OVERVIEW

## Chairman's statement (continued)

On 26 January 2010 the Board of TT electronics appointed Tim Roberts as Group Business Development Director. Tim has been with the Group for two years, he is a solicitor and has played a major part in formulating and implementing the new strategic plan and I am confident that the Board will benefit from his skills and experience.

Now in my 65th year I have decided to retire as Chairman and from the Board following the 2010 Annual General Meeting. I was appointed Chief Executive of the Group in 1987 after a company in which I was a major shareholder was acquired by TT electronics plc (then called Tyzack Turner). In 1995 I became executive Chairman before becoming non-executive Chairman in September 2009. Sean Watson, who joined the Board as an independent non-executive Director in 2007, will become non-executive Chairman following the next Annual General Meeting to be held in May. Last year the Group completed an in-depth review and determined a new strategy and direction. I am confident that Sean's experience and knowledge of the business, together with his strong relationships with the Directors and executive management, will ensure that the Group continues successfully to deliver on the strategy which we have laid out. Sean is a corporate partner at CMS Cameron McKenna LLP, a major City law firm.

We saw some improvement in trading conditions in the final quarter of 2009 which has continued in the first two months of this year. I am confident that the actions we have taken in 2009, together with those underway, will enable TT electronics to improve its performance.



John W Newman  
Chairman

12 March 2010

## OVERVIEW

## How our Group is organised

Our divisional structure enables organic growth to be delivered by bringing together our strong underlying businesses, technologies and customers.

**Components**

(see page 22)

Speciality and custom passive components, optoelectronics, microelectronic modules, semiconductor products, connectors and harnesses.

**Sensors**

(see page 23)

Highly engineered custom sensor solutions for specific transportation and industrial applications.

**Integrated Manufacturing Services (IMS)**

(see page 24)

Outsourced manufacturing and supply chain solutions for customers with lower volume, complex build and assembly electronic products.

**Secure Power**

(see page 25)

Secure power solutions including generator sets, uninterruptible power supplies and service for customers' critical power requirements worldwide.

**General Industrial**

(see page 26)

Manufacturing and distribution operations serving a range of market sectors with a variety of products and services.

**The Group is segmented into five business divisions, each with a clear strategy and direction to achieve value for our shareholders.** We are focused on delivering technology, products and services to markets where we see the greatest opportunities for growth and profit.

Markets where we see the greatest opportunity are:

**Defence and aerospace**

These markets are growth opportunities for the Components and IMS divisions, which offer electronic components, connectors and cable assemblies, magnetics, microelectronic modules, semiconductors, optoelectronics and manufacturing services to original equipment manufacturers (OEMs) and their suppliers.

page  
**12****Medical**

Although modest in terms of revenue in 2009, the medical market is a growth sector for the Components, Sensors and IMS divisions which offer precision resistors, optical and potentiometric sensors, microcircuits and assembly services to customers.

page  
**14****Automotive**

The automotive market remains important for the Components and Sensors divisions with applications including steering sensors, crank and camshaft sensors, chassis height sensors, electrical throttle control sensors and temperature and pressure sensors.

page  
**16****Industrial**

The Group sells into numerous diverse segments within the industrial market with a focus on specific applications where our broad technology and design capabilities enable us to provide innovative solutions.

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**18**

OVERVIEW

# Our Group at a glance

**TT electronics plc is a focused, global electronics company supplying the world's leading manufacturers in markets including defence and aerospace, medical, automotive and industrial. We operate from more than 20 major manufacturing locations worldwide.**

The Group consists of five divisions as follows: Components, Sensors, IMS, Secure Power and General Industrial. In 2009, total revenues for the Group were £499.6 million with 6,302 people employed worldwide.

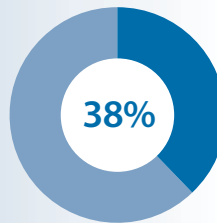
## Components

Supported by a global network of application sales engineers the Components division provides engineered component solutions which include fixed and variable resistor products, optoelectronics, power modules and control circuitry for multiple applications, especially where reliability, performance and packaging considerations are critical to the customer.

Key growth drivers are the increased use of complex control electronics, the need for electronics to operate in harsh environments and the increase in circuit speeds.

Revenue **£190.8m**  
Operating profit **£5.9m**

Proportion of Group revenue



Markets served  
defence and aerospace,  
industrial, medical,  
automotive

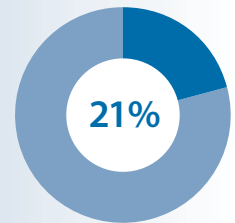
## Sensors

Supplies high performance custom solutions to the automotive and industrial markets. The business has competitive positions in speed, direction and position sensing particularly in chassis, powertrain and transmission applications, and is developing a position in high temperature, gas, fluid quality and low pressure sensing.

The division is focused on growing in the more attractive broader transportation, automotive emission and safety and selective industrial control segments.

Revenue **£105.4m**  
Operating loss **£(3.9)m**

Proportion of Group revenue



Markets served  
automotive,  
industrial

## Products



Hybrid power module for electric vehicle motor control



38999 series III connectors are the preferred connectors for defence and aerospace applications



Temperature sensor used for treatment of exhaust gas in trucks



Fully coated and freeze protected sensor

## Products



For more information on our business, please go to [www.ttelectronics.com](http://www.ttelectronics.com)

For more information please go to page 22

For more information please go to page 23

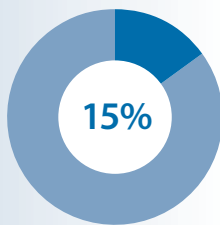


## IMS

Specialises in providing high quality electronic manufacturing services to customers in the defence and aerospace and premium industrial sectors. The division offers a broad capability from board assembly to full systems integration, design for manufacturing and logistics support. The business is focused on higher mix/ lower volume business with a strategy to move towards more specialised integrated assembly. IMS has a substantial design engineering team and supports the Group international purchasing office based in China.

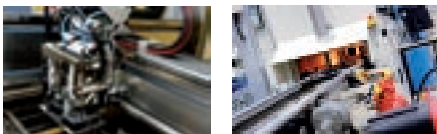
Revenue **£75.1m**  
Operating profit **£2.4m**

Proportion of Group revenue



Markets served  
industrial,  
defence and aerospace,  
medical

### Services



The division provides outsourced manufacturing solutions across the entire product lifecycle from design to bespoke logistics

For more information please go to page 24

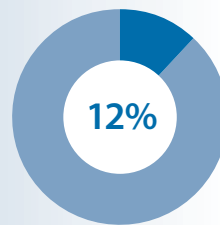
## Secure Power

Provides power protection solutions including generating sets, uninterruptible power supplies and customer support from operations in the UK, Mexico, Brazil and the Middle East.

Secure Power protects customers' critical power supplies with a reputation for bespoke engineered solutions designed for the most demanding applications in the petrochemical, medical, utilities and financial services sectors.

Revenue **£59.1m**  
Operating profit **£4.8m**

Proportion of Group revenue



Markets served  
industrial

### Products



New E-Series UPS designed to provide uninterruptible power for high reliability applications

New generating set range primarily designed for the rental market where space and high power is a priority

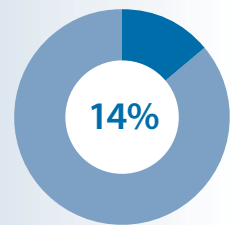
For more information please go to page 25

## General Industrial

Comprises manufacturing and distribution operations serving a range of market sectors with applications including magnetics, electrical fusegear, specialist compounds for the cable and pipe markets and fastenings for the industrial and automotive sectors. General Industrial also included the AB Automotive climate control business, which was closed in 2009 and gave rise to an operating loss of £2.9 million in the year on revenue of £16.0 million.

Revenue **£69.2m**  
Operating loss **£(2.7)m**

Proportion of Group revenue



Markets served  
industrial,  
automotive

### Products



High performance power cable insulation compound used in major infrastructure projects

Weatherproof distribution box used by major electricity companies in overhead and underground applications

For more information please go to page 26

## OVERVIEW

## Our strategy in action

## Our key goals:

**Align the organisation with the strategic objectives of the Group, recognising that our employees are critical to our success.**

**Achieve operational excellence in the ways in which we interface with our customers, develop and market our technologies and manufacture our products.**

**Increase our presence in higher growth and higher margin markets.**

**Deliver a significant increase in shareholder value through the further development of our core Components division.**

**Reposition the Sensors division for growth in the broader transportation and industrial markets.**

**Develop the IMS and Secure Power divisions through increased management focus and investment.**

**Convert over 100% of operating profit to operating cash flow after capital expenditure.**

## Our core values:

**Our values are key differentiators and the source of our competitive advantage:**

## Customer Driven

We are in business to deliver value to our customers. All that we do is geared to providing world-class products and the best possible customer experience.

## Integrity

We will always be straightforward and transparent in our dealings. Upholding high ethical standards and maintaining integrity are cornerstones of our business. We are committed to our corporate and social responsibilities.

## Passion for Excellence

We stretch ourselves to make the difference and look for continuous improvements by constantly challenging the status quo.

## People Focused

Success for our business will be determined by our people. We aim to attract, retain and develop high quality staff and ensure that they are fully committed and positively engaged.

## Innovative Problem Solving

We pride ourselves on our ability to solve our customers' problems, focusing on delivering innovative solutions in a timely manner.

## Teamwork

Teamwork underpins our business. We encourage a team-working environment, constantly challenging each other whilst maintaining mutual respect and a clear focus on the achievement of common goals.

## Implementing our strategy:

### Organisation development

In order to provide a clear focus on delivery and accountability, new operational and organisational structures were introduced with effect from 1 January 2009.

The senior management team was strengthened during the year with the appointment of new leaders for the Sensors and General Industrial divisions. We also appointed a new Divisional Chief Executive for the Components division in January 2010.

We recognise that our people form the foundations for our future. In 2009, we established core values for the Group. These provide a set of guiding principles and behaviours to ensure that all employees are aligned to our strategic objectives, as outlined opposite. During the final quarter of this year, we began the roll-out of a new web-based performance management system. This system is enabling us to assess the managers across our businesses, identify and address their development needs, and set and track objectives, ensuring that these are aligned with the Group's key goals. Finally, a revised management incentive plan has been introduced with a focus on the achievement of strategic objectives and cash generation, as well as profit.

### Operational excellence

We continue to improve the way in which we interface with our customers. For example, on 1 July 2009, we implemented a new unified sales structure across Europe in order to help the businesses within the Components division address specific markets and customers. Following the success of this initiative, similar regional sales structures were implemented in the USA and Asia on 1 January 2010, in each case creating a single route to market which will allow us to better serve our customers.

A key account management programme, focused primarily on the defence and aerospace and medical markets, has been applied to 14 major customers, each of which now benefits

from a nominated key account manager with global responsibility. In certain market areas, we have established virtual teams to enable us to bring together the full extent of the Group's world-class facilities, technologies and skills in order to enhance our customer offering. In particular, we are seeing good progress by the defence and aerospace team, with the combined Group capabilities being presented to key customers via an ongoing programme of technical roadshows. Our connectors business has secured a substantial new customer in Smiths Detection in support of their chemical detection products, and a number of other new opportunities have been identified with major defence companies. The creation of the hybrid vehicle electronics team has allowed us to map our Group-wide capabilities against specific applications including in the areas of battery management and powertrain and we are working on over 20 separate projects, including a number with major car manufacturers. Although slower to develop, the medical electronics team is also now making good progress in identifying opportunities that can be better served on a co-ordinated Group-wide basis.

The development and introduction of new technologies and applications is key to the Group's continued success. During 2009, the engineering teams in a number of our businesses in the Components, Sensors and Secure Power divisions began to work more closely together. They are sharing technologies and expertise across businesses within each division, including within the framework of the virtual market teams and we expect this to continue through 2010.

Good progress was made in 2009 to reduce inventories and increase manufacturing efficiency. During 2010, we will conduct an assessment of 10 businesses within the Components and Sensors divisions to establish areas for further improvement.

### Market focus

We have identified a number of markets which we believe will provide the Components and Sensors divisions with the opportunity for higher growth and margins. These include the defence and aerospace and medical markets. We have also identified certain segments within the automotive, broader transportation and industrial markets, which we believe represent attractive opportunities for us. Although our revenue was adversely impacted during 2009 by the global economic downturn, we made progress on developing our position in the target segments. This was driven by the key account management programme, the virtual market teams and by specific actions on a business-by-business basis. In addition, we have de-emphasised a number of lower growth or lower profit market segments and completed the withdrawal from the AB Automotive climate control business.

### Development of Components, Sensors, IMS and Secure Power divisions

The Strategic Review identified clear priorities for each of the divisions for 2009. Progress was made during the year across all divisions and this is set out in more detail on pages 22 to 26.

### Cash flow generation

The Group generated an underlying operating cash flow of £83.9 million during 2009, principally due to a reduction in working capital. As a result, Group net debt was nearly halved to £56.9 million from an opening position of £113.2 million, improving the Group's ability to fund programmes to develop the business in line with its strategy.

OVERVIEW

# Measuring our performance

**Measuring our performance is integral to the next phase of our strategic growth. We have carefully selected the following Key Performance Indicators (KPIs) to benchmark our progress. In 2009, the global recession has impacted progress against the KPIs.**

## Non-financial KPIs

We recognise that our people are critical to the success of our business. We are committed to creating a safe working environment which supports the development of our employees and rewards them for their achievements. We have taken a number of steps in this area during 2009 including the introduction of a clear set of core values for the Group and the implementation of a new performance management system. We will be introducing a number of non-financial KPIs during 2010 to measure and report on progress.

## Financial KPIs

### Organic revenue growth

**Definition**

Organic revenue growth measures the change in revenue in the current year compared with the prior year, from continuing Group operations. The effect of currency movements and acquisitions made during the current or prior financial period have been removed.

We have chosen this specific KPI because our strategy is to participate in markets which have the ability to provide us with growth opportunities.

**Performance**

Organic revenue growth was adversely impacted by the downturn in the global economy during 2009.

2009	Target for next five years
<b>-24.3%</b>	<b>Mid to high single digits</b>

### Operating profit margin

**Definition**

Operating profit margin is defined as operating profit before exceptional items from continuing operations expressed as a percentage of revenue from continuing operations.

This KPI is appropriate because we are focused on increasing the proportion of revenue from those markets where we can make higher returns, in addition to delivering an improvement in operational efficiency.

**Performance**

Profitability was impacted in all divisions by a reduction in revenue during the year.

2009 Group	Target in medium term
<b>1.3%</b>	<b>8-10%</b>

2009 Components	Target in medium term
<b>3.1%</b>	<b>10%</b>

2009 Secure Power	Target in short term
<b>8.1%</b>	<b>10%</b>

2009 Sensors	Target in longer term
<b>-3.7%</b>	<b>10%</b>

2009 IMS	Target in medium term
<b>3.2%</b>	<b>6-8%</b>

## Operating cash conversion

### Definition

Operating cash conversion is defined as cash generated from continuing operations after capital and development expenditure expressed as a percentage of operating profit before exceptional items from continuing operations. Cash conversion is an important metric to track the management of our working capital and capital expenditure programme.

### Performance

Good cash flow was delivered in 2009 due to actions taken to reduce working capital across all divisions in response to the decline in revenues, together with a lower level of capital expenditure.

2009	Target for next three years
<b>1,040%</b>	<b>100%</b>

## Earnings Per Share (EPS) growth

### Definition

EPS growth is calculated as profit before exceptional items attributable to the shareholders divided by the weighted average number of shares in issue during the year.

We have chosen EPS growth as a KPI as it is a standard metric to determine corporate profitability for shareholders. In addition, it is a measure used as one of the performance conditions in the Group's Long Term Incentive Plan – see further detail on page 43.

### Performance

EPS was negative during the year due to the impact of the global economic downturn on the Group's results.

2009	Target
<b>Not meaningful</b>	<b>Year on year growth of ≥ 3% in excess of RPI</b>

## Relative Total Shareholder Return (TSR)

### Definition

TSR is defined as capital growth plus dividends paid, assuming dividends are re-invested over the period using a three-month opening and closing average.

We believe that TSR is an important measure of the delivery of shareholder value as well as relative performance. In addition, it is a measure used as one of the performance conditions in the Group's Long Term Incentive Plan – see further detail on page 43.

### Performance

There was a strong improvement in the Group's share price during 2009 resulting in a TSR of 62.7 per cent compared to the median of the comparator group of 39.4 per cent.

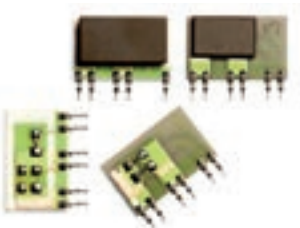
2009	Target
<b>Between median and upper quartile</b>	<b>Above median performance against the FTSE Small Cap (excluding investment trusts)</b>

## OVERVIEW

# Focused on defence & aerospace

**We have extensive experience of working on complex projects for major defence contractors supplying technical solutions for critical applications operating in harsh environments.** The defence market is driven by US and European government spending on long-term programmes such as Eurofighter, the upgrade of communications networks and new military vehicles for use in Iraq and Afghanistan. As technology continues to develop, we are well positioned to increase our supply of components for the increasingly complex electronic systems that are being deployed on the battlefield including those in land-based vehicles, unmanned aerial vehicles and on personnel.

We expect the civil aviation market to continue to experience demand in emerging economies and replacement activities in mature markets, as aircraft become more efficient. There is also an increased demand for critical electronic components and systems resulting from the ongoing move from hydraulic to electrical systems to reduce weight and increase efficiency.



#### Product

Working with Ultra Electronics Limited, we have developed circuit protection for the Wing Ice Protection System on the Boeing 787 Dreamliner with production starting in 2010. This specialist software controlled fuse is ideal for high reliability safety critical systems and versions have also been designed into military aircraft applications.

#### Contract

The Components division is supporting Thales UK on the integration of counter measure and communication systems on armoured vehicles being supplied to the British Armed Forces to be deployed in Afghanistan. The contract, worth up to £2 million, involves the supply of specialist connectors and harnesses by AB Connectors Ltd and New Chapel Electronics Ltd.



Image courtesy of ST Kinetics







## OVERVIEW

# Focused on medical

## Contract

Our design engineering teams have worked with a global healthcare product leader to design a high voltage optical isolator for use in medical device applications where there is a requirement to separate high voltage and low voltage circuitry. Initially, the product will be used in defibrillators and electro scalpels.

**We work with leading medical device manufacturers to provide more reliable solutions to doctors and patients worldwide in areas such as defibrillators and other patient monitoring and diagnosis applications.**

The medical device market continues to grow driven by an ageing population in the US and Europe and by greater access to medical care in developing economies. In 2009, we saw an increased demand in a number of areas and a growing trend for manufacturers to outsource the assembly of equipment, which is expected to benefit our IMS division.

