TT electronics plc Annual Report 2011

Embedding innovation

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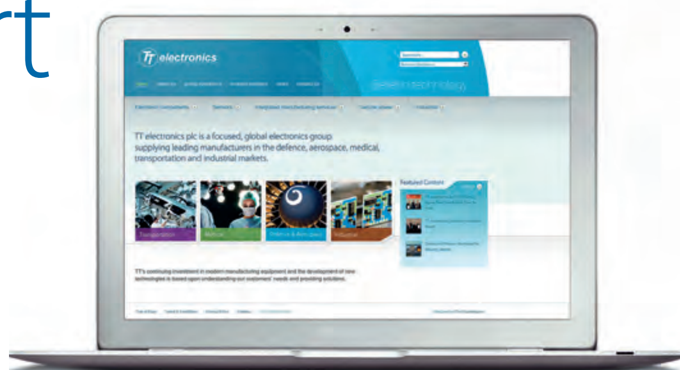

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Cautionary statement on forward-looking statements and related information

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.

Embedding innovation

TT electronics delivers performance critical solutions, turning research and technology into innovative products. Working closely with world leading manufacturers, we target markets with strong fundamental growth dynamics where the pace of deployment of electronics is being driven by increasing demands in terms of performance and reliability.

In 2011 we made further progress, improving operating margins to 5.8 per cent and ending the year with net cash of £15.2 million. We concentrated our focus on electronics with the successful sale of the last remaining business within the General Industrial division.

Entering 2012, the Group is well positioned with a strategy to create value for all stakeholders built on market focus, deep customer relationships, innovation and our global footprint.

Chairman's statement

"I am very pleased with the significant improvement in operating performance in 2011. We continue to strengthen relationships with our customers, improve the way we innovate, and optimise our manufacturing footprint. These actions are having a significant positive impact on our competitive position and create a strong foundation for the Group's development."

I am pleased to report that TT electronics has delivered another set of improved results. Revenue from continuing operations increased to £591.3 million (2010: £555.5 million), an increase of 7.2 per cent at constant exchange rates, with an increase in operating profit before exceptional items of 37.3 per cent to £34.2 million (2010: £24.9 million). The Group ended the year with net cash of £15.2 million (2010: net debt £9.9 million). Headline EPS was 13.3 pence (2010: 9.0 pence).

During the year we made significant progress on improving the Group's competitive position. We strengthened relationships with our customers and sharpened our approach to product management and innovation, ensuring our resources are focused on delivering solutions for markets where we can create the most value. We delivered improved operating margins whilst continuing to invest for the future, including major programmes to align our manufacturing footprint with our global customers and to reduce our cost base.

The programme to realise value from the General Industrial division has been successfully concluded with the sale of the last remaining business completed in July.

The actions we have taken and the ongoing investments we are making provide a solid foundation for the future. Focusing on our electronics businesses, we have a clear vision of the value that we bring to our customers through the delivery of innovative solutions based on our core technologies and engineering expertise. We are successfully building our position in markets with strong underlying growth drivers and in which the use of complex electronics is increasing to meet demands for improvements in performance.

We continue to strive for best practice in corporate governance as set out later in this report, starting on page 46. In particular, we completed a thorough review of the Group's risk management and internal audit processes. This identified a number of areas for improvement including the reorganisation of the risk and internal audit function and the appointment of a new Group Head of Risk and Assurance. Stephen King joined the Group as an independent non-executive Director with effect from 24 October 2011 bringing significant finance experience, combined with extensive knowledge of global manufacturing businesses. Stephen is a member of the Audit and Nominations Committees and will succeed David Crowther as Chairman of the Company's Audit Committee at the conclusion of the 2012 Annual General Meeting.

David Crowther will be retiring from the Board following the conclusion of the Annual General Meeting in May 2012 after seven years as a non-executive Director. On behalf of my fellow Directors I would like to thank David for his valuable contribution to the Group, including his leadership as Chairman of the Audit Committee, during a period of significant change.