We have invested in research and development and are working closely with customers, enabling them to deliver safer and more advanced solutions.



## Product

Optek's self-calibrating fluid sensor is capable of adapting itself to different optical densities. This delivers two benefits to medical device customers: reduced design time and consistent long-term reliability. Outperforming more costly ultrasonic solutions, the sensor is ideal for air or fluid detection in infusion and transfusion pumps.

## OVERVIEW

# Focused on automotive

**Our Components and Sensors divisions have many years' experience delivering complex electronic solutions to major automotive OEMs.** Although little overall improvement in volumes is expected in the short term, the increased use of electronics and sensors will continue, driven by an increase in safety features and a desire for more efficient and environmentally friendly vehicles. Evidence can be seen in applications such as the development of stop/start technologies, which require additional sensors and electronics. Significant electronics are also required for the control and operation of hybrid and fully electric vehicles, although it will be some years before these reach full volume production.



#### Product

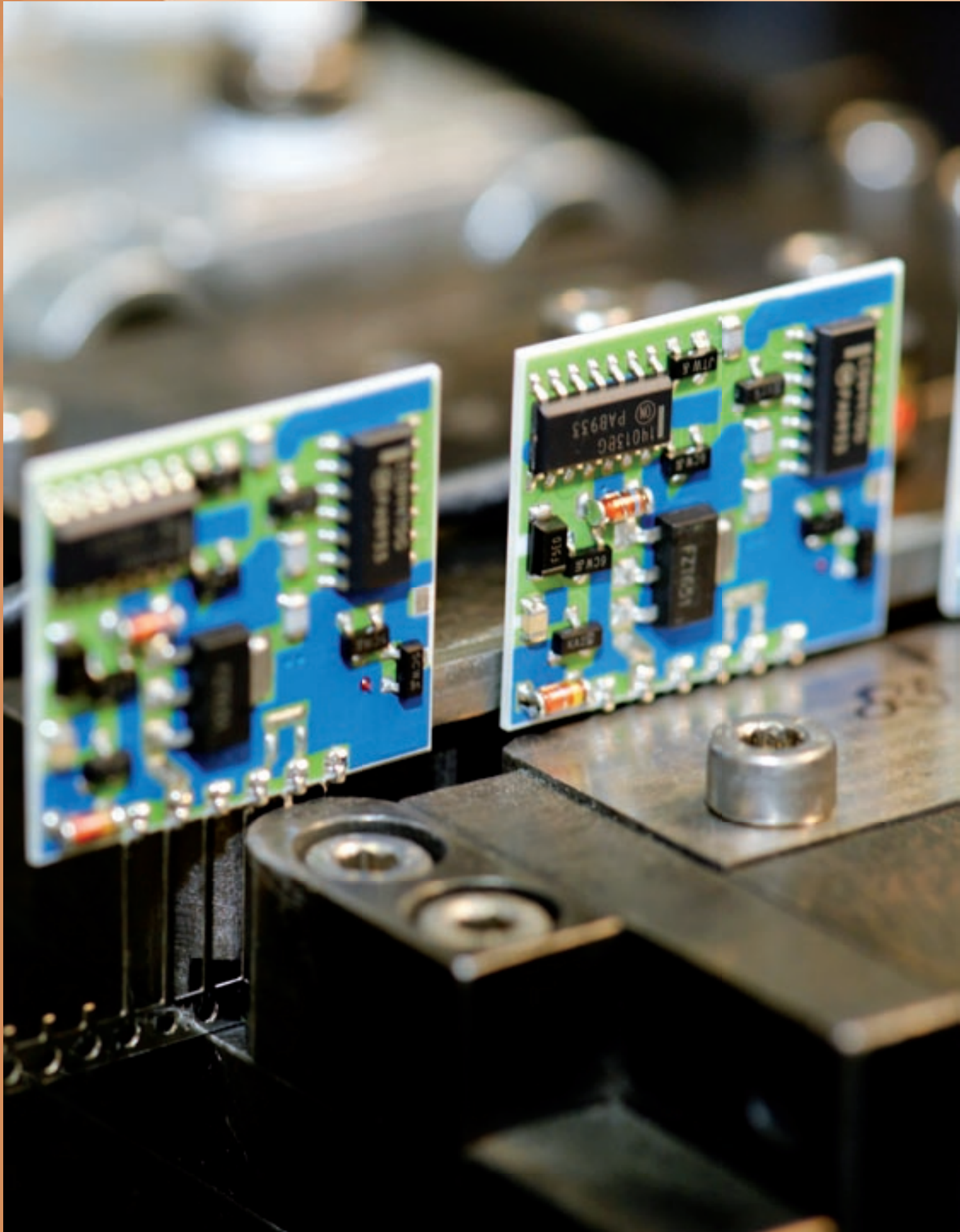
The Sensors division was chosen by BMW to supply a new range of speed sensors for a stop/start application. Using proprietary magnetic sensing technology, we developed an application which will be fitted onto all BMW four and six-cylinder engines, worldwide, starting in 2010.

#### Contract

We are constantly working with our customers on technology to reduce the impact of vehicles on the environment. 2009 saw us win significant business with leading European truck manufacturers including MAN, with the design of a high temperature sensor to monitor the effectiveness of the cleaning process within the exhaust system. The technology ensures that all MAN trucks and buses are compliant with environmental legislation Euro 4 and Euro 5.







## OVERVIEW

# Focused on industrial

## Our design engineering teams develop innovative solutions for a wide range of industrial customers worldwide.

Product applications include industrial sensors for manufacturing equipment and smart valve control, electronic power and control modules for a variety of applications including downhole drilling and discrete electronic components for numerous applications.

We focus on identifying growth segments where we can provide innovative solutions for critical applications based on our broad technologies and design capabilities.

### Contract

The Components division worked with Xerox to help create a market-leading digital colour printer. Our high-accuracy reflective sensor is being used by Xerox to precisely register multiple colour images on top of each other to ensure a crisp clear output.



Image courtesy of Xerox Corporation



### Product

We are a market leader in the design and manufacture of customised input protection resistors for smart electricity meters. The Components division has contracts with global energy metering companies, supplying a wide range of resistors, including the Z Form (pictured), capable of withstanding extreme conditions including lightning strikes.

## BUSINESS REVIEW

## Delivering our strategy



**Geraint Anderson**  
Group Chief Executive

**Shatish D Dasani**  
Group Finance Director

*Geraint Anderson*      *Shatish D Dasani*

12 March 2010

## Overview of Group performance

**Announced in January 2009, the results of our Strategic Review identified our core business as the design and development of highly engineered, bespoke electronic components for specialist growth markets, addressed by the Components and Sensors divisions. The IMS and Secure Power divisions were identified as representing scalable strategic opportunities, with the businesses within the General Industrial division to be "run for value". In addition, we set out an objective to increase the proportion of Group revenue from the industrial (including medical) and the defence and aerospace markets and to reduce reliance on the automotive market from 40 per cent of revenue in 2008 to a targeted range of 25 to 30 per cent in the medium term.**

During 2009, significant time and resources were committed to restructuring the businesses and implementing the actions identified by the Strategic Review. The proportion of revenue from the defence and aerospace market increased to 13 per cent in 2009 (2008: 11 per cent) whilst the medical market increased to 3 per cent (2008: 2 per cent). Sales to the automotive market decreased from 40 per cent to 36 per cent.

We made good progress during the year in strengthening the senior management team and creating a structure to enable a clear focus on delivery and accountability. A number of initiatives have been implemented to improve the way we interface with customers, most notably within the Components division. In addition, we have introduced virtual market teams to drive growth in key areas. Further details are set out on page 9.

### Market conditions

During the first half of the year, performance was affected by a significant reduction in demand from the automotive industry and to a lesser extent, from many industrial customers. This particularly impacted the Components, Sensors and General Industrial divisions. Whilst the reduced demand continued through the third quarter, there was some improvement towards the end of the year particularly in the automotive business, although this was partly due to government "scrappage" schemes. Following a robust end to 2008, IMS saw demand fall in early 2009 and continue at lower levels throughout the year as the global downturn impacted manufacturing. Whilst 2009 was a difficult year for the Secure Power division with a decrease in new orders for large projects, there was good activity in a number of markets and geographies including the petrochemical sector and in Latin America.

Revenue  
**£499.6m**

09 499.6

08 584.3

Operating profit\*  
**£6.5m**

09 6.5

08 27.0

\*before exceptional items

Operating profit margin  
**1.3%**

09 1.3%

08 4.6%

Capital employed  
**£212.7m**

09 212.7

08 326.1

Year end headcount  
**6,302**

09 6,302

08 7,466

Operating cash flow\*  
**£83.9m**

09 83.9

08 50.1

\*before exceptional items



## Revenue

Group revenue reduced by 14.5 per cent to £499.6 million (2008: £584.3 million). However, the revenue figure benefited from foreign exchange movements of approximately £44 million. The underlying reduction in revenue was 22 per cent. Volumes deteriorated sharply in the first half of 2009, with underlying sales down by 29 per cent at the half year. The second half saw some relative improvement, particularly in the final months of 2009.

For the full year, underlying revenue in the Components division was down 11.7 per cent. The Sensors division saw some stabilisation of activity in the last quarter but overall revenues were down by 25.3 per cent. Revenue in the IMS division was down by 35.9 per cent on an underlying basis and in Secure Power by 9.0 per cent. The performance of the General Industrial division was distorted by the AB Automotive climate control business which was run to closure in 2009. The other businesses in the division saw an underlying reduction in revenue of 11.7 per cent. All figures exclude foreign exchange variations.

## Operating profits (before exceptional items)

Operating profit was severely affected by the reduction in sales. Following a difficult first four months, the Group traded profitably from May onwards as cost reduction actions began to offset the drop in volumes. We achieved an operating profit of £7.1 million in the second half compared with a loss of £0.6 million in the first half, giving an overall result for the year of

£6.5 million (2008: £27.0 million). This includes the impact of the AB Automotive climate control business which gave rise to a loss of £2.9 million. Operating margins for all divisions, apart from IMS, improved in the second half. There was a small net benefit of £0.2 million from the impact of foreign exchange variations on the retranslation of operating profit.

## Restructuring

The restructuring programme has been implemented extensively with a series of measures to reduce costs and improve performance. These included the closure of facilities and the consolidation of manufacturing activity, headcount reductions, short time working, a pay freeze and an extension to normal factory shut-downs. Much of the restructuring is now complete, with the remaining activity being implemented in the first few months of 2010.

As a result of the measures taken, it is estimated that costs will have been reduced by over £31 million on an annualised basis. Headcount reduced by 1,507 between June 2008 and December 2009, representing 19 per cent of the global workforce.

The cost of the restructuring in 2009 was £15.9 million, of which £14.2 million relates to major programmes or plant closures and is treated as an exceptional cost. The balance of £1.7 million has been charged to operating profits.

# £499.6m

Group revenue

# £6.5m

Operating profit

	Costs		Benefits – annualised cost reduction £m
	2009 £m	2008 £m	
AB Automotive – Climate control exit	3.2	2.7	4.0
Sensors – European restructuring	7.4	–	8.2
Sensors – Romford closure	0.4	1.1	1.6
IMS – UK consolidation	1.2	–	1.9
BI SMT – closure of manufacturing	1.0	–	0.8
General Industrial restructuring	1.4	–	0.9
Other restructuring	0.6	–	0.3
Profit on sale of properties	(1.0)	–	–
<b>Total exceptional</b>	<b>14.2</b>	<b>3.8</b>	<b>17.7</b>
Operating	1.7	2.1	13.6
<b>Total</b>	<b>15.9</b>	<b>5.9</b>	<b>31.3</b>

## BUSINESS REVIEW

## Components



**“This is a very exciting time to join the management team. The actions completed in 2009, and those currently in progress, provide the Components division with a great platform to deliver differentiated technical solutions to our global customers in our target markets.”**

**Billal Hammoud**  
Divisional Chief Executive –  
Components

**The focus of the Components division is on delivering highly engineered components, including products which are custom designed for specific applications by the division’s global network of application sales engineers, who support customers’ own design centres. The business has strong market positions in a number of product segments including fixed and variable resistors as well as military connectors and harnesses. It is continuing to invest in new product development in growth segments such as visible optical and power semiconductors.**

The division benefits from a global footprint with facilities in North America, Mexico, Europe and Asia, and with a sales presence in all major markets.

Historically, each of the division’s businesses had their own sales teams and routes to market. Following the Strategic Review, it was determined that a single unified sales force in each of Europe, Asia and the US, would deliver significant benefits. The new sales structure for Europe was implemented with effect from 1 July 2009 in order to improve the way in which all of the division’s businesses address the European market. New sales structures in the US and Asia were launched on 1 January 2010. The key account management programme launched in 2009 has now been extended to 14 of the Group’s top accounts. It has been well received by customers leading to the development of higher level partnerships. For example, the Group has recently been granted “key supplier” status by Schneider Electric.

**Market conditions**

The division operates across a number of end markets including defence and aerospace, industrial and automotive. Key growth drivers are the increased use of complex control electronics in 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.

Demand in most market segments was significantly impacted in the first half of the year by the global recession. Whilst there was some increase in demand towards the end of the year, we remain cautious that this was primarily due to a re-stocking of the supply chain as opposed to a material increase in end market demand.

**Performance**

Underlying revenue was down by 11.7 per cent after adjusting for foreign exchange movements. Gross margins held up across most businesses but there was a decline in operating profit due to the significant reduction in volumes which was offset to some extent by cost reductions. Redundancy costs of £1.3 million were charged to operating profits in the year and there was a headcount reduction of 293.

**Outlook**

The increase in orders in the final quarter of 2009 has continued into the first quarter of 2010 with improved visibility for the first half of the year. We will continue to improve the way in which we serve our customers and expect to see increasing benefits from the unified sales structures now in place in Europe, USA and Asia.

**Revenue** **£190.8m**  
**Operating profit** **£5.9m**

Revenue	Operating profit*	Operating profit margin
<b>£190.8m</b>	<b>£5.9m</b>	<b>3.1%</b>
<b>09</b> 190.8	<b>09</b> 5.9	<b>09</b> 3.1%
<b>08</b> 192.1	<b>08</b> 9.7	<b>08</b> 5.0%
*before exceptional items		
Capital employed	Year end headcount	
<b>£148.8m</b>	<b>3,113</b>	
<b>09</b> 148.8	<b>09</b> 3,113	
<b>08</b> 188.5	<b>08</b> 3,406	



## BUSINESS REVIEW

## Sensors

**Historically, the Sensors division has focused on providing highly engineered sensors for specific automotive and industrial applications, particularly with major German automotive OEMs. The business has strong market positions in speed, direction and position sensing, especially in chassis, powertrain and transmission applications, and is developing an emerging position in high temperature, gas, fluid quality and low pressure sensing. The division is now focused on growing its business in system critical automotive applications, the broader transportation market and selective high accuracy industrial sensors segments whilst also consolidating its presence in emerging markets.**

Principal operations are based in Germany with further sites in the UK, Eastern Europe, China and India.

As part of the fundamental realignment of the division's cost base, a major restructuring programme was implemented in Germany, resulting in a headcount reduction of over 250 during the year. The cost arising from this of £74 million has been charged as an exceptional item and annualised savings of £8.2 million are projected from these actions. The closure of the AB Electronic facility at Romford was completed on schedule with the majority of manufacturing transferred to existing low-cost facilities in India and China. These actions meant that the division traded profitably from June 2009.

Operations in China and India made significant progress in 2009 with support from our German operations, with several strategic orders secured from targeted indigenous OEMs in each region.

**Revenue** £105.4m  
**Operating loss** £(3.9)m

**Market conditions**

Sensor usage on vehicles is growing, due to tighter legislation relating to vehicle emissions and safety. In Europe, Euro 5, which brought a step change in standards, came into force in 2009 and similar standards are being rolled out globally. In response, OEMs are striving to improve engine efficiency and meet the legislation whilst remaining competitive.

Notwithstanding a steady increase in sensors on each platform, demand from automotive manufacturers in the US and in Europe experienced a sharp reduction in the fourth quarter of 2008 as all major OEMs reduced their manufacturing output. This continued throughout 2009 as many customers implemented short time working and extended factory close-downs. The premium end of the passenger car market was impacted the most, with smaller cars seeing some benefit from the scrappage schemes implemented in the US and Europe in the second half of the year. In addition, truck volumes also reduced significantly.

**Performance**

Underlying revenue in 2009, excluding the effect of foreign exchange, fell by 25.3 per cent due to the significant reduction in automotive demand. Although this was partly mitigated by cost reductions, operating profit before exceptional items reduced sharply to a loss of £3.9 million.

**Outlook**

Whilst there has been some improvement in demand in recent months, we do not expect to see a material improvement in overall passenger car or truck volumes amongst our European customers during 2010. Instead, any revenue growth is expected to be delivered by new automotive programmes moving into volume production. This will be augmented by our progress in developing automotive business in India and China and by a further move into new industrial and broader transportation markets.



**“We took significant steps during 2009 to adjust the division’s cost base leaving us well positioned to benefit from any recovery in demand in 2010. In addition to better serving our traditional customers, we are actively pursuing new business in China and India and looking at ways to exploit our technical expertise in the broader transportation and industrial markets over the medium term.”**

Pat Murray  
Divisional Chief Executive –  
Sensors

Revenue	Operating loss*	Operating profit margin
<b>£105.4m</b>	<b>£(3.9)m</b>	<b>(3.7)%</b>
09 105.4	09 (3.9)	09 (3.7)%
08 125.9	08 1.1	08 0.9%
*before exceptional items		
Capital employed	Year end headcount	
<b>£55.7m</b>	<b>989</b>	
09 55.7	09 989	
08 73.5	08 1,284	

## BUSINESS REVIEW

## IMS



**“The outsourced manufacturing market suffered from a significant drop in demand in 2009 as a result of the global downturn. Whilst we see some signs of stability returning, we remain cautious about the coming year and will continue to focus on the actions we have put in place to better serve our customers and win new business.”**

**John Molloy**  
Divisional Chief Executive –  
IMS

**With operations in the UK, USA, China and Malaysia, the division specialises in providing high quality electronic manufacturing support for customers in the defence and aerospace, telecom and premium industrial sectors. The division has a broad capability from board assembly to full systems integration, design for manufacturing and logistics support, focused on higher mix/lower volume business. It has a substantial design engineering team and supports an international purchasing office in China.**

A unified strategy was implemented across all businesses, targeting customers that require more specialised integrated assembly in certain markets. In line with this strategy, all businesses within the division attained new quality awards during 2009, with the facility in China becoming the first electronic manufacturing services provider in the country to obtain the “IRIS” international rail standard. The global footprint of the IMS operations is a key strength that is increasingly valued by customers. A global sales structure is now in place to allow the division to better meet the needs of customers across multiple geographies. In the UK we have announced the closure of the Aylesbury plant. This is on track for completion by the end of March 2010 and the transfer of business to our Rogerstone facility is substantially complete.