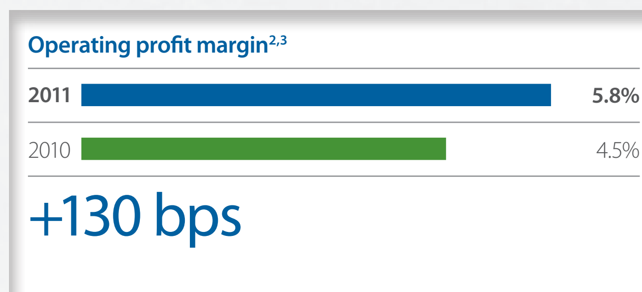
In recognition of the strong performance in 2011 and the Board's continued confidence in the Group's future prospects, the Board is pleased to recommend a final dividend of 3.2 pence which, when combined with the interim dividend of 1.2 pence, gives a total of 4.4 pence per share for the full year (2010: 2.8 pence per share), representing an increase of 57 per cent.

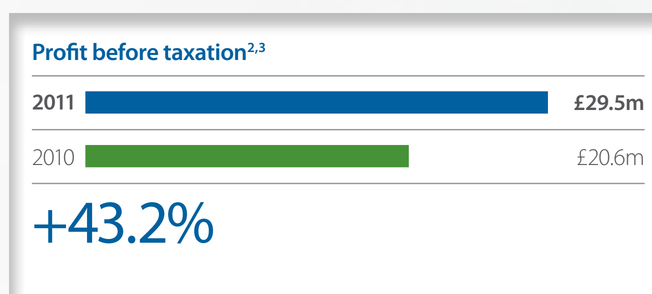
Our ability to provide critical solutions for major customers in markets with strong fundamental growth dynamics, coupled with the investments we are making to improve our competitive position, provide confidence that the Group will make further progress in 2012.

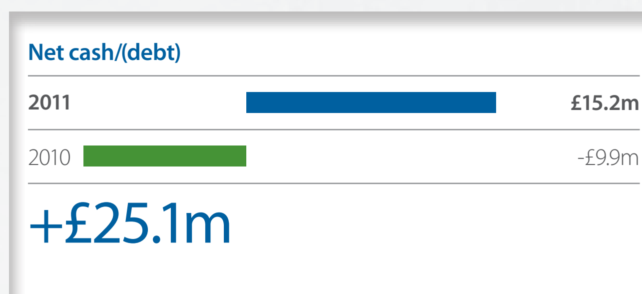
Sean Watson
Chairman

14 March 2012

2011 performance







37.3 per cent increase in operating profit[2] for 2011 to £34.2 million (£36.5 million after exceptional items)

Improvement in operating profit margin[2] to 5.8 per cent

Strong operating cash generation and proceeds from disposals resulting in closing net cash of £15.2 million

Significant improvements in the Group's competitive position with growth in key customer accounts and sharper focus on product management and innovation

Major programmes being implemented to reduce the cost base and align the Group's global manufacturing footprint with key growth markets

Increased concentration on electronics businesses and platform in place to create value for stakeholders

Recommended final dividend of 3.2 pence per share increasing total dividend for 2011 by 57 per cent to 4.4 pence per share (2010: 2.8 pence)

[1] +6.4% at actual exchange rates
[2] Before exceptional items
[3] Continuing operations

Our plan for growth

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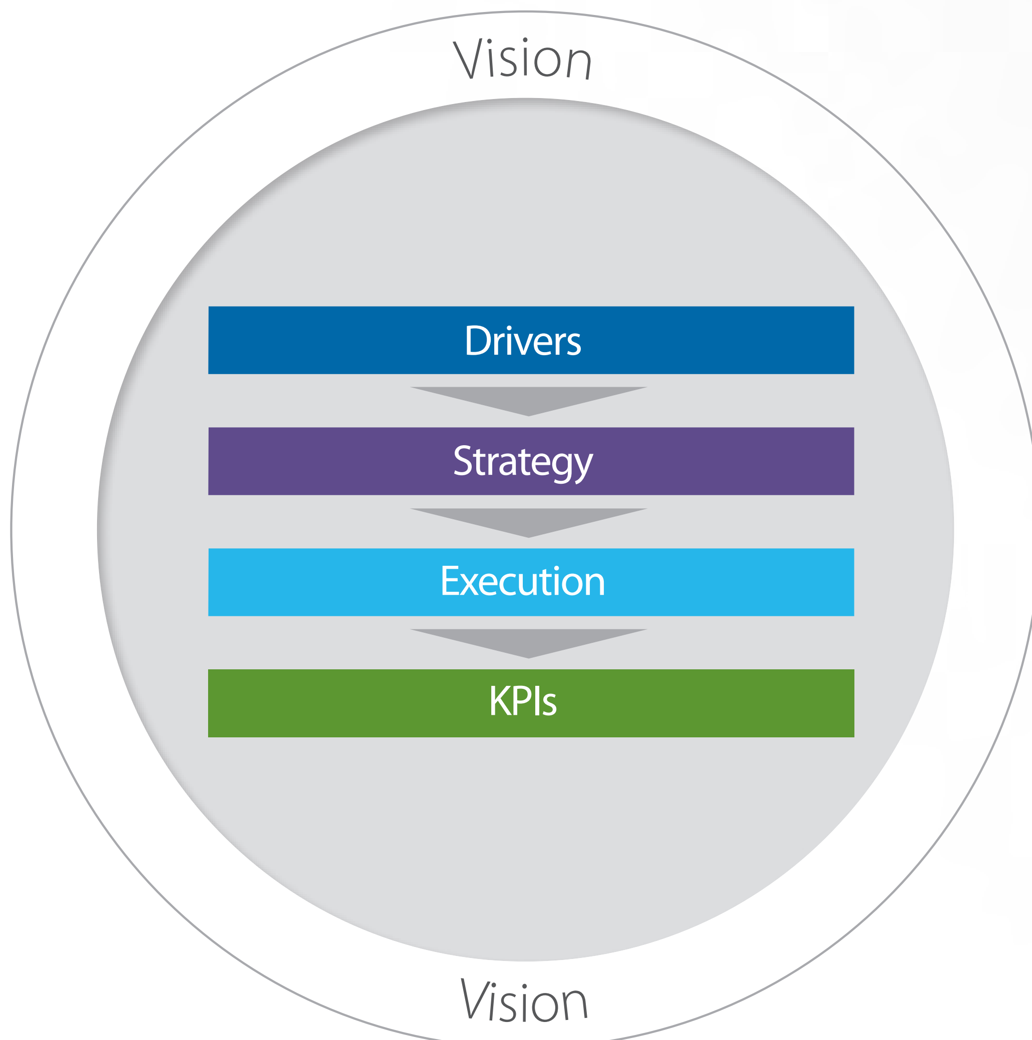
Our business model

Vision

To be the preferred and most trusted provider of performance critical technology solutions to world leading manufacturers, embedding innovation in everything we do.

- We are focused on markets where the pace of deployment of complex electronics is driven by increasing demands in terms of performance, regulation and growth and prosperity
- We have a clear strategy to create value for all stakeholders through innovation, focus and globalisation underpinned by our culture
- We have priorities and plans in place and a clear set of key performance indicators to measure our progress



Drivers

Performance | Regulation | Growth and prosperity

Strategy

Focus | Innovation | Globalisation

Culture

Execution

- Targeting higher growth markets
- Increasing customer intimacy
- Differentiation through innovation
- International expansion focused on emerging regions
- Investment in people
- Total business excellence
- Acquisitions

KPIs

- Organic revenue growth
- Operating profit margins
- EPS growth
- Relative total shareholder return
- Operating cash conversion
- Safety performance
- Employee engagement
- Training and communities

Our drivers

Market demand is driven by the following long-term growth drivers:

Performance

Manufacturers are designing increasingly sophisticated products which rely upon more complex electronic systems to deliver increased functionality, efficiency and power. In addition, high reliability electro-mechanical devices are replacing hydraulics to reduce weight and increase reliability. As new technology becomes available it is rapidly adopted and deployed, thereby fuelling further demand.

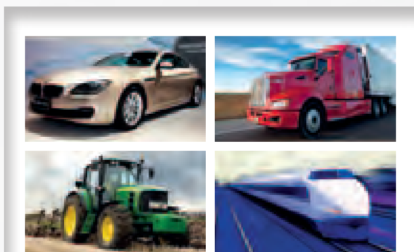
Regulation

Regulation, stemming from safety and environmental concerns, drives many of the markets in which we operate. Climate change protocols are driving investment in new forms of energy generation and its efficient distribution and consumption. Emissions legislation is resulting in significant investment in the transportation and aerospace markets to improve performance, reduce weight and treat exhaust gases.

Growth and prosperity

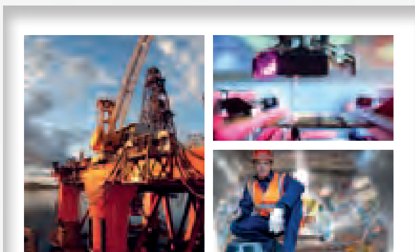
Rising living standards and increasing disposable income, particularly in certain emerging economies, is driving demand in the energy, medical, transportation and aerospace markets.