**Market conditions**

Following a robust end to 2008, the division experienced a significant reduction in demand in early 2009 as the global downturn impacted manufacturing volumes worldwide. The lower levels of demand persisted throughout the year with many customers reducing commitments and re-scheduling deliveries. The move towards greater use of outsourcing by medical and industrial manufacturers seeking to reduce fixed costs continued during the year, albeit at reduced levels.

**Performance**

Underlying revenue was down by 35.9 per cent after adjusting for foreign exchange movements. The significant reduction in volumes resulted in a decline in operating profit to £2.4 million and there was a headcount reduction of 179 during the year.

**Outlook**

We are seeing some improvement in demand in China and the US as we move into 2010. This is being accompanied by some tightening in the labour market and a shortage of certain components in China. Although there still remains significant uncertainty, customers are beginning to provide more visibility in terms of forward demand.

Revenue **£75.1m**  
Operating profit **£2.4m**

Revenue	Operating profit*	Operating profit margin
<b>£75.1m</b>	<b>£2.4m</b>	<b>3.2%</b>
09 75.1	09 2.4	09 3.2%
08 103.4	08 6.0	08 5.8%
*before exceptional items		
Capital employed	Year end headcount	
<b>£19.9m</b>	<b>1,011</b>	
09 19.9	09 1,011	
08 34.7	08 1,190	

## BUSINESS REVIEW

## Secure Power

**The division has two principal operations: 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 (UPS) within Mexico and key markets in the Middle East and Latin America. Dale Power Solutions provides a similar product line within the UK and certain overseas markets. It has a particular focus on delivering bespoke power solutions to customers with mission critical power requirements, including utilities and companies in the petrochemical, financial services and healthcare sectors.

The Secure Power division has taken steps to increase export business with further development of its distribution network in Latin America, coupled with new sales and service offices opened in the Middle East during the latter part of 2009 and in Brazil in January 2010. The generator set and UPS product ranges have also been improved and extended.

As part of the strategic development of the Secure Power service business, a facility was opened in Aberdeen to support the Group's growing offshore oil and gas maintenance customer and contract base in the region. This facility has already proved valuable in supporting a three-year agreement with Total E&P UK Ltd to provide service and maintenance, which was secured during the year. In addition, four regional support centres were established in Mexico to enhance customer service and improve the capture and retention of service business.

**Market conditions**

2009 was a difficult year for the global secure power market with a reduction in new orders for large projects linked to construction, financial services and tourism, particularly in the UK and Middle East. The division was able to offset some of this market weakness through its focus on the petrochemical sector and increased market penetration in Latin America, notably Brazil.

**Performance**

The division delivered a solid performance in 2009 in difficult market conditions. Revenue was down 9.0 per cent after adjusting for foreign exchange movements. Operating profit reduced by £3 million due to lower revenues. In addition, 2008 operating profit for the Mexican business benefited from a foreign exchange gain, which arose from a strengthening of the US dollar. The successful completion of a gas turbine refurbishment project in Kazakhstan, coupled with the ongoing supply of secure power systems to a number of UK hospitals, helped underpin performance. The Mexican operation benefited from new contracts in the domestic oil exploration and power utilities sector.

**Outlook**

Developed markets are expected to remain challenging during 2010 although there has been an increase in activity for larger secure power projects since the beginning of the year. There is ongoing demand in developing economies, particularly in Latin America, as demand for power continues to outstrip investment in generation and distribution infrastructure. Demand from the Middle East remains subdued.



**“During 2009 we implemented a number of steps to better serve new markets and customers including opening a new service office in Aberdeen, broadening and enhancing our product range and establishing a presence in Brazil. Whilst we expect the market to remain difficult in 2010, I believe that these actions position the division well for continued future growth.”**

Revenue **£59.1m**  
Operating profit **£4.8m**

Revenue	Operating profit*	Operating profit margin
<b>£59.1m</b>	<b>£4.8m</b>	<b>8.1%</b>
09 59.1	09 4.8	09 8.1%
08 65.9	08 7.8	08 11.8%
*before exceptional items		
Capital employed	Year end headcount	
<b>£11.6m</b>	<b>589</b>	
09 11.6	09 589	
08 18.4	08 629	

**Nigel Brice**  
Divisional Chief Executive –  
Secure Power

## BUSINESS REVIEW

## General Industrial



**“Despite difficult trading conditions during 2009, the General Industrial division, with the exception of AB Automotive, generated cash and profit in the second half of the year. The actions taken to reduce costs and develop sales position the division well for the coming year.”**

**Andrew Dick**  
Divisional Chief Executive –  
General Industrial

**With operations in the UK, South Africa, India, China, USA and Canada, the division serves a range of market sectors. Applications include magnetics, electrical fusegear, specialist compounds for the cable and pipe markets and fastenings for the industrial and automotive sectors. General Industrial also incorporated the AB Automotive climate control business, which was closed during 2009.**

A new Divisional Chief Executive was appointed in April to manage the businesses for value. In 2009, the Group invested in the relocation of AEI Compounds to a new facility and in additional capacity to meet the increasing demand for specialist low smoke and fume compound for the cable market. The relocation of further manufacturing from the WT Henley facility in the UK to the Group's site in China was announced in November and is on track to be completed by the end of March 2010.

During 2009, the sales of two small businesses in Scotland and Australia were completed. In addition, the conditional sale of Wire Systems Technology (Pty) Ltd, based in South Africa, was announced on 17 February 2010.

**Market conditions**

The businesses within General Industrial serve a wide range of end markets all of which were impacted by the global recession during 2009. In general terms, there was a significant decline in the first half of the year with some signs of stability in the fourth quarter.

**Performance**

Revenue for the division reduced by 32.1 per cent on a constant currency basis with a £5.1 million reduction in operating profit. The financial performance was impacted by the exit from the AB Automotive climate control business which was completed by the end of 2009 and which gave rise to an operating loss of £2.9 million for the year, and by the sales of two small businesses during the year. Revenue for continuing businesses reduced by 11.7 per cent to £53.2 million with an operating profit in 2009 of £0.2 million (2008: £4.9 million). £0.3 million of restructuring costs were charged to operating profit during the year.

**Outlook**

Following a steep decline in demand, particularly in the first half of 2009, there have been signs of stability in the first quarter of 2010 with volumes reflecting a reversal of some of the de-stocking which took place in the first half of last year.

Revenue **£69.2m**  
Operating loss **£(2.7)m**

Revenue	Operating loss*	Operating profit margin
<b>£69.2m</b>	<b>£(2.7)m</b>	<b>(3.9)%</b>
09 69.2	09 (2.7)	09 (3.9)%
08 97.0	08 2.4	08 2.5%
*before exceptional items		
Capital employed	Year end headcount	
<b>£23.2m</b>	<b>556</b>	
09 23.2	09 556	
08 35.8	08 911	



## BUSINESS REVIEW

## Financial review

**Overview**

Operating profit for the year reduced to £6.5 million (2008: £27.0 million) due to the impact of the global economic slowdown, offset to some extent by the cost reductions arising from the implementation of the restructuring programme. Profit before tax and exceptional items was £0.8 million (2008: £21.1 million).

**Exceptional items**

Exceptional costs of £18.0 million were incurred in the year (2008: £3.8 million). This comprised £14.2 million in respect of restructuring described on page 21 and £3.8 million on impairment of goodwill in respect of Optek Technology, Inc. The impairment has been made following a review of the future cash flows of the business compared with the carrying value of goodwill and other assets.

**Taxation**

The tax charge for the year was £2.4 million, after a £0.4 million credit relating to exceptional items. The charge arises from profits generated in overseas countries, particularly Mexico and China. There was no tax payable in the UK due to current year losses.

**Dividends and earnings per share**

Headline loss per share was 1.3 pence compared with earnings of 9.2 pence in 2008. Basic loss per share was 12.6 pence (2008: earnings of 7.5 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.

For the year ending 31 December 2009, the Board has not recommended a final dividend (2008: nil) and no interim dividend was paid (2008: 3.69 pence).

**Cash flow, borrowings and facilities**

	2009 £million	2008 £million
Underlying operating cash flow	83.9	50.1
Capital expenditure	9.4	21.9
Development expenditure	6.9	10.9
Exceptional restructuring costs	9.6	1.7
Net debt	56.9	113.2
Stock turn (times)	5.0	4.1
Debtor days	48	58
Creditor days	57	50

Underlying operating cash flow of £83.9 million was £33.8 million higher than 2008 due mainly to the significant reduction in working capital which offset reduced profits. The working capital improvement of £47.2 million represented a significant out-performance on the upgraded target reduction of £17-20 million. This achievement was driven by actions undertaken at all business units to improve material flows across the factory, deliver supply chain efficiencies and agree improved terms with customers and suppliers. Inventory reduced by £31.1 million accompanied by an improvement in stock turns from 4.1 to 5.0 times. There was also an improvement in debtor days and creditor days as shown above with a £22.2 million reduction in debtors offset in part by a £6.1 million reduction in creditors.

Capital expenditure was £9.4 million compared with depreciation of £24.1 million. New approval processes have been introduced to ensure that expenditure is focused on key projects with an attractive return and that post-implementation reviews are undertaken for major projects to compare the benefits attained with previous projections.

Exceptional restructuring cash costs were £9.6 million (2008: £1.7 million) arising from the implementation of the cost-reduction programmes described previously.

Net cash flow for the year was £51.4 million (2008: £16.1 million negative) and this, together with the favourable £4.9 million exchange variance, led to a near halving of the net debt to £56.9 million (December 2008: £113.2 million).

The Group has total banking facilities available of £131 million, of which £32 million comprises working capital facilities with a number of major UK and overseas banks. This amount is periodically reviewed. The main term loan of £70 million is a multi-currency revolving facility with HSBC extending to 2011.

The main financial covenants are in the HSBC loan agreement and restrict gross debt to below three times total earnings before interest, tax, depreciation, amortisation and exceptional items ("EBITDA before exceptionals"). In addition, EBITDA before exceptionals is required to cover gross interest by at least six times. The covenants are tested annually and were satisfied comfortably at December 2009:

	Term	Actual
Gross debt / EBITDA before exceptionals	< 3	1.9
EBITDA before exceptionals / gross interest	> 6	11.8

The Directors have reviewed the budgets for 2010 and the projections for 2011 developed during the 2009 annual strategic planning cycle, which have been adjusted to take account of the current trading environment. Demand in most of the Group's end markets was 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 schemes in the UK. Assets and liabilities of the defined benefit schemes are summarised below:

	December 2009 £million	December 2008 £million
Fair value of assets	302.9	279.0
Liabilities	(343.6)	(294.1)
Deficit – UK scheme	(40.7)	(15.1)
Overseas schemes	(3.0)	(3.5)
Total Group deficit	(43.7)	(18.6)

The increase in the deficit during the year was due to the reduction in the discount rate, offset in part by higher asset values.

The defined benefit schemes have been closed to new entrants for a number of years and, following consultations with members, a decision has been taken to close the UK scheme to future accrual and to transfer members to a defined contribution scheme. This was implemented for the USA scheme during 2009.

A revised funding agreement was agreed with the Trustee in January 2009, fixing deficit contributions out to 2016. Under the agreement, a contribution of £2.2 million was made into the scheme in 2009 (2008: £2.2 million).

## BUSINESS REVIEW

## Principal risks and uncertainties

The Group is subject to a variety of risks which could have a negative impact on its performance and financial position. The Board is responsible for the Group's system of internal control and risk management and for reviewing its effectiveness. The principal risks are considered to be:

Principal risks	Description of risk	How we mitigate that risk
<b>Market and customer related</b>	General economic downturn leading to reduction in customer demand and production volumes	Forward-looking indicators are regularly reviewed to identify deteriorating market conditions. The cost base is reduced as required and there is a management structure in place to enable a rapid response to changing circumstances
	Significant erosion of existing customer base as a result of customer relocation or a reduction in end user demand for their products	We review key customers as part of the annual strategic planning process and establish and monitor plans to diversify the customer base. A key account management programme ensures major customers are serviced on a global basis. We continue to increase our capabilities to service customers in emerging markets
	Over-dependence on one or more key market sectors	Market concentration is reviewed annually at a business, divisional and Group level as part of the annual strategic planning process. Plans are established to address any issues identified
	Major customer default giving rise to bad debts and/or unsold inventory	Customer credit limits are regularly reviewed and the ageing of receivables is reported monthly. Major new customers are credit checked and, where appropriate, payments are secured in advance of shipping
<b>Manufacturing and operational</b>	Major product liability claim or recall costs from quality failure, particularly in the automotive sector	Comprehensive quality control procedures are backed up by an appropriate level of insurance. Major contracts are reviewed by the Group Legal Counsel
	Failure of business continuity plans with consequential impact on revenue and profit	Robust business continuity plans in place at each business and tested periodically
	Inadequate succession planning, combined with a lack of training and development, resulting in a lack of management talent	A talent review process is held twice a year to assess senior management across the Group, identify succession issues and determine training and development needs. In addition, we are now able to identify, assess and monitor the development of the Group's management using a web-based performance management tool introduced in the final quarter of 2009
	Damage to reputation amongst key stakeholders due to product quality or product delivery issues	Comprehensive quality control procedures are in place and we continuously work to build and maintain relationships with all key stakeholders
<b>Financial</b>	Liquidity, foreign exchange and interest risk	Financial risks are managed at a Group level as further described below

### Risk management process

In common with other international businesses, the Group is exposed to a number of potential risks which may have a material effect on its reputation and financial or operational performance including product liability, credit risk, reliance on customers' commitments and other usual commercial risks. We have a wide portfolio of products and operate in a number of market sectors. It is not possible to identify or anticipate every risk that may affect us, or the materiality of that risk. However, 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 are considered appropriate to the risk involved and the marketplace in which the exposure arises. The Board has overall responsibility for risk management and internal controls, supported by the Risk Committee and the Audit Committee.

The Risk Committee of the Board holds monthly meetings to review risks and assess and monitor actions to mitigate those risks. This provides a framework for managing risks throughout the Group. During the year the Committee was chaired by the Group Chief Executive and included the Group Finance Director, the Group Legal Counsel, the Group Internal Controls Executive and up to four senior executives from within the Group. Business risk evaluation including the nature, likelihood and materiality of the risks affecting each Group business is assessed by operational management on a monthly basis during the year and a Principal Risk Register maintained for each business. On the basis of these assessments, the Risk Committee produces a Group Risk Register and a Group Risk Map. Minutes of the Risk Committee meetings, together with the Group Risk Register and Risk Map, are circulated to the Board and to the Audit Committee.

The Risk Committee monitors the effectiveness of risk management with the assistance of the Group Internal Controls Executive who conducts a series of internal audits in line with an annual plan approved by the Audit Committee. After each site visit, a report is prepared and presented to local entity and divisional management and to the Chairman of the Audit Committee. A copy is also made available to the external auditors. Further details of the Group's system of internal controls are contained in the Directors' report on corporate governance on pages 37 to 41.

As described in the Corporate governance report, there is an embedded process for monitoring and managing risks through monthly financial and operational reporting procedures. In addition, appropriate levels of cover are maintained under the Group insurance programme in respect of insurable risks.

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. It should be recognised that such systems can only provide reasonable and not absolute protection against risk, material misstatement or loss.

### Operational risks

The ongoing effects of the global financial crisis continue to present significant challenges to the Group, principally related to the level of demand.

The Group directly and indirectly serves large automotive OEM customers. This exposes the Group to several risks including fluctuating manufacturing volumes, the potential for significant quality and recall claims and customer default. In the event that one of the larger automotive manufacturers or suppliers defaults or seeks protection from its creditors, 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, supply chain issues, reliance on customers' commitments and other usual commercial risks in all of its businesses, including those identified as Principal Risks in the table opposite. The Group has a wide portfolio of products and operates in a number of market sectors.

There are established procedures in place to manage such risks, including production quality 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. In addition, major contracts are reviewed by the Group Legal Counsel.

The Group has contractual and other arrangements with numerous third parties in support of its business activities. This report does not contain information about any of these third parties as none of the arrangements with them are considered essential to the business of the Group.

### Financial risks

As an international business, the major financial risks faced by the Group are liquidity risk, currency risk and interest rate risk and these are regularly reviewed by the Board.

### Liquidity

The current economic conditions continue to create uncertainty regarding the availability of bank financing 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 relate to the translation of profits and net assets denominated in overseas currencies into sterling and transactions in foreign currencies. The Group's policy is to use hedges to reduce these risks. These hedges are achieved through forward currency contracts and currency borrowings.

### Interest cost

Interest cost risk is mitigated by the use of a combination of short and medium-term debt at both fixed and floating rates and by the use of interest rate caps where appropriate.

### Directors' review

The Directors have reviewed the effectiveness of risk management and internal control during the year to 31 December 2009 and the period since then to the date of this report and have taken appropriate actions for improvement where necessary.

## BUSINESS REVIEW

## Corporate responsibility

**We are an integral part of the lives of our people and the communities where we operate and we have a clear duty to operate responsibly.**

Operating responsibly means a number of things for the Group. Whilst it means running our businesses in line with the expectations of diverse global stakeholders, Corporate Responsibility (CR) is also a discipline which helps manage risks, eliminate waste and maximise the opportunities presented by a changing world.

In 2009, we invested significant energy in CR, including a global audit of CR activity, engagement with industry bodies and the roll out of new Group values.

**A commitment to CR**

We use CR to manage issues such as measuring and improving performance on environmental impacts, health and safety and employee and community engagement.

The Group Chief Executive chairs the Corporate and Social Responsibility Committee which also includes an independent non-executive Director, the Group Legal Counsel and up to three senior executives from within the Group.

An audit of Group-wide activity in 2009 helped to benchmark existing activity and will be used to inform future actions.

Although we have not historically measured our performance against non-financial targets or indicators, this is something that will be implemented during 2010 as explained on page 10.

**External standards and benchmarking**

In 2009, the Group became a member of the Electronics Industry Citizenship Coalition (EICC). Membership mandates the adoption of EICC's code of conduct, which, in 2010 and beyond, will be embedded throughout our operating companies. This year also saw the Group become a member of Business in the Community.

Approximately half of the Group's operating companies have ISO9001 accreditation, with around 40 per cent holding ISO14001 accreditation. All operating companies are encouraged to gain accreditation to adopt these standards as a baseline for non-financial management.

**Priority issues****People and culture**

A talented, engaged workforce is central to our ability to deliver world-class products. We focus on making TT electronics a place where people feel supported, can develop their skills and have a clear understanding of the Group's business objectives.

In 2009, we launched a set of Group values, which seek to define what the organisation stands for and to bring employees together under a clear common purpose. The values focus on themes such as integrity, excellence, innovation and teamwork. However, they also acknowledge our commitment to delivering customer value through the retention and development of high quality people.

**Health and safety**

Providing a workplace where our employees feel safe is not only a legal obligation, but a fundamental factor in building their engagement with the Group. We aim to reduce the frequency of accidents through management intervention, awareness campaigns and a culture that encourages employees to raise concerns about workplace safety.

**Low-carbon technology**

Our expertise in technological innovation ensures that we are well positioned to support the global transition to a low-carbon economy. Work to date has seen several businesses within the Group deliver solutions to increase energy efficiency or renewable energy production. For example, in 2009 we established a team to look at opportunities in electric and hybrid vehicles and we are already working with customers to increase the efficiency of the systems we design and build for them.

**Environment**

Above and beyond the commitment to ISO14001 already described, we are focused on efficiency and waste reduction together with reducing the use of potentially dangerous, volatile or environmentally damaging chemicals.

**Community engagement**

In 2009, the Group contributed £53,000 to charitable causes in addition to giving-in-kind through employee time.

We are immensely proud of the causes our employees support. During the year, these included blood donation services, substance abuse centres, medical research charities and children's charities. This work helps us to attract and retain talent, by engaging existing employees and building a local reputation as an employer of choice. In 2010, a more robust structure will be implemented around community engagement to ensure that it meets the needs of our business and continues to inspire our people.



## BUSINESS REVIEW

## Outlook for 2010

Following difficult trading conditions throughout most of 2009, the situation improved in the fourth quarter in most of our markets. This has continued in the first two months of 2010. A number of factors have contributed to an increase in demand, including government scrappage schemes in the automotive sector, the fiscal stimulus packages introduced in many countries and a re-stocking of the supply chain following the aggressive de-stocking that took place in late 2008 and the first half of 2009.

We continue to implement the actions outlined in this report, focusing the Group on those markets which we believe will provide opportunities for higher growth and margins. We are improving the way we interface with our customers through the implementation of unified regional sales teams in the Components division and maintaining our focus on the key account management programme, which is enabling us to better serve our major global customers.

In addition, the virtual market teams are highlighting growth opportunities offered by their target markets. With the strengthened senior management team now in place and new systems implemented to identify and develop our key employees, the Board is confident that the actions taken during 2009, and those in progress in 2010, will provide the Group with a platform for sustainable growth.

Although the shape and timing of the global economic recovery is difficult to predict, visibility for the first half of the year has improved in certain markets with the Group tracking slightly ahead of the Board's previous expectations.

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## Chairman

After more than 20 years with the Group, John Newman has announced his intention to step down from the Board at the next AGM. We would like to express our gratitude to John for his leadership and vision in developing TT electronics over many years and also for his support to us since joining the Group. The Board is delighted that Sean Watson, who has been a non-executive Director since 2007, will become non-executive Chairman following the next AGM, to be held in May.

## GOVERNANCE

## Directors and Company Secretary



**John W Newman (64)**  
Non-executive Chairman  
Chairman of the Nominations and Corporate  
Governance Committees

Appointed to the Board in 1986. Became Non-executive Chairman on 1 September 2009, having previously served as Executive Chairman. A Chartered Accountant who is also Chairman of the Newship group of companies.



**Geraint Anderson (50)**  
Group Chief Executive  
Chairman of the Corporate and Social  
Responsibility and Risk Committees

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



**Shatish D Dasani ACA (48)**  
Group Finance Director  
Member of the Corporate Governance and  
Risk Committees

Appointed to the Board in 2008. A Chartered Accountant, previously with De La Rue plc, Lafarge SA and Blue Circle Industries plc. Was also previously a non-executive director of Camelot plc.



**Tim H Roberts (39)**  
Group Business Development Director

Appointed to the Board on 26 January 2010. Joined TT electronics in January 2008. Previously Strategy and Business Development Director with Spirent Communications plc and formerly a solicitor specialising in corporate finance.



**David S Crowther (64)**  
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.



**John C Shakeshaft (55)**  
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, Xebec Adsorption, 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.



**Sean M Watson (61)**  
Independent Non-executive Director  
Member of the Remuneration, Nominations and  
Corporate and Social Responsibility Committees

Appointed to the Board in 2007. A partner at CMS Cameron McKenna LLP and was a non-executive director of Informa plc from 2000 to 2009.



**Wendy J Sharp ACA (44)**  
Group Company Secretary  
Member of the Corporate Governance Committee

## GOVERNANCE

## Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2009.

**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 defence, aerospace, medical, automotive and other industrial electronics 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 to 4 and 20 to 31 of this Annual Report and these should be read as part of the Directors' report.

The principal operating subsidiaries are listed on pages 81 to 82.

**Results and dividends**

The Group's profit on ordinary activities before taxation and exceptional items was £0.8 million (2008: £21.1 million). After taxation and exceptional items a loss of £19.6 million was reported (2008: profit of £11.6 million). The audited financial statements of the Group and the Company are set out on pages 47 to 82. Further details of the Group's activities are set out in the Business review on pages 20 to 31.

The Directors are not recommending a final dividend for the year ended 31 December 2009 (2008: nil). No interim dividend was paid during the year (2008: 3.69p).

**Disposals**

No significant disposals have been made during the year.

**Post balance sheet event**

On 17 February 2010, the conditional sale of Wire Systems Technology (Pty) Ltd was announced, the consideration being Rand 60 million plus an amount equal to the cash balances of the company on the day preceding the completion date, subject to completion accounts.

**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. Further details are given in note 11 to the consolidated financial statements.

**Financial risk management objectives and policies**

These are set out under Financial risks in the Business review on page 29.

**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 57 days of average supplies for the year (2008: 50 days).

**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. Where existing employees become disabled, the policy of the Group is to provide continuing employment and training wherever practicable. 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.

Further details on the Group's policies relating to its employees are given on page 30.

**Corporate governance**

The application of the principles and provisions of the Combined Code is set out in the Directors' report on corporate governance on pages 37 to 41.

## GOVERNANCE

## Directors' report (continued)

**Directors**

The Directors are listed on page 32 with brief biographical notes. All the Directors held office throughout the year, with the exception of T H Roberts who was appointed on 26 January 2010. J W Newman, who had previously been executive Chairman became non-executive Chairman with effect from 1 September 2009. J W Armstrong retired on 5 January 2009.

At the forthcoming Annual General Meeting D S Crowther retires and, being eligible, offers himself for re-election. T H Roberts, having been appointed since the previous Annual General Meeting, retires in accordance with the Articles of Association and, being eligible, offers himself 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, not being fewer than three in number. The Corporate governance report sets out further details of the requirements for re-election of Directors on page 37. In addition, further details of the activities of the Nominations Committee are set out on pages 39 to 40.

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 except that provisions of the Company's share plans may cause options and awards granted under such schemes to vest on takeover, subject to the satisfaction of any performance conditions. Further details of the executive Directors' service contracts can be found in the Directors' remuneration report on pages 42 to 46. Copies of the executive Directors' service contracts and letters of appointment of the non-executive Directors are available for inspection by any person at the Company's registered office during normal business hours on any weekday (public holidays excepted) and at the Annual General Meeting from 15 minutes before the Annual General Meeting until it ends.

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 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 2009 held interests in the following numbers of the Company's Ordinary shares of 25p each on 1 January 2009, 31 December 2009 and 8 March 2010:

	8 March 2010 Ordinary shares	31 Dec 2009 Ordinary shares	1 Jan 2009 Ordinary shares
J W Newman	10,848,627	10,848,627	10,848,627
G Anderson	140,000	140,000	90,000
S D Dasani	350,000	350,000	150,000
J W Armstrong	n/a	n/a	70,582
D S Crowther	65,000	65,000	40,000
J C Shakeshaft	15,479	15,479	15,479
S M Watson	62,950	62,950	62,950

T H Roberts, who was appointed on 26 January 2010, held interests in 33,196 of the Company's Ordinary shares of 25p each on appointment and at 8 March 2010.

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 42 to 46.

**Substantial shareholding notifications**

At 8 March 2010 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	%
Legal & General Group plc and Legal & General Investment Management Limited <sup>(1)</sup>	15,620,319	10.0
Tweedy, Browne Company LLC	15,359,648	9.9
J O Hambro Capital Management Group Limited	15,107,960	9.7
J W Newman <sup>(2)</sup>	9,452,010	6.1
Legal & General Group plc <sup>(1)</sup>	9,313,546	6.0

(1) Legal & General Group plc have a direct interest in TT electronics shares which makes them a substantial shareholder in their own right. Accordingly, under the Disclosure and Transparency Rules, their direct interest is initially notifiable at 3% (and thereafter every time it moves through a percentage point – eg. from 3% to 4%). They also hold shares as a fund manager, via their subsidiary, Legal & General Investment Management Limited, whereby they have an indirect interest. The combined total of their direct and indirect interests is then subject to 5% and 10% disclosure thresholds.

(2) 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). Since then, various transactions have taken place and directors shareholding announcements containing details of these transactions have been released to the Stock Exchange in accordance with DTR 3.1.4R. No further disclosure has been made by J W Newman in his capacity as a substantial shareholder because these transactions have not resulted in the total number of shares over which he holds voting rights crossing a requisite threshold.

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. All issued shares are fully paid. The share capital during the year and the number of Ordinary shares reserved for issue are shown in note 14 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 Group 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 12 May 2010. 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 13 May 2009, 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 12 May 2010 at the offices of KBC Peel Hunt Ltd, 111 Old Broad Street, London EC2N 1PH at 11.30 am. The Notice of the Company's Annual General Meeting accompanies this document.

## GOVERNANCE

## Directors' report (continued)

**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 47 and 73 and should be read in conjunction with those of the Directors as set out below.

**Going concern**

The Directors have reviewed the budgets for 2010 and the projections for 2011 developed during the 2009 annual strategic planning cycle, which have been adjusted to take account of the current trading environment. Demand in most of the Group's end markets was 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.

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

The Directors are responsible for the preparation of the Annual Report and the 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 material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Company will continue in business.

The Directors have responsibility for:

- ensuring that the Company and the Group prepare and maintain adequate 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 2006 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. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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**

Group Company Secretary

12 March 2010

**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 loss 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

12 March 2010

**S D Dasani**

Group Finance Director

## GOVERNANCE

## 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 2008 Combined Code ("Code") contained in the Listing Rules of the Financial Services Authority, have been complied with throughout the year ended 31 December 2009 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**

Subject to the Company's Memorandum and Articles of Association, UK legislation and any directions given by special resolution, the business of the Company is managed by 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 2009 the Board comprised up to three executive Directors and up to four non-executive Directors. J W Newman, the Chairman, served as an executive Director until 1 September 2009 when he became a non-executive Director.

Of the remaining executive Directors, S D Dasani and G Anderson served throughout the year. T H Roberts was appointed on 26 January 2010 and therefore did not serve during the year.

The remaining 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.

S M Watson is a partner at CMS Cameron McKenna LLP, one of a number of law firms which advise the Company. Prior to 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 the criteria for independence set out in the 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 LLP circa £65,000 during 2009 in respect of legal advice.

Accordingly, of the non-executive Directors, D S Crowther, J C Shakeshaft and S M Watson are considered to be independent as defined by the Code.

During the year there were seven Board meetings on scheduled dates for which full notice was given. Unscheduled supplementary meetings also take place as and when required and, during 2009, two such meetings took place. The Board has had two scheduled and three unscheduled supplementary meetings to date during 2010. Full details of each Director's Board and Committee meeting attendance are given on page 40.

Directors' biographies including the Committees on which they serve and chair are shown on page 32. In accordance with the Company's Articles of Association each Director will offer himself for re-election every three years.

**The non-executive Chairman and Group Chief Executive**

Up until 31 August 2009, the Company had an executive Chairman and a Group Chief Executive. However, from 1 September 2009, in line with the announcement made on 21 January 2009, J W Newman became non-executive Chairman and, as a result, the division of responsibilities between the non-executive Chairman and the Group Chief Executive has been re-defined, formalised in writing and approved by the Board:

The non-executive Chairman maintains responsibility for the leadership and effectiveness of the Board and setting its agenda; ensuring that all Directors receive accurate, timely and clear information on financial, business and corporate matters to enable them to participate effectively in Board decisions; facilitating the effective contribution of non-executive Directors in particular and ensuring constructive relations between executive and non-executive Directors; and ensuring effective communication with shareholders.

The Group Chief Executive is responsible for the operations of the Group. He is responsible for developing Group objectives and strategy having regard to the Group's responsibilities to its shareholders, customers, employees and other stakeholders and, following presentation to, and approval by, the Board, for the successful implementation and achievement of those strategies and objectives. His other areas of responsibility include managing the Group's risk profile, including its health and safety performance; ensuring that the Group's businesses are managed in line with strategy and approved business plans, and comply with applicable legislation and Group policy; and ensuring effective communication with shareholders.

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.

**Board procedures and performance evaluation**

All Directors have access to the advice and services of the Group 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.

In accordance with the provisions on conflicts of interest in the Companies Act 2006, 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 and, in accordance with best practice, a review of Directors' conflicts of interests is conducted annually.

## GOVERNANCE

## Directors' report on corporate governance (continued)

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, although it was noted that as the Audit Committee comprised just two members, and it was thus reliant on both members being available to be quorate, a third member would be an advantage. It is anticipated that this will be addressed during 2010.

**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 prevented or, failing which, 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 operating company and Group level as part of the annual budget preparation. Having identified risks, each operating company then monitors, reviews and updates 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 monthly Risk Committee meeting. The principal risks of the Group are subject to review by the Risk Committee, Audit Committee and the Board. Further details of the Group's exposure to risk and processes in place to manage the same are set out in the Business review on pages 28 to 29.

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") consisting of the executive Directors, Divisional Chief Executives and other senior management. The Operating Board meets on a monthly basis and reviews the historical performance and the outlook for the Group as a whole and agrees and implements any actions as necessary. In addition, it is responsible for monitoring and driving delivery of the Group's key priorities and acts as a forum to raise and debate significant operational issues.
- The Group Chief Executive also chairs the Risk Committee which meets monthly. Further details on the remit and activities of the Risk Committee are set out on page 41.
- 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 to 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 2009 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 principal 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: D S Crowther (Chairman) and J C Shakeshaft, the former having 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 (by reference to reports received regularly from the Risk Committee and the head of the internal control/audit function) 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 from the Risk Committee and on the findings of the Group Internal Controls Executive who is required to attend the Committee's meetings. The Committee also reviews internal audit plans and recommendations.

During 2009 the Audit Committee met five times and has had one meeting to date during 2010. Both committee members attended all the meetings. The Committee met twice with the Auditors without executives of the Company being present. The Committee also met twice with the head of the internal control function without executives of the Company being present.

The Committee reviewed the effectiveness of the external Auditors during the year. This process included seeking feedback from the finance directors of each operating subsidiary. Comments received were then analysed to identify both recurring themes and specific issues and the results were presented to the Committee. It was concluded that the Auditors' performance had been satisfactory and, where areas for improvement had been identified, these were communicated to the Auditors.

The independence of the Auditors is assessed annually by the Audit Committee. This is achieved by means of a self-assessment of independence which is completed by the Auditors and is then subject to review, analysis and query by the Audit Committee to ensure that suitable policies and procedures are in place to safeguard the Auditors' independence and objectivity. Such policies and procedures include the Company's policy regarding the provision of non-audit services which states that non-audit services may be obtained from the most appropriate source having regard to expertise, availability, knowledge and cost. Non-audit services where fees are expected to exceed a pre-determined threshold should be approved, in advance, by the Chairman of the Audit Committee or in his absence by another member of the Audit Committee. There is a restriction so that non-audit services fees will not exceed the audit service fees, paid to the same service provider, for more than two consecutive years unless specifically recommended by the Audit Committee and agreed by the Board. The preference of the Committee is not to engage the Auditors for additional non-assurance services, absent compelling reason (e.g. capability, time, cost) to the contrary.

The Committee 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 42 to 46 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 the non-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 2009 the Committee met three times. All Committee members attended each meeting. The Committee also carried out an assessment of its performance in 2009.

## GOVERNANCE

## Directors' report on corporate governance (continued)

The Committee has had two meetings to date during 2010, following which the appointments of T H Roberts as an executive Director and S M Watson as Chairman were recommended to the Board.

T H Roberts had joined the Company in 2008, in advance of the retirement of J W Armstrong, who had previously held the post of Corporate Development Director. At the recommendation of the Nominations Committee, T H Roberts is receiving executive coaching which involves networking with other executive directors, governance training and coaching to address other identified development needs. This commenced in advance of his appointment as an executive Director.

S M Watson has been an independent non-executive Director of the Company since 2007. Before nominating him to become Chairman the Committee weighed the relative merits of appointing an internal candidate conversant with the agreed strategy and its current execution or an external candidate with different skills and experience from existing Board members. The Committee took external advice from the Company's bankers, brokers and remuneration consultants. Two members of the Board offered themselves as candidates. The Committee took soundings of all Board members and engaged recruitment consultants to interview both candidates against a set of professional competences (board leadership; influencing and collaboration; coaching and development; strategic acumen; independence and integrity; and industry and market knowledge) and also against a control group of possible external candidates. Both candidates measured well on both sets of criteria and stronger than the external set on the particular requirements of the Company. Reviewing all the assessments the Committee recommended S M Watson's nomination.

**Board and Committee meeting attendance 2009**

The table below shows the number of meetings held by the Board and its principal committees and the attendance of each of the Directors at those meetings.

	Board	Audit Committee	Remuneration Committee	Nominations Committee
Total meetings held	9	5	7	3
J W Newman	9	n/a	n/a	3
G Anderson	9	n/a	n/a	n/a
S D Dasani	9	n/a	n/a	n/a
D S Crowther	8 <sup>(1)</sup>	5	7	3
J C Shakeshaft	9	5	7	3
S M Watson	8 <sup>(1)</sup>	n/a	7	3

(1) D S Crowther and S M Watson were each unable to attend one unscheduled supplementary board meeting.

J W Armstrong retired on 5 January 2009. However, given that no Board or Committee meetings took place during the period 1 to 5 January 2009, he has not been included in the above table.

**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 Chairman and included the Group Finance Director, one independent non-executive Director and the Group Company Secretary. The Committee's duties are as follows:

- to review regularly the corporate governance procedures of the Company;
- to ensure that the Company's corporate governance procedures are up-to-date and effective and that these are communicated to those employees, officers and/or Directors of the Company or its subsidiaries to whom they are relevant;
- to make recommendations to the Board from time to time on any procedures, or processes, that may need changing, in order to ensure that the Company is compliant with relevant legislation, including but not limited to, the Companies Act 2006;
- to ensure that the Company is compliant with the standards and disclosures required by the Combined Code and the Listing, Prospectus and Disclosure rules of the UK Financial Services Authority; and
- to receive reports, or any views expressed by shareholders, stakeholders, government or other regulatory bodies and any other interested parties in relation to corporate governance.