These drivers underpin the requirement for sophisticated electronics in each of our markets:



Transportation

Demand for transportation (from mass transit systems to passenger cars) is growing, particularly in emerging economies. Sophisticated electronics are being used to improve safety and performance and to reduce emissions to meet tighter regulations. Features introduced on premium cars are being deployed on other models and in other transportation segments.

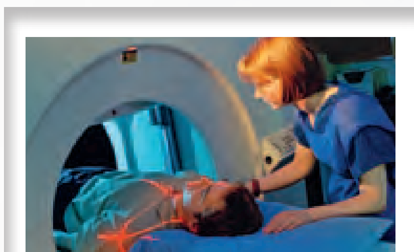


Industrial

Our focus is on growth segments within the industrial market where the deployment of electronics is being driven by the complexity of the equipment and processes being used. These segments include automation and control for manufacturing and process equipment, and test and measurement.

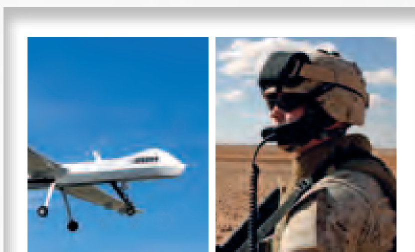
Energy

There is significant investment in new technologies for energy generation to meet increasing demand and tighter environmental regulations, together with the deployment of new smart grid technologies to improve the efficiency of the distribution network and reduce energy consumption.



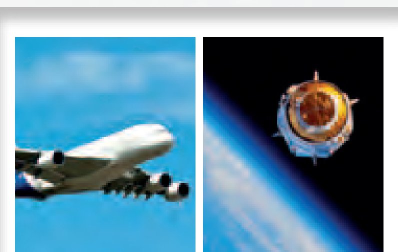
Medical

Demand for medical equipment and devices is increasing as more individuals and governments are able to afford access to medical care, together with aging populations in many developed countries. Additionally, devices are becoming more sophisticated with increasingly complex electronic content.



Defence

Investment in growth areas including communications networks, unmanned vehicles and other mission critical electronic systems is forecast to continue.



Aerospace

Commercial airline production is forecast to grow due to globalisation and the continued development of emerging markets. High performance electronics are reducing weight and improving efficiencies. Demand for satellites is increasing, driven by the growth of satellite based services.

Our strategy

Our strategy is to create value for our stakeholders by delivering innovative solutions to world leading manufacturers in markets with good long-term growth dynamics. We will build upon our existing global footprint to ensure we continue to win new business in all major regions of the world. Our culture and values ensure a consistent set of standards and behaviours throughout the Group.

Focus

We are focused on the following higher growth markets: aerospace, defence, energy, medical, transportation and specific segments of the industrial market. Within these markets we are building our position with leading global players through our key account programme.

Actions

- Alignment throughout the organisation on
  – target markets
  – key accounts
- Clear value proposition developed

Effect

- Increasing proportion of sales and new business opportunities from target markets
- Significant growth from key accounts
- Certain segments de-emphasised

Innovation

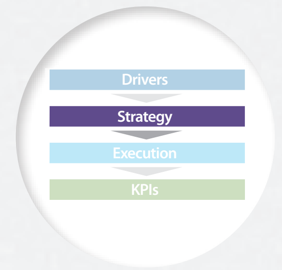
We create high value differentiated solutions for challenging applications built upon our broad platform technologies, engineering expertise and our reputation in markets which value reliability. Our "trusted partner" status with major customers leads to early involvement in their development programmes and provides us with visibility of their future technology roadmaps.

Actions

- Business unit/product managers appointed
- Product roadmaps developed
- Deeper engagement with key customers

Effect

- Effective product management
  – Focused research and development resources
  – Visibility of customers' technology roadmaps
  – Platform technologies and "product families" for target markets



Globalisation

The Group is well positioned to benefit from globalisation with sales and engineering teams and leading international and domestic customers in all major regions. We are able to support our customers from manufacturing and service locations in the Americas, Europe and Asia.