The Committee met three times during 2009.

### Corporate and Social Responsibility Committee

The Corporate and Social Responsibility 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 four times during 2009 and has had one meeting to date during 2010. The Board regularly receives reports on its activities.

Further information on the activities of the Corporate and Social Responsibility Committee is given in the Corporate responsibility section of the Business review on page 30.

### Risk Committee

The Risk Committee assists the Board and the Audit Committee in fulfilling their responsibilities by:

- providing a framework for managing risks throughout the Group; and
- providing an appropriate level of reporting on the status of risk management within the Group.

This is achieved by promoting awareness of risk management, and ensuring that a risk management framework is in place to ensure that risks are identified, quantified, managed, monitored and reported.

During the year the Committee was chaired by the Group Chief Executive and included the Group Finance Director, the Group Legal Counsel, the Group Internal Controls Executive and up to four senior executives from within the Group. A representative from the Company's insurance brokers also regularly attends meetings. The Committee met 12 times during 2009 and has had three meetings to date in 2010.

Further information on the activities of the Risk Committee is given in the Principal Risks and Uncertainties section of the Business review on pages 28 to 29.

### Donations

During the year the Group contributed £53,000 (2008: £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. D S Crowther, as senior independent non-executive Director, also undertakes consultation on certain matters with major shareholders. Through these Directors the Company maintains a regular dialogue with institutional shareholders and analysts and feedback received is reported to the Board so that all Directors develop an understanding of the views of major shareholders about the Company. 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 12 March 2010 and signed on its behalf by:

### W J Sharp

Group Company Secretary

## GOVERNANCE

## Directors' remuneration report

This report has been prepared in accordance with the Companies Act 2006 and Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008. A resolution to approve the report will be proposed at the Annual General Meeting on 12 May 2010. This report sets out the Company's policy for Directors' remuneration, the arrangements for 2009 and proposals for 2010, and has been divided into separate sections for audited and unaudited information.

**Unaudited information****Remuneration Committee**

The Remuneration Committee (the "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. The Company Chairman is not a member of the Committee.

In 2009 the Committee met seven times and all members of the Committee attended each 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, and the amount of, the remuneration of the Chairman, executive Directors, Divisional Chief Executives, Divisional Directors and the Group Company Secretary. Such remuneration covers fees, salaries and other benefits, pensions, performance-related pay and share incentive plans, and the terms and conditions of service. In determining these matters the Committee has due regard to the contents of the Code as well as to the UK Listing Authority's Listing Rules and associated guidance. No director is involved in deciding his own remuneration.

As well as considering the circumstances of the Group and the demands on its senior management, the Committee takes into account the position of the Company relative to other companies and is informed of what these companies are paying, though comparisons are treated with caution. The Committee has appointed independent external consultants to advise on senior executive remuneration matters. During 2009 this advice was provided 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 talented and well-qualified senior executives so as to realise the Group's strategy and business objectives and to align their interests with those of shareholders. A significant proportion of their remuneration is structured so as to link rewards to corporate and individual performance.

**Base salary**

The 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 current base salary levels for executive Directors who served during the year are set out below:

	1 July 2009	At date of appointment
G Anderson	£350,000	£350,000
S D Dasani <sup>(1)</sup>	£240,000	£220,000

(1) S D Dasani's base salary was increased from £220,000 to £240,000 on 1 January 2009 as specified in his letter of appointment.

These salaries were not increased at the July 2009 review, consistent with the pay freeze that applied to the Group's workforce generally during 2009.

T H Roberts' base salary on appointment to the Board on 26 January 2010 was £175,000.

**Annual bonus**

Executive Directors 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 2009, the performance measures were a balanced set of annual performance targets, comprising a sliding scale of profit targets (50 per cent of total bonus potential), a sliding scale of cash flow targets (30 per cent of total bonus potential) and tailored personal objectives linked to the implementation of the Group's strategy (20 per cent of total bonus potential). No bonus for personal objectives arises unless at least threshold performance against both the profit and cash flow targets has been achieved.

For 2010 similar performance criteria will apply except that achievement of strategy-related personal objectives will qualify for bonus potential separately from financial target elements. This recognises the importance attached to successful implementation of the Group's strategy, notwithstanding a possible delayed financial benefit. Furthermore the bonus arrangements for all senior executives below Board level are to be based consistently on the same performance criteria, including (to encourage greater team working) an element of profit of the whole division or group into which they report.

The maximum potential bonus which can be earned was, and continues to be, capped at 100 per cent of salary. Annual bonus payments are not pensionable.

Details of bonuses awarded to the executive Directors for the year ended 31 December 2009 are set out in the emoluments table on page 44.

### 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 base salary. 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 normally vest three years after the date of grant.

### Performance conditions

The performance targets attached to awards granted in May 2009 require the achievement of earnings per share ("EPS") and total shareholder return ("TSR") targets as follows:

- The performance target attached to 50 per cent of an award is based on three year EPS targets: 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 Retail Price Index ("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 award is based on TSR performance targets against companies within the FTSE SmallCap (excluding investment trusts) index; 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. As well as the TSR targets, the Committee will 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 provides a good blend of performance metrics, with EPS rewarding strong financial performance and TSR rewarding relative stock market performance. It is envisaged that similar targets will apply to the 2010 LTIP awards.

### Award levels

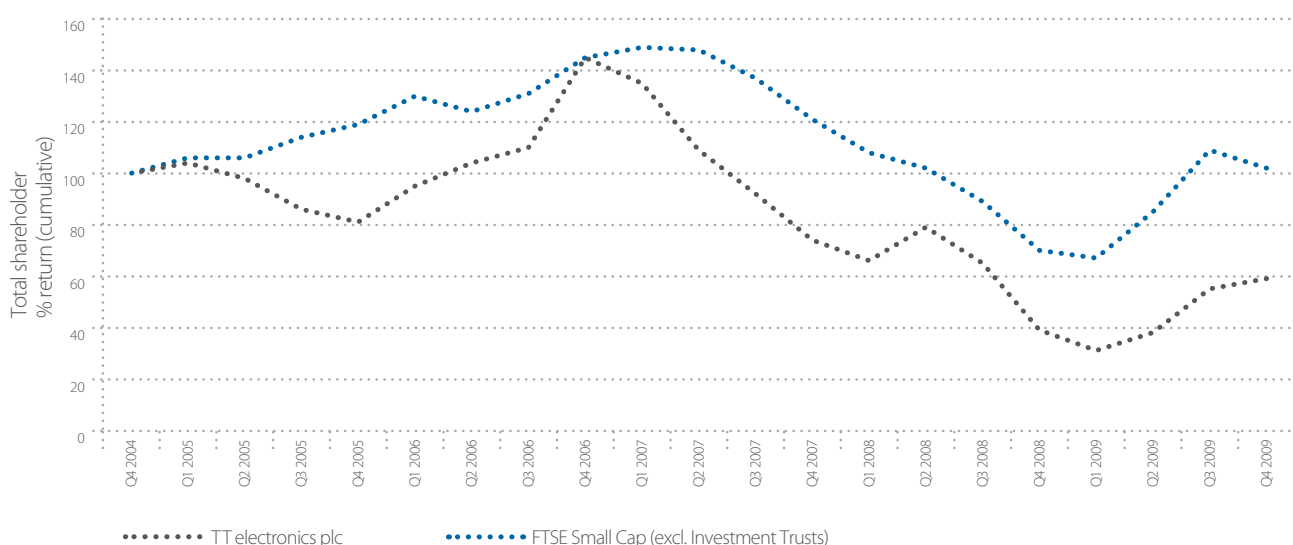
At its meeting in early March 2009, reflecting investor pronouncements with respect to reducing award levels where a company's share price has fallen, the Committee resolved to grant LTIP awards over 875,000 and 600,000 shares to the Group Chief Executive and Group Finance Director respectively. This equated to an award of approximately 50 per cent of salary based on a share price of circa 20 pence at that date (a reduction from the normal 75 per cent of salary policy). The awards were granted in May 2009 when the share price had risen to circa 30 pence. Following a substantial recovery in the Company's share price over the past year and good progress in implementing strategy, the intention is to grant between 75 and 100 per cent of base salary for the 2010 executive Director LTIP awards.

### Shareholding guidelines

The Company now operates shareholding guidelines for executive Directors which are 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 the shares (net of taxes) until such time as a total personal shareholding equivalent to 100 per cent of prevailing base salary has been achieved.

### Total shareholder returns

The Company's total shareholder return performance for the five years to 31 December 2009 is shown on the graph below compared with the index of 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.



## GOVERNANCE

## Directors' remuneration report (continued)

**Share options**

The Company has operated a number of share option schemes in the past. It is the Committee's intention not to make further grants to executive Directors under these plans.

**Sharesave Scheme**

The Company is seeking shareholder approval for the adoption of a Sharesave Scheme at the forthcoming Annual General Meeting. Further details regarding the proposed Sharesave Scheme can be found in the Notice of the Annual General Meeting which accompanies this document.

**Service contracts**

The executive Directors 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.

**Non-executive Directors**

The remuneration of each of the independent non-executive Directors is determined by the Chairman and the executive members of the Board, reflecting time commitment, responsibility of each role and the fees paid in other comparable companies. Consistent with the Group's pay freeze, no fee increases were awarded in 2009. No benefits in kind are provided for non-executive Directors.

The remuneration of the Company Chairman is a matter for the Committee. Following J W Newman's switch from executive to non-executive Chairman on 1 September 2009, the Committee determined that an annual fee of £100,000 would be appropriate from that date. As executive Chairman he was previously earning £214,882.

**Audited information****Aggregate Directors' emoluments**

Set out below are tables of remuneration of the Directors who served during 2009 and 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, bonus, benefits in kind and other payments is:

	Salary/fees £000	Annual Bonus <sup>(4)</sup> £000	Other £000	Benefits £000	2009 Total £000	2008 Total £000
<b>Executive Directors</b>						
G Anderson <sup>(1)</sup>	350	105	–	26	481	151
S D Dasani <sup>(1)</sup>	240	72	–	23	335	161
J W Armstrong <sup>(2)</sup>	–	–	25	4	29	216
N A Rodgers <sup>(1)</sup>	–	–	–	–	–	582
R W Weaver <sup>(1)</sup>	–	–	–	–	–	230
<b>Non-executive Directors</b>						
J W Newman <sup>(3)</sup>	177	–	–	1	178	226
D S Crowther	42	–	–	–	42	41
D E A Crowe <sup>(1)</sup>	–	–	–	–	–	21
J C Shakeshaft	32	–	–	–	32	31
S M Watson	32	–	–	–	32	31
	<b>873</b>	<b>177</b>	<b>25</b>	<b>54</b>	<b>1,129</b>	<b>1,690</b>

(1) G Anderson was appointed on 4 August 2008 and S D Dasani was appointed on 1 August 2008. N A Rodgers resigned on 11 June 2008 and R W Weaver and D E A Crowe retired on 1 August 2008 and 3 September 2008 respectively.

(2) J W Armstrong retired on 5 January 2009. The bonus of £25,000 was paid based on the bonus arrangements in place for 2008.

(3) J W Newman became non-executive Chairman from 1 September 2009 and it was agreed that his fees from that date would be £100,000.

(4) The amounts are payable under the bonus arrangements in place for 2009 as explained on page 42.

T H Roberts, who was appointed to the Board on 26 January 2010, is due to be paid a bonus of £40,000 in respect of the year to 31 December 2009.

Benefits in kind during the year comprised company car benefits, telephone expenses and the provision of private medical insurance. No Director received an expense allowance during the year.

**Executive Directors' pensions – defined benefit**

Two individuals who were executive Directors at the start of the financial year were members of the Company's defined benefit pension scheme.

	Increase/ (decrease) in accrued pension £000	Accrued pension at 31 December 2009 £000	Lump sum received during year £000	Value at 31 December 2009 £000	(Decrease)/ increase in value £000	Value at 31 December 2008 £000
J W Newman	6	226	–	3,943	(250)	4,193
J W Armstrong	(5)	61	99	1,231	88	1,143

## Notes

- (a) J W Newman is in receipt of a pension from the scheme. The cash equivalent value of J W Newman's future benefits fell during the year primarily due to the amounts paid to him during 2008 and, to a lesser degree, due to a rise in gilt yields.
- (b) J W Armstrong retired on 5 January 2009 and elected to take a pension commencement lump sum in exchange for part of his pension entitlement.
- (c) Pensions in payment accrued between 1 January 1989 and 5 April 2005 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.
- (d) In the event of the death of an executive or former executive Director, a pension equal to one half of the Director's pre-commutation pension will become payable to a surviving spouse.

**Executive Directors' pensions – defined contribution**

During the year the Company contributed £35,000 for G Anderson and £37,200 for S D Dasani to the Company's group personal pension arrangement.

**Long Term Incentive Plan**

As at 31 December 2009, Directors' interests under the LTIP were as follows:

	Date of grant	1 January 2009	Granted during the year	Lapsed	Vested	31 December 2009	Market price at grant date Pence	Vesting date
J W Newman	16 Jan 07	117,596	–	–	–	117,596 <sup>(1)</sup>	248.0	16 Jan 10
J W Armstrong	16 Jan 07	38,754	–	38,754	–	– <sup>(1)</sup>	248.0	
	31 May 07	19,969	–	19,969	–	– <sup>(1)</sup>	217.5	
	24 Apr 08	43,182	–	43,182	–	– <sup>(1)</sup>	110.0	
		101,905	–	101,905	–	–		
G Anderson	28 Aug 08	341,463	–	–	–	341,463 <sup>(1)</sup>	102.5	28 Aug 11
	5 May 09	–	875,000	–	–	875,000 <sup>(2)</sup>	30.25	5 May 12
		341,463	875,000	–	–	1,216,463		
S D Dasani	28 Aug 08	214,634	–	–	–	214,634 <sup>(1)</sup>	102.5	28 Aug 11
	5 May 09	–	600,000	–	–	600,000 <sup>(2)</sup>	30.25	5 May 12
		214,634	600,000	–	–	814,634		

## Notes

- (1) For LTIP awards granted in 2007 and 2008, 25 per cent of the shares subject to an 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.
- (2) Performance targets for LTIP awards granted in 2009 are set out under "Long Term Incentive Plan 2005" above.
- (3) J W Armstrong retired on 5 January 2009. His awards lapsed as the performance criteria had not been met.

TH Roberts holds LTIP awards granted in April 2008<sup>(1)</sup> and May 2009<sup>(2)</sup> over 10,000 and 202,667 shares respectively which are subject to the relevant performance criteria as noted for the executive Directors above.

## GOVERNANCE

## Directors' remuneration report (continued)

## 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 2009	Lapsed	31 December 2009	Exercise price Pence	Exercise period
J W Newman	147,058	147,058	– <sup>(2)</sup>	136.0	Sep 2002–Sep 2009
	248,192		<b>248,192</b> <sup>(2)</sup>	166.0	May 2004–May 2011
	128,593		<b>128,593</b> <sup>(2)</sup>	165.0	Apr 2005–Apr 2012
	273,180		<b>273,180</b> <sup>(2)</sup>	80.0	Mar 2006–Mar 2013
	155,241		<b>155,241</b> <sup>(3)</sup>	145.0	May 2007–May 2014
	112,823		<b>112,823</b> <sup>(3)</sup>	205.5	Apr 2008–Apr 2015
	1,065,087	147,058	<b>918,029</b>		
J W Armstrong	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
	434,954	434,954	–		

## 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.

During the year options granted to the executive Directors totalling 582,012 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 2009 and 2008 as derived from the Stock Exchange Daily Official List were 73.25p and 34.88p respectively. During 2009 the middle market price of TT electronics plc Ordinary shares ranged between 19.25p and 84p.

Approved by the Board on 12 March 2010 and signed on its behalf by:

**D S Crowther**

Chairman of the Remuneration Committee



## GROUP ACCOUNTS

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

## Independent auditor's report to the members of TT electronics plc

We have audited the group financial statements of TT electronics plc for the year ended 31 December 2009 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of comprehensive income, the consolidated cash flow statement, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

## Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 36, the Directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/UKP](http://www.frc.org.uk/apb/scope/UKP).

## Opinion on financial statements

In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2009 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the information given in the Directors' report for the financial year for which the group financial statements are prepared is consistent with the group financial statements; and
- the information given in the Directors' report on corporate governance set out on pages 38 and 39 with respect to internal control and risk management systems in relation to financial reporting processes and the information given in the Directors' report on page 35 about share capital structures is consistent with the financial statements.

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Directors' report on corporate governance has not been prepared by the Company.

Under the Listing Rules, we are required to review:

- the Directors' statement, set out on page 36, in relation to going concern; and
- the part of the Directors' report on corporate governance relating to the Company's compliance with the nine provisions of the 2008 Combined Code specified for our review.

## Other matters

We have reported separately on the parent company financial statements of TT electronics plc for the year ended 31 December 2009 and the information in the Directors' remuneration report that is described as having been audited.