Actions

- Global organisation structure implemented
  - Sales teams in all major regions
  - Engineering support close to customers
  - Manufacturing footprint in Americas, Europe and Asia
  - Uniform processes and quality standards

Effect

- Ability to support customers worldwide
- Recognised as a global partner by major customers
- New wins with international and domestic customers in all major regions
- Developing lower cost centres of excellence in Mexico, India, China and Romania

Culture

We have a clear set of values that provide a framework within which we expect all of our employees to operate. We put the customer at the heart of everything we do supported by teamwork, innovation and a passion for excellence; all underpinned by a commitment to invest in our employees and to act with integrity at all times.

Actions

- Core values embedded in organisation
  - Active programme of internal communication
  - Group wide training and compliance programmes
  - "Voice of Customer" elevated
  - Structured programmes to identify and develop talent
  - Operational excellence programme established
  - Cross functional global teams in place

Effect

- Reputation for integrity and strong ethical approach
- Greater customer intimacy and stronger relationships
- Engaged employees with opportunities for development
- Efficiency improvements
- Increased pace of execution

Our strategy in action
Focus

We are focused on developing strong partnerships with leading manufacturers in markets with good long-term growth dynamics. Through our key account programme we work closely with major companies that value our ability to support them as they develop new products. We align our resources with these customers where our engineering expertise and global footprint enable us to create a differentiated value proposition, providing the basis for the development of long-term relationships that benefit both parties.

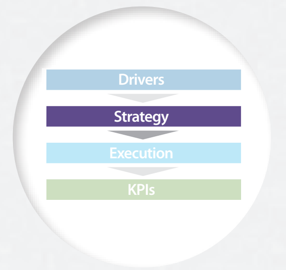
Volkswagen AG

The Volkswagen Group is one of the world's leading automobile manufacturers and the largest car maker in Europe. It sells its vehicles in 153 countries and operates 62 production plants. Revenue in 2011 was €159 billion.

We have worked in partnership with VW since the early 1980s. In 2010 TT implemented a global management structure and committed to further developing its worldwide manufacturing and support capabilities to align itself with its major customers. This was recognised by VW and TT is now a key technology partner working closely with their design engineers and manufacturing plants globally.

"As a key strategic supplier partner we are working closely with TT on a number of sensors for our latest global engine platform that will be manufactured in Germany, China and Mexico. TT's ability and commitment to support us in these regions, together with their engineering experience and their willingness to invest in our relationship, makes them an ideal partner for us. They have been awarded a significant number of speed and temperature sensor applications on the new engine platform and we are actively looking at additional opportunities together."

Dr. Michael Kilger, Director R&D Components Powertrain Electronics, Audi



Aero Engine Controls

Aero Engine Controls (AEC) is a joint venture between Rolls-Royce plc and Goodrich Corporation, two leading aerospace manufacturers, that provides engine control systems and engine intelligence to the aerospace industry.

Since the formation of the joint venture, we have been working closely with AEC developing critical products that are able to operate reliably in the harsh environments found in aircraft engines. Our Components division supplies a range of microcircuits and resistors for AEC's engine control systems which improve fuel efficiency. These technologies are in use on today's most advanced aircraft including the Boeing 787 and Airbus A350.

"We really value the aerospace expertise and technology that TT provides for our engine control systems. In these critical applications, where failure is not an option, we need suppliers who are able to provide the right technical solutions to enable us to meet the stringent demands of our customers."

Annette Rothwell, Vice President Supply Chain, Aero Engine Controls

Meggitt PLC

Meggitt PLC is a global engineering group specialising in extreme environment components and smart sub-systems for the aerospace, defence and energy markets. Revenue in 2010 was £1.2 billion.