## David Miller

Senior Statutory Auditor

**for and on behalf of Grant Thornton UK LLP**

Statutory Auditor, Chartered Accountants

London

12 March 2010

## GROUP ACCOUNTS

## Consolidated income statement

for the year ended 31 December 2009

	Note	2009 £million	2008 £million
<b>Revenue</b>	1	<b>499.6</b>	584.3
Cost of sales		<b>(420.4)</b>	(480.8)
<b>Gross profit</b>		<b>79.2</b>	103.5
Distribution costs		<b>(33.7)</b>	(37.5)
Administrative expenses		<b>(40.2)</b>	(40.4)
Other operating income		<b>1.2</b>	1.4
<b>Operating profit before exceptional items</b>	1	<b>6.5</b>	27.0
Exceptional items – restructuring	4	<b>(14.2)</b>	(3.8)
– goodwill impairment	4	<b>(3.8)</b>	–
<b>Operating (loss)/profit</b>		<b>(11.5)</b>	23.2
Finance income	2	<b>15.8</b>	18.1
Finance costs	2	<b>(21.5)</b>	(24.0)
<b>(Loss)/profit before taxation</b>		<b>(17.2)</b>	17.3
Taxation	5	<b>(2.4)</b>	(5.7)
<b>(Loss)/profit for the year</b>		<b>(19.6)</b>	11.6
Minority interests		–	–
<b>(Loss)/profit for the year attributable to shareholders</b>		<b>(19.6)</b>	11.6
<b>(Loss)/earnings per share</b>	7		
– basic		<b>(12.6)p</b>	7.5p
– diluted		<b>(12.6)p</b>	7.5p

## GROUP ACCOUNTS

## Consolidated balance sheet

at 31 December 2009

	Note	2009 £million	2008 £million
<b>Assets</b>			
Non-current assets			
Property, plant and equipment	9	111.3	137.4
Goodwill	10	65.9	74.5
Other intangible assets	11	17.6	23.6
Deferred tax assets	19	4.9	5.5
<b>Total non-current assets</b>		<b>199.7</b>	241.0
Current assets			
Inventories	12	83.9	120.0
Trade and other receivables	13	85.1	111.5
Financial asset	18	0.3	–
Cash and cash equivalents	13	24.7	10.1
<b>Total current assets</b>		<b>194.0</b>	241.6
<b>Total assets</b>		<b>393.7</b>	482.6
<b>Liabilities</b>			
Current liabilities			
Short-term borrowings	17	11.2	51.2
Financial derivatives	18	0.5	2.9
Trade and other payables	22	88.7	99.4
Current tax payable		1.7	3.1
Provisions for liabilities	21	8.9	5.6
<b>Total current liabilities</b>		<b>111.0</b>	162.2
Non-current liabilities			
Long-term borrowings	17	70.4	72.1
Deferred tax	19	5.9	8.7
Pensions and other post-employment benefits	27	43.7	18.6
Provisions for liabilities	21	0.2	0.1
Other non-current liabilities	22	6.7	8.0
<b>Total non-current liabilities</b>		<b>126.9</b>	107.5
<b>Total liabilities</b>		<b>237.9</b>	269.7
<b>Net assets</b>		<b>155.8</b>	212.9
<b>Equity</b>			
Share capital	14	38.7	38.7
Share premium account		0.2	0.2
Share options reserve		1.0	1.2
Hedging reserve	15	(11.5)	(18.1)
Translation reserve	15	38.7	53.9
Retained earnings	16	86.3	134.6
Minority interests		2.4	2.4
<b>Total equity</b>		<b>155.8</b>	212.9

Approved by the Directors on 12 March 2010 and signed on their behalf by:

G Anderson  
DirectorS D Dasani  
Director

## GROUP ACCOUNTS

## Consolidated statement of comprehensive income

for the year ended 31 December 2009

	Note	2009 £million	2008 £million
<b>(Loss)/profit for the year</b>		<b>(19.6)</b>	11.6
Exchange differences on net foreign currency investments		<b>(10.7)</b>	39.4
Hedging reserve		<b>2.1</b>	(2.1)
Actuarial net loss on defined benefit pension schemes	27	<b>(28.7)</b>	(3.2)
<b>Comprehensive (expense)/income for the year attributable to shareholders</b>		<b>(56.9)</b>	45.7

## Consolidated statement of changes in equity

for the year ended 31 December 2009

	Share capital £million	Share premium account £million	Share options reserve £million	Hedging reserve £million	Translation reserve £million	Retained earnings £million	Minority interest £million	Total £million
At 1 January 2008	38.7	0.2	1.1	6.1	(7.6)	141.8	2.0	182.3
Comprehensive (expense)/income for the period	–	–	–	(24.2)	61.5	8.4	–	45.7
Minority interests	–	–	–	–	–	–	0.4	0.4
Dividends paid	–	–	–	–	–	(15.6)	–	(15.6)
Share-based payment	–	–	0.1	–	–	–	–	0.1
At 31 December 2008	38.7	0.2	1.2	(18.1)	53.9	134.6	2.4	212.9
Comprehensive (expense)/income for the period	–	–	–	6.6	(15.2)	(48.3)	–	(56.9)
Share-based payment	–	–	(0.2)	–	–	–	–	(0.2)
<b>At 31 December 2009</b>	<b>38.7</b>	<b>0.2</b>	<b>1.0</b>	<b>(11.5)</b>	<b>38.7</b>	<b>86.3</b>	<b>2.4</b>	<b>155.8</b>

## GROUP ACCOUNTS

## Consolidated cash flow statement

for the year ended 31 December 2009

	Note	2009 £million	2008 £million
<b>Operating activities</b>			
Operating profit before exceptional items		6.5	27.0
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment		24.1	23.4
Amortisation of intangible assets		11.8	10.9
Share-based payment (credit)/expense		(0.2)	0.1
Gain on disposal of property, plant and equipment		(0.4)	(1.9)
Pension curtailment gain		(1.9)	(1.2)
Other non-cash items		(0.5)	(4.8)
(Decrease)/increase in financial derivatives		(2.7)	2.2
Decrease/(increase) in inventories		31.1	(6.6)
Decrease in receivables		22.2	–
(Decrease)/increase in payables		(6.1)	1.0
<b>Cash generated from operations before exceptional payments</b>		<b>83.9</b>	<b>50.1</b>
Special payments to pension funds		(2.2)	(2.2)
Exceptional restructuring costs		(9.6)	(1.7)
<b>Net cash generated from operations</b>		<b>72.1</b>	<b>46.2</b>
Tax paid		(5.3)	(3.6)
<b>Net cash from operating activities</b>		<b>66.8</b>	<b>42.6</b>
<b>Cash flows from investing activities:</b>			
Purchase of property, plant and equipment		(9.4)	(21.9)
Proceeds from sale of property, plant and equipment and grants received		5.7	5.1
Development expenditure and purchase of patents and licences		(6.9)	(10.9)
Acquisition of subsidiary net of cash acquired	23	(1.0)	(13.9)
Loan repayment		–	2.0
Net cash proceeds from sale of business		–	0.9
<b>Net cash used in investing activities</b>		<b>(11.6)</b>	<b>(38.7)</b>
<b>Cash flows from financing activities:</b>			
Interest paid (net)		(3.8)	(3.8)
Repayment of loans		(17.6)	(0.6)
New loans		2.9	10.0
Finance leases		(0.1)	(0.4)
Dividends paid		–	(15.6)
<b>Net cash used in financing activities</b>		<b>(18.6)</b>	<b>(10.4)</b>
Net increase/(decrease) in cash and cash equivalents		36.6	(6.5)
Cash and cash equivalents at beginning of period		(12.2)	(5.2)
Exchange difference		0.1	(0.5)
<b>Cash and cash equivalents at end of period</b>		<b>24.5</b>	<b>(12.2)</b>
<b>Cash and cash equivalents comprise:</b>			
Cash and cash equivalents	13	24.7	10.1
Bank overdrafts	17	(0.2)	(22.3)
		24.5	(12.2)

## GROUP ACCOUNTS

# 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.

IAS 1 Presentation of Financial Statements, IFRS 8 Operating Segments, IAS 23 Borrowing Costs and IFRS 7 Amended Financial Instruments disclosure have been adopted in the current period. The Group's operating segments have been redesignated, see note 1, and the Group's policy on the capitalisation of borrowing costs has been changed. The Group is not yet required to adopt and has not adopted revised versions of IFRS 5, IAS 7, IFRS 3, IAS 27 and IAS 28. Adoptions of these revisions would not have had any significant effect on these financial statements.

IAS 1 Presentation of Financial Statements (Revised) requires presentation of a comparative balance sheet at the beginning of the first comparative period in some circumstances. Management considers that this is not necessary this year because the 2007 balance sheet is the same as that previously published.

## 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 of the consideration, usually the invoiced value, for the provision of goods and services to external customers excluding value added tax and other sales related taxes in accordance with IAS 18.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer. In most cases this coincides with the transfer of legal title of the goods.

Revenue from the provision of services is recognised when the amount of revenue can be measured reliably and the receipt of the economic benefit is probable, in accordance with IAS 18. The amount of revenue recognised is determined by reference to the stage of completion.

## 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
Product development costs	– 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

### Initial recognition

Foreign currency transactions are recorded on initial recognition in the functional currency of the relevant operating company by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

### Translation of foreign operations

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 an exchange rate that approximates to the exchange rates at the dates of the transactions. The exchange differences arising from these translations are recognised within equity and reported in the statement of comprehensive income. 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.

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

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

Borrowing costs from 1 January 2009 directly attributable to the acquisition, construction or production of assets that take a substantial period of time to get ready for use are capitalised. In previous financial years such costs were expensed. The effect in 2009 is immaterial.

### 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. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

### 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.

### 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.

### 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 comprehensive income. Any ineffective portions are dealt with in the 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.

### Bank borrowings

Bank borrowings are carried at amortised cost.

### Trade payables

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

## GROUP ACCOUNTS

# Accounting policies for the consolidated financial statements (continued)

## 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 comprehensive income.

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

Operating segments are those components of the business where results are regularly reviewed by the Board to assess their performance and to make resource allocation decisions. The operating segments are identified by the products and services they supply and the similarity of their economic characteristics and not by their geographical area of operation.

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

Other than the key sources of estimation uncertainty there were no material transactions or events during the year requiring critical judgements in applying the Group's accounting policies.

## 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 £13.4 million at 31 December 2009 (2008: £18.3 million) is considered to be fairly stated.

### *ii Impairment of goodwill*

The carrying amount of goodwill is £65.9 million (2008: £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. An impairment of £3.8 million has been charged as an exceptional cost in 2009.

### *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 £43.7 million at 31 December 2009 has been calculated using the assumptions set out in note 27. A decrease of 0.1 per cent in the discount rate of 5.8 per cent increases the deficit by approximately £6.6 million. An increase of 0.1 per cent in the inflation rate of 3.4 per cent increases the deficit by approximately £5.7 million. The deferred tax asset recognised in relation to pension obligations has been restricted to £5.2 million (2008: £4.1 million).

### *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.



## GROUP ACCOUNTS

Notes to the consolidated  
financial statements**1 Segmental reporting**

Following the Strategy Review, the Group's businesses have been reorganised into the following divisions with effect from 1 January 2009:

- Components – specialist resistive components and microcircuits, connectors and interconnection systems.
- Sensors – electronic accelerator pedals, engine and wheel speed, temperature and pressure sensors and chassis height sensors.
- Integrated Manufacturing Services – the provision of global electronics manufacturing capability with logistics, interconnect and integrated solutions.
- Secure Power – standby generation and uninterruptible power systems manufacture and service.
- General Industrial – manufacturing operations serving a range of market sectors with applications including magnetics, electrical fusegear, compounding and fine wire.

Further descriptions of the operating segments are given in the Business review on pages 22 to 26. Comparatives have been restated.

	Revenue		Sector result	
	2009 £million	2008 £million	2009 £million	2008 £million
– Components	190.8	192.1	5.9	9.7
– Sensors	105.4	125.9	(3.9)	1.1
– Integrated Manufacturing Services	75.1	103.4	2.4	6.0
– Secure Power	59.1	65.9	4.8	7.8
– General Industrial	69.2	97.0	(2.7)	2.4
Total	499.6	584.3	6.5	27.0
Exceptional operating items (note 4)			(18.0)	(3.8)
Operating (loss)/profit			(11.5)	23.2
Finance income (note 2)			15.8	18.1
Finance costs (note 2)			(21.5)	(24.0)
(Loss)/profit before tax			(17.2)	17.3
Taxation (note 5)			(2.4)	(5.7)
<b>(Loss)/profit for the year</b>			<b>(19.6)</b>	<b>11.6</b>

There are no significant sales between sectors.

	Assets		Liabilities		Total capital employed	
	2009 £million	2008 £million	2009 £million	2008 £million	2009 £million	2008 £million
– Components	181.1	226.8	32.3	38.3	148.8	188.5
– Sensors	80.9	98.1	25.2	24.6	55.7	73.5
– Integrated Manufacturing Services	39.1	56.9	19.2	22.2	19.9	34.7
– Secure Power	28.8	33.9	17.2	15.5	11.6	18.4
– General Industrial	34.2	51.3	11.0	15.5	23.2	35.8
Sector assets and liabilities	364.1	467.0	104.9	116.1	259.2	350.9
Pensions and other post-employment benefits	–	–	43.7	18.6	(43.7)	(18.6)
Unallocated assets and liabilities	29.6	15.6	89.3	135.0	(59.7)	(119.4)
Total net assets	393.7	482.6	237.9	269.7	155.8	212.9

## GROUP ACCOUNTS

Notes to the consolidated  
financial statements (continued)

## 1 Segmental reporting (continued)

	Capital additions		Depreciation and amortisation	
	2009 £million	2008 £million	2009 £million	2008 £million
– Components	3.9	11.2	13.9	13.6
– Sensors	9.1	16.0	16.5	14.2
– Integrated Manufacturing Services	0.5	1.0	2.2	2.3
– Secure Power	0.4	1.0	0.6	0.6
– General Industrial	2.4	3.6	2.7	3.2
Total – before exceptional items	16.3	32.8	35.9	33.9
Exceptional items	–	–	–	0.4
Total	16.3	32.8	35.9	34.3

## Geographical analysis

The Group operates globally. Revenue by geographical destination is:

	2009 £million	2008 £million
United Kingdom	91.5	108.3
Rest of Europe	195.9	213.4
North America	132.5	154.3
Rest of the World	79.7	108.3
	499.6	584.3

Revenue from transactions with any individual major customers is below 10% of Group revenues. Revenue from services is less than 2% of Group revenues. All other revenue is from the sale of goods.

The carrying amount of non current assets, excluding deferred tax assets, analysed by the geographical area in which the assets are located is as follows:

	2009 £million	2008 £million
United Kingdom	40.0	47.6
Rest of Europe	58.7	72.0
North America	84.5	101.3
Rest of the World	11.6	14.6
	194.8	235.5

**2 Finance costs – net**

	2009 £million	2008 £million
Interest receivable	0.2	0.4
Expected return on pension scheme assets	15.6	17.7
Finance income	15.8	18.1
Interest on bank overdrafts and loans	3.6	4.4
Interest on finance leases	–	0.1
Unwinding of the discount on pension scheme liabilities	17.9	19.5
Finance costs	21.5	24.0
Finance costs – net	5.7	5.9

**3 (Loss)/profit for the year**

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

	2009 £million	2008 £million
Depreciation of property, plant and equipment	24.1	23.4
Amortisation of intangible assets included in cost of sales	11.8	10.9
Net foreign exchange losses	0.8	1.1
Cost of inventories recognised as an expense	420.4	480.8
Employee emoluments	139.3	153.9
Fees to Group Auditors		
– Company and consolidation statutory audits	0.1	0.1
Fees to Group Auditors and associates		
– statutory audit of subsidiaries	0.8	0.8
– tax services	0.2	0.2
Fees to other Auditors		
– statutory audit of subsidiaries	0.1	0.1
– tax services	0.1	0.1
Government grants credited	(1.1)	(1.4)
Share-based payment	(0.2)	0.1

**4 Exceptional items**

	2009 £million	2008 £million
Restructuring costs		
AB Automotive – closure costs	4.1	2.7
– property profit	(0.9)	–
General Industrial – Climate control exit costs	3.2	2.7
Sensors – European restructuring	7.4	–
Sensors – Romford closure	0.4	1.1
IMS – UK consolidation including Aylesbury closure	1.2	–
Components – BI SMT closure of manufacturing	1.0	–
General Industrial restructuring	1.4	–
Other restructuring	0.6	–
Profit on sale of properties	(1.0)	–
Exceptional restructuring costs	14.2	3.8
Exceptional impairment of goodwill, see note 10	3.8	–
Exceptional items	18.0	3.8

Exceptional restructuring costs include redundancy costs of £13.7 million, impairment to plant and equipment of £1.0 million, loss on disposal of surplus plant and equipment of £1.0 million and stock write offs of £0.4 million.

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.

## GROUP ACCOUNTS

Notes to the consolidated  
financial statements (continued)

## 5 Taxation

	2009 £million	2008 £million
Current tax	4.1	5.9
Deferred tax (note 19)	(1.7)	(0.2)
	2.4	5.7

UK tax is calculated at 28% (2008: 28.5%) of taxable profit. Overseas tax is calculated at the rates ruling in the relevant countries. Despite the Group reporting a loss before taxation a tax charge of £2.4 million (2008: £5.7 million) has arisen due to profits generated in certain overseas countries. An overall tax rate of 33% was reported for 2008.

The tax charge is explained as follows:

	2009 £million	2008 £million
(Loss)/profit before taxation	(17.2)	17.3
Tax at the UK income tax rate	(4.8)	4.9
Effect of tax rates of non-UK subsidiaries	(0.1)	0.6
Utilisation of losses not previously recognised	(1.0)	(1.1)
Losses for which no deferred tax asset is recognised	8.0	0.5
Expenses not deductible for tax purposes	0.9	0.8
Other	(0.6)	–
	2.4	5.7

## 6 Dividends

No dividends have been paid in the year:

	2009 pence per share	2009 £million	2008 pence per share	2008 £million
Final dividend for prior year	–	–	6.36	9.9
Interim dividend for current year	–	–	3.69	5.7
	–	–	10.05	15.6

The Directors are not recommending the payment of a final dividend for 2009.

## 7 (Loss)/earnings per share

	2009 pence per share	2008 pence per share
Headline <sup>(1)</sup>	(1.3)	9.2
Basic	(12.6)	7.5
Diluted	(12.6)	7.5

(Loss)/earnings per share has been calculated by dividing the (loss)/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:

	2009 £million	2008 £million
(Loss)/profit for the year attributable to shareholders	(19.6)	11.6

**7 (Loss)/earnings per share (continued)**

Weighted average number of shares in issue:

	2009 million	2008 million
Basic	155.0	155.0
Adjustment for share options	–	0.1
Diluted	155.0	155.1

(1) Headline loss per share on continuing operations before exceptional items of 1.3p (2008: earnings of 9.2p) is based on the loss for the year of £19.6 million (2008: profit of £11.6 million) adjusted for exceptional items of £18.0 million (2008: £3.8 million) less the associated taxation of £0.4 million (2008: £1.1 million).

**8 Employees**

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

	2009 number	2008 number
<b>By function</b>		
Production	5,369	6,455
Sales and distribution	598	645
Administration	436	492
	6,403	7,592
<b>By sector</b>		
– Components	3,027	3,326
– Sensors	1,044	1,280
– Integrated Manufacturing Services	1,056	1,343
– Secure Power	587	630
– General Industrial	689	1,013
Total continuing operations	6,403	7,592

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

	2009 £million	2008 £million
Wages and salaries	115.3	129.1
Employers' social security charges	20.2	21.3
Employers' pension costs	3.8	3.5
	139.3	153.9

Remuneration in respect of the Directors was as follows:

	2009 £million	2008 £million
Emoluments	1.1	1.7

Further details of individual Directors' remuneration, pension benefits and share options are shown in the Directors' remuneration report on pages 42 to 46.

## GROUP ACCOUNTS

Notes to the consolidated  
financial statements (continued)

## 9 Property, plant and equipment

	Land and buildings £million	Plant and equipment £million	Total £million
<b>Cost</b>			
At 1 January 2008	55.9	291.3	347.2
Additions	3.4	18.5	21.9
Acquisition of subsidiary	2.6	2.6	5.2
Disposals	(3.7)	(8.7)	(12.4)
Exchange translation differences	10.9	60.6	71.5
At 1 January 2009	69.1	364.3	433.4
Additions	0.5	8.9	9.4
Disposals	(1.9)	(26.2)	(28.1)
Exchange translation differences	(2.9)	(15.9)	(18.8)
<b>At 31 December 2009</b>	<b>64.8</b>	<b>331.1</b>	<b>395.9</b>
<b>Accumulated depreciation and impairment</b>			
At 1 January 2008	13.7	221.5	235.2
Depreciation charge for the year	1.7	21.7	23.4
Acquisition of subsidiary	–	1.0	1.0
Eliminated on disposals	(2.7)	(8.3)	(11.0)
Exchange translation differences	2.5	44.9	47.4
At 1 January 2009	15.2	280.8	296.0
Depreciation charge for the year	2.1	22.0	24.1
Impairment	–	1.0	1.0
Eliminated on disposals	(0.2)	(23.7)	(23.9)
Exchange translation differences	(0.8)	(11.8)	(12.6)
<b>At 31 December 2009</b>	<b>16.3</b>	<b>268.3</b>	<b>284.6</b>
Carrying amount			
<b>At 31 December 2009</b>	<b>48.5</b>	<b>62.8</b>	<b>111.3</b>
At 31 December 2008	53.9	83.5	137.4

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 £0.3 million (2008: £0.4 million) in respect of assets held under finance leases.

The impairment of plant and equipment relates to items that are no longer of economic value following the exit from the climate control business.

**10 Goodwill**

	£million
<b>Cost</b>	
At 1 January 2008	52.3
Acquisition of subsidiaries	5.7
Exchange translation differences	16.5
At 1 January 2009	74.5
Impairment	(3.8)
Exchange translation differences	(4.8)
<b>At 31 December 2009</b>	<b>65.9</b>

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

	£million
BI Technologies – Components	28.5
Optek Technology Inc – Components, after impairment of £3.8 million	18.0
TT electronics integrated manufacturing services, Inc USA – Integrated Manufacturing Services	7.9
TT electronics integrated manufacturing services (Suzhou) Co Ltd – Integrated Manufacturing Services	5.1
New Chapel Electronics Limited – Components	3.4
Semelab Limited – Components	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 2010 onwards. Cash flows for 2010 are based on the budget for the year, which was finalised in December 2009. Cash flows for 2011 and 2012 are based on the financial data derived from the annual strategic review. The strategic review was conducted for every subsidiary and reviewed in depth by key management. The results of the strategic review have been endorsed by the Board.

Cash flows for 2013 and 2014 assume sales growth of 6% per annum and beyond 2014 the assumed sales growth rate is 2%. Using these conservative assumptions and discounting future cash flows by 10% per annum which is the estimated weighted average cost of capital for the businesses concerned, there was no impairment except for Optek Technology Inc where the impairment was £3.8 million. Sensitivity analyses using a range of sales growth projections and discount rates confirmed that Optek's goodwill was impaired but that the remainder were not impaired. The sensitivity analyses for Optek showed a range from no impairment (sales growth of 10% up to 2013 and 3% in perpetuity and a discount rate of 10%) to impairment of £7.4 million (based on 6% sales growth up to 2015 and 3% thereafter discounted at 12%). The conclusion reached from the value in use assessments and consideration of Optek's trading history was that the goodwill attributable to Optek Technology Inc of £21.8 million was impaired by £3.8 million.

## GROUP ACCOUNTS

Notes to the consolidated  
financial statements (continued)

## 11 Other intangible assets

	Product development costs £million	Patents and licences £million	Customer relationships £million	Total £million
<b>Cost</b>				
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
At 1 January 2009	36.0	4.7	3.6	44.3
Additions	6.9	–	–	6.9
Retirements	(10.6)	–	–	(10.6)
Exchange translation differences	(2.0)	(0.1)	(0.1)	(2.2)
<b>At 31 December 2009</b>	<b>30.3</b>	<b>4.6</b>	<b>3.5</b>	<b>38.4</b>
<b>Amortisation</b>				
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
At 1 January 2009	17.7	1.8	1.2	20.7
Charge for the year	10.8	0.4	0.6	11.8
Retirements	(10.6)	–	–	(10.6)
Exchange translation differences	(1.0)	–	(0.1)	(1.1)
<b>At 31 December 2009</b>	<b>16.9</b>	<b>2.2</b>	<b>1.7</b>	<b>20.8</b>
Carrying amount				
<b>At 31 December 2009</b>	<b>13.4</b>	<b>2.4</b>	<b>1.8</b>	<b>17.6</b>
At 31 December 2008	18.3	2.9	2.4	23.6

Product 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.

## 12 Inventories

	2009 £million	2008 £million
Raw materials	37.8	51.9
Work in progress	19.5	24.3
Finished goods	26.6	43.8
	<b>83.9</b>	120.0

Inventories are stated after deduction of a provision for slow moving and obsolete items of £17.9 million (2008: £19.0 million). The carrying amount of inventories has reduced by £4.7 million as a result of currency exchange rate movements.



**13 Other financial assets and prepayments****Financial assets**

	2009 £million	2008 £million
Loans and receivables (including cash and cash equivalents)	101.8	113.0
Financial derivatives	0.3	–
	<b>102.1</b>	113.0

	2009 £million	2008 £million
Trade and other receivables		
Trade receivables	68.3	98.1
Prepayments	8.0	8.1
Other debtors	8.8	5.3
	<b>85.1</b>	111.5

The carrying amount of trade and other receivables approximates to their fair value.

	2009 £million	2008 £million
Financial derivatives	0.3	–

Financial derivatives are the market value of forward currency contracts.

	2009 £million	2008 £million
Cash and cash equivalents	24.7	10.1

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

**Credit risk**

Credit risk arises from the possibility that counterparties may not be able to settle their obligations as they fall due. 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 receivables are stated net of an allowance for estimated irrecoverable amounts of £2.3 million (2008: £2.8 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 loans and receivables (excluding cash) that were past due at the year end but for which no impairment provision was made is:

	2009 £million	2008 £million
Not more than three months	11.0	20.7
More than three months but not more than six months	1.1	1.4
More than six months but not more than 1 year	1.3	0.1
	<b>13.4</b>	22.2

The Group has strict procedures in place to manage the credit risk on trade receivables. It ensures credit limits are properly authorised and that debts are collected in a timely manner.

Trade receivables are denominated in the currencies in which the Group trades. The Group's policy is that receivables and payables 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.

## GROUP ACCOUNTS

Notes to the consolidated  
financial statements (continued)**13 Other financial assets and prepayments (continued)**

Financial assets analysed by currency are:

	2009 £million	2008 £million
Sterling	35.8	35.5
US dollar	18.5	24.5
Euro	30.4	23.3
Other	17.4	29.7
	<b>102.1</b>	<b>113.0</b>

**14 Share capital**

	2009 £million	2008 £million
<b>Authorised</b>		
226,000,000 (2008: 226,000,000) Ordinary shares of 25p each	56.5	56.5
<b>Issued and fully paid</b>		
154,952,795 (2008: 154,952,795) Ordinary shares of 25p each	38.7	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:

	2009		2008	
	Number of share options	Weighted average Exercise price (p)	Number of share options	Weighted average exercise price (p)
At 1 January	4,145,419	134.2	5,136,108	135.0
Granted	–	–	–	–
Forfeited	(1,036,879)	125.6	(849,302)	111.4
Exercised	–	–	–	–
Expired	(490,497)	146.4	(141,387)	300.0
At 31 December	<b>2,618,043</b>	<b>135.3</b>	4,145,419	134.2
Exercisable at 31 December	<b>447,419</b>	<b>145.0</b>	546,730	145.0

For share options outstanding at 31 December 2009 the range of exercise prices was 80.0p to 205.5p (2008: 80.0p to 205.5p) and the weighted average remaining contractual life was 3.0 years (2008: 3.4 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 annum for options granted prior to 2001 and 4% per annum for options granted after 2000 above the increase in the Retail Price Index over the same period.

On 5 May 2009 and 27 October 2009 grants of awards were made under the LTIP for the issue of up to 3,799,835 and 202,667 shares in 2012. During the year, 733,953 shares were forfeited and 5,458,293 shares were outstanding as at 31 December 2009 (2008: 2,189,744 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 2009 require the achievement of earnings per share ("EPS") and total shareholder return ("TSR") targets as follows:

- The performance target attached to 50% of an award is based on three year EPS targets: 25% of the shares subject to this part of the award will vest for EPS growth of 3% compound per annum in excess of Retail Price Index ("RPI"), increasing on a straight-line basis to 100% vesting for EPS growth of at least 7% compound per annum in excess of RPI; and
- The performance target attached to the other 50% of an award is based on TSR performance targets against companies within the FTSE SmallCap (excluding investment trusts) index; 25% of shares subject to this part of the award will vest at median performance increasing on a straight-line basis to 100% vesting at the upper quartile of the comparator group. As well as the TSR targets, the Committee will consider the Company's underlying financial performance to ensure that vesting percentages under this part of an award are appropriate.

**14 Share capital (continued)**

The estimated fair values of the LTIP grants on 5 May 2009 and 27 October 2009 are 28.75p and 75.0p per share respectively for those with non market conditions and 7.19p and 18.75p per share for those with market conditions respectively. These fair values were calculated using the following inputs:

	5 May Market Condition	5 May Non-Market Condition	27 October Market Condition	27 October Non-Market Condition
Share price	28.75p	28.75p	75.0p	75.0p
Dividend per annum	–	–	–	–
Grant vesting	100%	25%	100%	25%

The Group credited £0.2 million (2008: charge of £0.1 million) to the Consolidated income statement in respect of share-based payments. The credit represents the cost allocated to 2009 in respect of the LTIP grants in 2007, 2008 and 2009 offset by credits arising from the 2006 LTIP not vesting and attrition to options and LTIPs issued in 2003, 2005, 2007 and 2008.

**15 Hedging and translation reserves**

	Hedging reserve £million	Translation reserve £million	Total £million
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)
At 1 January 2009	(18.1)	53.9	35.8
Exchange differences on translation of foreign operations	–	(15.6)	(15.6)
Tax on exchange differences	–	0.4	0.4
Exchange differences on US\$124 million borrowings	4.5	–	4.5
Cash flow hedges	2.1	–	2.1
<b>At 31 December 2009</b>	<b>(11.5)</b>	<b>38.7</b>	<b>27.2</b>

**16 Retained earnings**

	£million
At 1 January 2008	141.8
Profit for the year	11.6
Actuarial net loss on defined benefit pension schemes	(3.2)
Dividends paid	(15.6)
At 1 January 2009	134.6
Loss for the year	(19.6)
Actuarial net loss on defined benefit pension schemes (see note 27)	(28.7)
<b>At 31 December 2009</b>	<b>86.3</b>

## GROUP ACCOUNTS

Notes to the consolidated  
financial statements (continued)

## 17 Borrowings

	2009 £million	2008 £million
Bank overdrafts	0.2	22.3
Bank loans	81.0	100.5
Finance leases	0.4	0.5
	<b>81.6</b>	<b>123.3</b>

The borrowings are repayable as follows:

	2009 £million	2008 £million
In one year or less	11.2	51.2
In more than one year but not more than two years	70.0	1.7
In more than two years but not more than three years	0.1	70.0
In more than three years but not more than four years	0.1	0.1
In more than four years but not more than five years	0.1	0.1
In more than five years	0.1	0.2
In more than one year	<b>70.4</b>	<b>72.1</b>

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

	2009 £million	2008 £million
Sterling	75.6	22.2
US dollar	–	89.0
Euro	6.0	11.7
Other	–	0.4

Borrowings of £77.0 million (2008: £96.9 million) are at fixed interest rates for an average period of 0.1 years (2008: 0.4 years).

The average interest rates at the balance sheet date were:

	2009 %	2008 %
Bank overdrafts	5.5	3.1
Bank loans	1.1	4.0
Finance leases	8.0	7.8

The estimated fair value of borrowings is:

	2009 £million	2008 £million
Bank overdrafts	0.2	22.3
Bank loans	81.0	100.5
Finance leases	0.4	0.5

The borrowing facilities available to the Group at 31 December 2009 amounted to £142.1 million (2008: £166.2 million).

At 31 December 2009, the Group had available £27.8 million (2008: £14.9 million) of undrawn committed borrowing facilities.

The Group borrowings at 31 December 2009 are funded mainly through bank overdrafts including short-term committed facilities of £38.7 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 £70 million multi-currency bank loan was drawn down in US dollars up to 2 June 2009 and in sterling thereafter. The Group's approach to liquidity risk is described in the Business review.

**17 Borrowing (continued)****Hedge of net investment**

The Group had designated \$124.0 million of its borrowings as a currency hedge of its US dollar denominated net assets until 2 June 2009. 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 and hedging reserves and reported in the Consolidated statement of comprehensive income, together with the exchange difference arising from the translation of the Group's other overseas net assets.

In 2009 there was a net loss of £10.7 million (2008: net gain of £39.4 million) on translation of overseas assets after accounting for this hedge.

**Reconciliation of net cash flow to movement in net debt**

	Net cash/ overdraft £million	Loans and finance leases £million	Net debt £million
At 1 January 2008	(5.2)	(69.8)	(75.0)
Cash flow	(6.5)	(9.0)	(15.5)
Exchange differences	(0.5)	(22.2)	(22.7)
At 31 December 2008	(12.2)	(101.0)	(113.2)
Cash flow	36.6	14.8	51.4
Exchange differences	0.1	4.8	4.9
<b>At 31 December 2009</b>	<b>24.5</b>	<b>(81.4)</b>	<b>(56.9)</b>

**18 Derivative financial instruments**

	2009 Assets £million	2008 Assets £million	2009 Liabilities £million	2008 Liabilities £million
Forward foreign currency contracts	0.3	–	–	2.9
Interest rate hedge	–	–	0.5	–

The Group uses forward foreign exchange contracts to reduce currency exposure on sales and purchasing transactions for up to a year ahead.

At 31 December 2009 the Group had an interest rate cap applying to \$50.0 million of borrowings 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 2009 and 31 December 2008 the market value was £nil million.

At 31 December 2009 the Group had an interest rate swap fixing the interest rate on \$50.0 million of borrowings to April 2011. This swap is designated as a cash flow hedge and marked to its market value, a liability of £0.5 million at the year end.

The Group hedged the effect of currency movements against sterling on the translation of 2009 profit earned in US dollars and Chinese yuan, by selling forward US dollars and Chinese yuan for sterling at fixed exchange rates. At 31 December 2009 contracts were in place to hedge the translation of 2010 profits for \$3.6 million and euro 0.6 million. Subsequently contracts for the sale of a further \$4.0 million were entered into. The contracts were marked to market at 31 December 2009 and were a net liability of less than £0.1 million.

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 13 and 22, 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: an increase in equity of £0.3 million

Euro – effect of 10% strengthening: an increase in equity of £1.2 million

Whilst the Group had a small net financial asset in US dollars, overall it had a large net asset position when taking into account inventory and non-current assets. Details of the Group's exposure to risk are given on pages 28 to 29 of the Business review.

## GROUP ACCOUNTS

Notes to the consolidated  
financial statements (continued)

## 19 Deferred tax

	Accelerated capital allowances £million	Deferred development costs £million	Retirement benefit obligations £million	Other £million	Total £million
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)
At 1 January 2009	(6.4)	(5.5)	4.1	4.6	(3.2)
Income statement	(0.3)	1.2	0.9	(0.1)	1.7
Exchange differences	0.5	0.3	0.2	(0.5)	0.5
<b>At 31 December 2009</b>	<b>(6.2)</b>	<b>(4.0)</b>	<b>5.2</b>	<b>4.0</b>	<b>(1.0)</b>

	2009 £million	2008 £million
Deferred tax assets	4.9	5.5
Deferred tax liabilities	(5.9)	(8.7)

At 31 December 2009 the Group had unused tax losses of £28.2 million (2008: £14.0 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 £1.4 million (2008: £2.1 million).

## 20 Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2009 £million	2008 £million	2009 £million	2008 £million
Amounts payable under finance leases:				
One year or less	0.1	0.1	0.1	0.1
Between one and five years	0.3	0.3	0.2	0.2
Over five years	0.1	0.2	0.1	0.2

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 obligation is 8% (2008: 8%). The fair value of the lease obligation approximates to carrying amount. Total minimum lease payments include £0.1 million (2008: £0.1 million) of future finance costs.

## 21 Provisions for liabilities

	Reorganisation £million	Environmental £million	Legal and other claims £million	Total £million
At 1 January 2009	2.5	0.1	3.1	5.7
Utilised	(9.6)	–	(1.0)	(10.6)
Transfer from/(to) Consolidated income statement	13.7	–	0.3	14.0
<b>At 31 December 2009</b>	<b>6.6</b>	<b>0.1</b>	<b>2.4</b>	<b>9.1</b>

The reorganisation provision relates to the restructuring programme described in 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:

	2009 £million	2008 £million
Non-current	0.2	0.1
Current	8.9	5.6
	<b>9.1</b>	<b>5.7</b>

**22 Trade and other payables**

	2009 £million	2008 £million
<b>Financial liabilities</b>		
Financial derivatives	0.5	2.9
Other financial liabilities	143.2	190.2
	<b>143.7</b>	<b>193.1</b>
<b>Current liabilities</b>		
Trade payables	50.5	58.7
Taxation and social security	5.6	4.7
Other payables, accruals and deferred income	32.6	36.0
	<b>88.7</b>	<b>99.4</b>
<b>Non-current liabilities</b>		
Accruals and deferred income	6.7	8.0

The carrying amount of trade and other payables approximates to their fair value.

Trade and other payables are denominated in the currencies in which the Group trades. The Group's policy is that trade receivables and payables 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:

	2009 £million	2008 £million
Sterling	98.4	52.2
US dollar	15.2	100.6
Euro	18.4	22.6
Other	11.7	17.7
	<b>143.7</b>	<b>193.1</b>

The maturity analysis of financial liabilities (including estimated interest where appropriate) is as follows:

	2009 £million	2008 £million
0 – 6 months	73.4	102.2
6 months – 1 year	0.7	24.0
1 – 2 years	70.4	4.5
2 – 3 years	0.1	70.7
Over 3 years	0.3	0.4
	<b>144.9</b>	<b>201.8</b>

**23 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% of the equity of the acquired entities. The total consideration for these assets was £14.9 million of which £13.9 million was paid in 2008. Deferred consideration capped at £1.0 million was paid in 2009 in respect of New Chapel Electronics Limited. The fair value of the assets acquired was £9.2 million.

**24 Contingent liabilities**

The Group has contingent liabilities amounting to £1.5 million (2008: £2.7 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 21, the Directors consider the likelihood of any other claims giving rise to a liability to be remote.

## GROUP ACCOUNTS

Notes to the consolidated  
financial statements (continued)**25 Capital commitments**

	2009 £million	2008 £million
Contractual commitments for the purchase of property, plant and equipment	1.8	6.3

**26 Operating leases**

	2009 £million	2008 £million
Minimum operating lease payments charged to operating profit:		
Fixtures and equipment	0.3	0.3
Land and buildings	4.4	4.6

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

	2009 £million	2008 £million
In less than one year	4.0	4.6
Between one and five years	9.1	11.0
After five years	4.0	4.2

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.

**27 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 £2.1 million (2008: £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: 2010 £3.2 million, 2011 £3.5 million then increasing by £0.2 million each year to £4.5 million in 2016. The freeze on pensionable salaries in the UK was extended by one year to April 2011 and this generated a curtailment gain of £1.2 million. The Group also operates defined benefit schemes in the United States and Japan. The United States defined benefit scheme was closed to further accruals in 2009 and this gave rise to a curtailment gain of £0.7 million. All these schemes are closed to new members. Actuarial valuations of the schemes were carried out by independent qualified actuaries in 2007 and 2009 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 2009. Pension scheme assets are stated at market value at 31 December 2009. The Group has entered into discussions with affected staff on the proposed closure to future accrual of its defined benefit scheme in the UK.

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

	2009 %	2008 %
Discount rate	5.8	6.1
Inflation rate	3.4	2.9
Increases to pensions in payment	2.5–3.4	2.2–2.9
Salary increases to April 2011 (pensionable salaries have been frozen)	–	–
Salary increases thereafter	3.9	3.4

A decrease in the discount rate by 0.1 % per annum increases the liabilities by approximately £6.6 million. An increase in the inflation rate of 0.1 % per annum increases the liabilities by approximately £5.7 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:

	2010	2009	2008
Equities	7.8	7.0	7.4
Bonds	5.2	5.4	5.9
Gilts and swaps	3.8	3.0	4.4
Cash	0.1	1.3	4.7

The mortality tables applied by the actuaries at 31 December 2009 were PA92 MC + two years.



**27 Retirement benefit schemes (continued)**

The amounts recognised on the Consolidated balance sheet are:

	2009 £million	2008 £million	2007 £million	2006 £million	2005 £million	2004 £million
Equities	190.0	174.7	182.0	187.8	170.5	154.6
Bonds	36.8	25.8	12.4	10.9	2.9	4.0
Gilts and cash	61.6	48.7	103.8	73.4	72.3	44.9
Swaps	18.1	33.9	–	–	–	–
Fair value of assets	306.5	283.1	298.2	272.1	245.7	203.5
Present value of funded obligation	(350.2)	(301.7)	(315.6)	(344.7)	(335.9)	(274.4)
Net liability recognised on the Consolidated balance sheet	(43.7)	(18.6)	(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 instruments taken out to hedge part of the scheme inflation and interest rate risks.

Amounts recognised in the Consolidated income statement are:

	2009 £million	2008 £million
Current service cost	1.7	1.9
Curtailement	(1.9)	(1.2)
Interest on obligation	17.9	19.5
Expected return on schemes' assets	(15.6)	(17.7)

Of the current service cost of £1.7 million (2008: £1.9 million), £1.1 million (2008: £1.3 million) is included in cost of sales in the income statement, £0.3 million (2008: £0.3 million) is included in distribution costs and £0.3 million (2008: £0.3 million) is included in administrative expenses. The actual return on schemes' assets was a gain of £31.4 million (2008: a loss of £7.7 million). Actuarial gains and losses are recognised directly in retained earnings and reported in the Consolidated statement of comprehensive income and, since transition to IFRS, amount to a net loss of £26.6 million.

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

	2009 £million	2008 £million
Opening defined benefit obligation	301.7	315.6
Current service cost	1.7	1.9
Interest on obligation	17.9	19.5
Scheme participant contributions	1.0	1.2
Curtailement	(1.9)	(1.2)
Change in actuarial estimates and assumptions	44.5	(22.2)
Exchange differences	(0.6)	2.2
Benefits paid	(14.1)	(15.3)
Closing defined benefit obligation	350.2	301.7

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

	2009 £million	2008 £million
Opening fair value of schemes' assets	283.1	298.2
Expected return on schemes' assets	15.6	17.7
Excess/(deficit) of actual over expected returns	15.8	(25.4)
Contributions by employer	5.4	5.1
Contributions by employees	1.0	1.2
Exchange differences	(0.3)	1.6
Benefits paid	(14.1)	(15.3)
Closing fair value of schemes' assets	306.5	283.1

## GROUP ACCOUNTS

Notes to the consolidated  
financial statements (continued)**27 Retirement benefit schemes (continued)**

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

	2009 £million	2008 £million	2007 £million	2006 £million	2005 £million	2004 £million
Experience adjustments on schemes' liabilities	(44.5)	22.2	37.8	(6.2)	(47.6)	(19.1)
Experience adjustments on schemes' assets	15.8	(25.4)	0.5	9.4	21.6	8.9
	(28.7)	(3.2)	38.3	3.2	(26.0)	(10.2)

The Group expects to contribute approximately £6.0 million to defined benefit schemes in 2010.

**28 Related party transactions**

	Purchase of goods and services		Sale of goods and services		Rents paid		Rents received		Amounts owed to related parties	
	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000	2009 £000	2008 £000
TT electronics plc	–	1	1	9	110	165	–	5	–	16
Subsidiaries	–	–	–	–	–	2	–	–	–	–
	–	1	1	9	110	167	–	5	–	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 up to 31 August 2009, were calculated on open market bases and paid to agreed terms.

As part of the demerger from TT electronics plc 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 for 2008.

**Compensation of key management personnel**

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

	2009 £million	2008 £million
Short-term benefits	2.3	2.5
Compensation for loss of office	0.1	0.4
Post-employment benefits	0.2	0.2
Share-based payments	–	0.1
	2.6	3.2

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

**29 Post balance sheet event**

On 17 February 2010, the Group announced the disposal of its wholly-owned South African subsidiary Wire Systems Technology (Pty) Ltd (WST). The sale will complete following approval from the South African authorities. The consideration payable on completion is Rand 60 million, plus cash on completion, adjusted by the difference between the net assets on completion and Rand 77.8 million.

WST is part of the Group's General Industrial division.

## COMPANY ACCOUNTS

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

## Independent auditor's report to the members of TT electronics plc

We have audited the parent company financial statements of TT electronics plc for the year ended 31 December 2009 which comprise the parent company balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

## Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 36, the Directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/UKP](http://www.frc.org.uk/apb/scope/UKP).

## Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2009
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the parent company financial statements.

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

## Other matters

We have reported separately on the Group financial statements of TT electronics plc for the year ended 31 December 2009.

## David Miller

Senior Statutory Auditor

**for and on behalf of Grant Thornton UK LLP**

Statutory Auditor, Chartered Accountants

London

12 March 2010

## COMPANY ACCOUNTS

## Company balance sheet

at 31 December 2009

	Note	2009 £million	2008 £million
Fixed assets			
Tangible assets	1	2.3	2.3
Investments	2	132.3	132.3
		<b>134.6</b>	134.6
Current assets			
Debtors	3	119.0	122.0
Cash at bank and in hand		0.1	–
		<b>119.1</b>	122.0
Creditors: amounts falling due within one year	4	(7.7)	(20.6)
Net current assets		<b>111.4</b>	101.4
Total assets less current liabilities		<b>246.0</b>	236.0
Creditors: amounts falling due after more than one year	4	(70.0)	(70.0)
Total net assets		<b>176.0</b>	166.0
Capital and reserves			
Share capital	6	38.7	38.7
Share premium	8	0.2	0.2
Profit and loss account	8	137.1	127.1
Shareholders' funds		<b>176.0</b>	166.0

Approved by the Directors on 12 March 2010 and signed on their behalf by:

**G Anderson**  
Director**S D Dasani**  
Director

## COMPANY ACCOUNTS

# Accounting policies for the Company financial statements

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 is calculated using appropriate pricing models 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.

## COMPANY ACCOUNTS

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 2009 and 1 January 2009</b>	<b>2.9</b>	<b>0.7</b>	<b>3.6</b>
Depreciation at 1 January 2009	0.7	0.6	1.3
Charge for the year	–	–	–
<b>Depreciation at 31 December 2009</b>	<b>0.7</b>	<b>0.6</b>	<b>1.3</b>
Net book amounts			
<b>At 31 December 2009</b>	<b>2.2</b>	<b>0.1</b>	<b>2.3</b>
At 31 December 2008	2.2	0.1	2.3

Freehold land and buildings includes a carrying value for freehold land of £0.6 million (2008: £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 2009	132.3
Provision	–
<b>At 31 December 2009</b>	<b>132.3</b>

The Company's principal operating subsidiary undertakings and the location of their principal operations are shown in note 14.

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

**3 Debtors**

	2009 £million	2008 £million
Amounts falling due within one year		
Trade debtors	0.1	0.1
Amounts owed by subsidiary undertakings	115.1	116.7
Prepayments and accrued income	0.5	0.6
Corporation tax	3.3	4.6
	<b>119.0</b>	<b>122.0</b>

**4 Creditors**

	2009 £million	2008 £million
<b>Amounts falling due within one year</b>		
Short-term borrowings (note 5)	0.2	14.4
Trade creditors	0.6	0.8
Financial derivatives	0.5	–
Amounts owed to subsidiary undertakings	3.1	2.3
Taxation and social security	0.4	0.5
Accruals and deferred income	2.9	2.6
	<b>7.7</b>	<b>20.6</b>
<b>Amounts falling due after more than one year</b>		
Bank loans (note 5)	<b>70.0</b>	<b>70.0</b>

**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 fair value of this cap at 31 December 2009 was £nil million (2008: £nil million).

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

	2009 £million	2008 £million
Sterling	70.2	–
US dollars	–	84.4
	<b>70.2</b>	<b>84.4</b>

The borrowings are repayable as follows:

	2009 £million	2008 £million
On demand or within one year	0.2	14.4
In the second year	70.0	–
In the third year	–	70.0
	<b>70.2</b>	<b>84.4</b>

The fair value of borrowings is the same as their carrying value. At 31 December 2009, the Company had committed undrawn borrowing facilities available of £nil million (2008: £nil million). There are other substantial committed and uncommitted borrowing facilities available to the Group.

**Financial derivatives**

	2009 £million	2008 £million
<b>Current liabilities</b>		
Interest rate swap	0.5	–

At 31 December 2009 the Group had an interest rate swap fixing the interest rate on \$50 million of borrowings to April 2011. The fair value was a liability of £0.5 million.

## COMPANY ACCOUNTS

Notes to the Company  
financial statements (continued)

## 6 Share capital

	2009 £million	2008 £million
<b>Authorised</b>		
226,000,000 (2008: 226,000,000) Ordinary shares of 25p each	56.5	56.5
<b>Issued called up and fully paid</b>		
154,952,795 (2008: 154,952,795) Ordinary shares of 25p each	38.7	38.7

Ordinary shares of 25p each are equity share capital.

**Share option schemes**

At 31 December 2009 options were exercisable over 2,618,043 (2008: 4,145,419) 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 135.3p. Subsequent to 31 December 2009 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 655,432 Ordinary shares and such options are:

	Exercisable on or after	Options	Subscription price (p)
	28.03.2003	122,556	91.5
	18.04.2004	122,395	163.0
	03.04.2005	171,981	165.0
	26.03.2006	248,500	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 1,154,355 Ordinary shares and such options are:

	Exercisable on or after	Options	Subscription price (p)
	28.03.2003	106,338	91.5
	18.04.2004	69,240	163.0
	23.05.2004	248,192	166.0
	03.04.2005	189,605	165.0
	26.03.2006	540,930	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 annum for options granted prior to 2001 and 4% 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 202,413 Ordinary shares and such options are:

	Exercisable on or after	Options	Subscription price (p)
	25.05.2007	113,884	145.0
	07.04.2008	88,529	205.5



## 6 Share capital (continued)

### 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 605,843 Ordinary shares and such options are:

	Exercisable on or after	Options	Subscription price (p)
	25.05.2007	333,535	145.0
	17.04.2008	272,308	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 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 5 May 2009 and 27 October 2009 grants of awards were made under the Long Term Incentive Plan 2005 for the issue of up to 3,799,835 and 202,667 shares in 2012.

The awards outstanding at the date of this report are over 5,458,293 Ordinary shares and such awards potentially vest on the following dates:

	Normal vesting date	Shares
	16.01.2010	301,283
	31.05.2010	358,066
	24.04.2011	535,512
	28.08.2011	556,097
	05.05.2012	3,504,668
	27.10.2012	202,667

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% compound per annum in excess of the Retail Price Index. At this level only 25% 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% 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 criterion is not reached will lapse.

The performance targets attached to awards granted in 2009 require the achievement of earnings per share ('EPS') and total shareholder return ('TSR') targets as follows:

- The performance target attached to 50% of an award is based on three year EPS targets: 25% of the shares subject to this part of the award will vest for EPS growth of 3% compound per annum in excess of Retail Price Index ("RPI"), increasing on a straight-line basis to 100% vesting for EPS growth of at least 7% compound per annum in excess of RPI; and
- The performance target attached to the other 50% of an award is based on TSR performance targets against companies within the FTSE SmallCap (excluding investment trusts) index; 25% of shares subject to this part of the award will vest at median performance increasing on a straight-line basis to 100% vesting at the upper quartile of the comparator group. As well as the TSR targets, the Remuneration Committee will consider the Company's underlying financial performance to ensure that vesting percentages under this part of an award are appropriate.

## 7 Share-based payments

Details of the share options issued and Long Term Incentive Plan are given in note 6. The bases of calculation of the share-based payments are given in the consolidated financial statements, note 14.

## COMPANY ACCOUNTS

Notes to the Company  
financial statements (continued)

## 8 Reserves

	Share premium £million	Profit and loss account £million
At 1 January 2009	0.2	127.1
Share-based payment	–	(0.2)
Profit for the year	–	10.2
<b>At 31 December 2009</b>	<b>0.2</b>	<b>137.1</b>

In accordance with the exemption allowed by Section 408 of the Companies Act 2006, the Company has not presented its own profit and loss account.

## 9 Guarantees and financial commitments

Financial commitments relating to bank loans are set out in note 5. The Company has guaranteed bank borrowings of a subsidiary up to £10 million. The amount outstanding at 31 December 2009 was £5.0 million.

## 10 Obligations under operating leases

The operating lease payments due within one year to which the Company was committed at 31 December 2009 were:

	Land and buildings £million	Other £million	2009 Total £million	Land and buildings £million	Other £million	2008 Total £million
On leases expiring:						
Within one year	0.1	–	0.1	0.3	–	0.3
Between two and five years	0.4	0.1	0.5	0.5	0.1	0.6
	0.5	0.1	0.6	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 2009 were £2.2 million (2008: £2.5 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 2009. The market value of the scheme's assets at the year end was £299.5 million and the present value of the scheme's liabilities was £339.7 million.

Further details and an analysis of the Group's pension schemes are given in note 27 to the consolidated financial statements.

## Defined contribution scheme:

The Company operates a group personal pension plan for employees and pays contributions to administered pension insurance plans. The Company has no further payment obligation once the contributions have been paid. Payments to the defined contribution scheme are charged as an expense as they fall due. The total contributions charged by the Company in respect of the year ended 31 December 2009 were £151,000 (2008: £84,000).

**12 Employees**

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

	2009 number	2008 number
By function		
Administration	41	46

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

	2009 £million	2008 £million
Wages and salaries	4.3	4.4
Employer's social security charges	0.5	0.6
Employer's pension contributions	2.3	2.5
	7.1	7.5

Remuneration in respect of the Directors was as follows:

	2009 £million	2008 £million
Emoluments	1.1	1.7

Further details of individual Directors' remuneration, pension benefits and share options are shown in the Directors' remuneration report on pages 42 to 46.

**13 Related party transactions**

Related party transactions of the Company are reported in note 28 to the consolidated financial statements.

**14 Principal operating subsidiaries**

The principal operating subsidiaries are:

**Components**

International Resistive Company, Inc, USA  
 BI Technologies, USA, UK, Mexico, Malaysia  
 Optek Technology, USA, Mexico  
 Semelab Limited  
 AB Mikroelektronik GmbH, Austria  
 Welwyn Components Limited  
 AB Connectors Limited  
 AB Interconnect, Inc, USA  
 New Chapel Electronics Limited

**Sensors**

AB Elektronik GmbH, Germany  
 AB Elektronik Sachsen GmbH, Germany  
 AB Electronic Limited  
 Padmini TT electronics Private Limited, India (51% owned)

**Integrated 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**

Ottomotores SA de CV, Mexico  
 Dale Power Solutions plc

COMPANY ACCOUNTS

# Notes to the Company financial statements (continued)

## 14 Principal operating subsidiaries (continued)

### *General Industrial*

AEI Compounds Limited

WT Henley Limited

ABtest Limited

BAS Components Limited

MMG Magdev Limited

Wire Systems Technology (Pty) Ltd, South Africa

MMG India (Private) Limited, India

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

# Historical record

Accounting year		2009	2008	2007	2006	2005
Revenue	(£million)	<b>499.6</b>	584.3	544.9	539.4	503.8
Operating profit	(£million)	<b>6.5</b>	27.0	37.7	36.2	29.9
Profit before taxation	(£million)	<b>0.8</b>	21.1	33.3	31.2	24.5
Earnings	(£million)	<b>(2.0)</b>	14.3	24.0	21.8	16.4
Earnings per Ordinary share	(p)	<b>(1.3)</b>	9.2	15.5	14.1	10.6
Ordinary dividend	(£million)	–	5.7	15.6	15.6	15.6
Ordinary dividend per share	(p)	–	3.69	10.05	10.05	10.05
Average Ordinary shares in issue	(million)	<b>155.0</b>	155.0	154.9	154.8	154.8
Net debt	(£million)	<b>56.9</b>	113.2	75.0	71.0	47.1
Shareholders' funds	(£million)	<b>155.8</b>	212.9	182.3	157.0	151.7

## 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.

# Shareholder information

## Annual General Meeting

The Annual General Meeting will be held on 12 May 2010 at 11.30 am at the offices of KBC Peel Hunt Ltd, 111 Old Broad Street, London EC2N 1PH.

## Results

Announcement of 2010 half year results – late August 2010.

Preliminary announcement of 2010 results – late March 2011.

Annual report 2010 – to be posted mid April 2011.

## Dividends

For the year ending 31 December 2009, the Board has not recommended a final dividend (2008: nil). No interim dividend was paid during the year (2008: 3.69p).

## 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 0845 603 7037 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).

Designed and produced by **Radley Yeldar** ([www.ry.com](http://www.ry.com)) using the paperless proofing system Wizardry.

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**TT electronics plc**

Clive House  
12 – 18 Queens Road  
Weybridge  
Surrey KT13 9XB

Reg No 87249

Tel +44(0) 1932 841310

Fax +44(0) 1932 836450