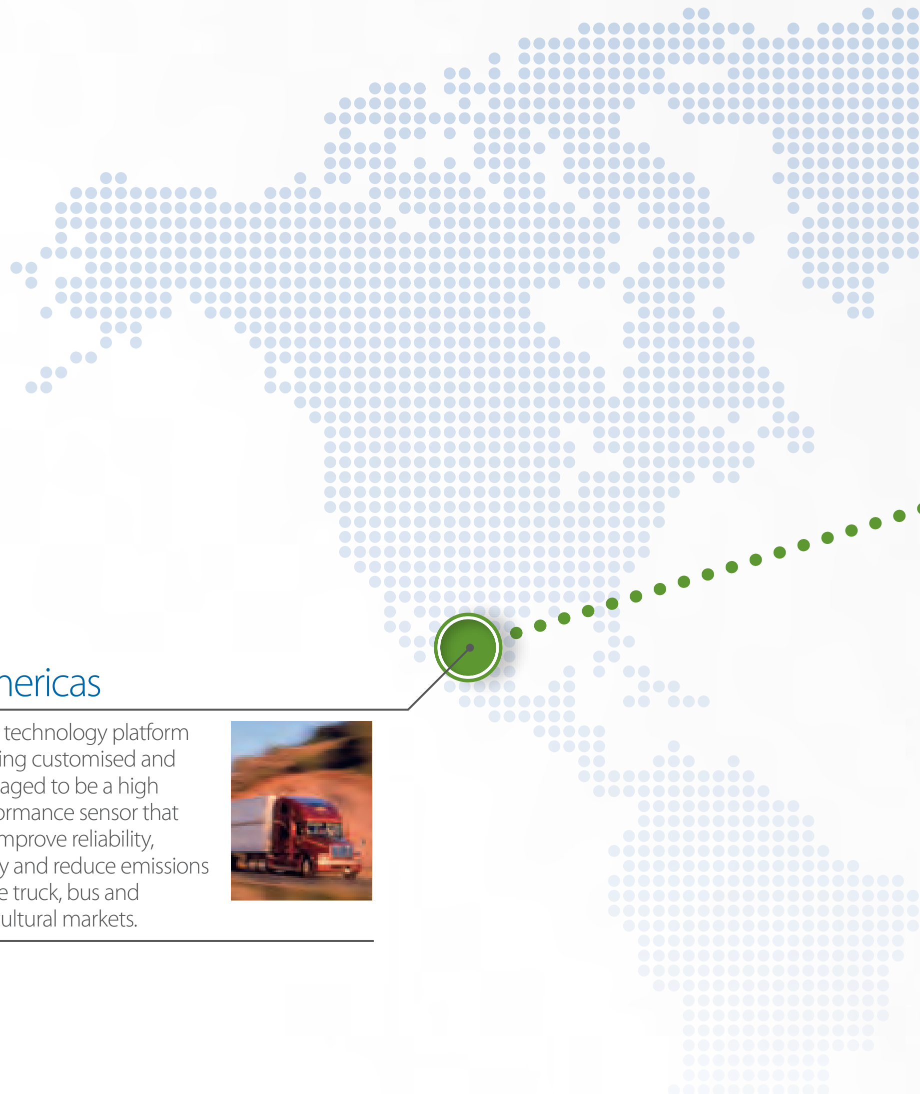
Following a competitive tender process, the IMS division was selected as a preferred supplier partner. This success was based on our track record of providing global manufacturing and supply chain services from our facilities in the US, Europe and Asia with uniform process and quality co-ordinated through a single point of contact for the customer.

"TT electronics' commitment to excellence in manufacturing and supply chain performance for leading aerospace and defence organisations is enabling Meggitt to better satisfy the challenging requirements of our marketplace. We value the IMS division's global footprint and investment in new technologies as these are in step with our own plans for organic growth in established and emerging markets. A high level of responsiveness through strong lines of communication is proving to be a hallmark of TT electronics' approach to customer relationships."

Martin Calland, Group Head of Procurement, Meggitt PLC

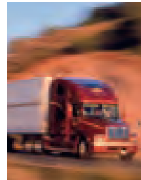
Our strategy in action
Innovation

Our ability to innovate enables us to create competitive advantage, gain market share and deliver higher financial returns. Our engineering development teams are often the best in their field in terms of their knowledge and experience of our core technologies. They support our applications engineers who work closely with the customer to turn our ideas and technology into differentiated solutions.



Americas

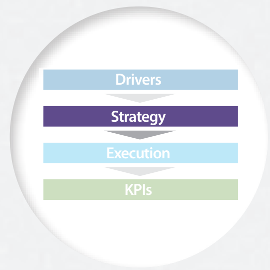
Core technology platform is being customised and packaged to be a high performance sensor that will improve reliability, safety and reduce emissions in the truck, bus and agricultural markets.



Typical sensor value stream

Global design centres of excellence develop core technology platforms which are then customised for specific applications and regions. Example shown is a chassis height sensor used to control the height and enhance the handling of the vehicle to improve safety and meet legislative requirements.

Sensing element with application-specific integrated circuit



Germany

R&D centre of excellence designed a core technology platform for speed and position sensing that is then customised and packaged by local teams for specific applications.

China

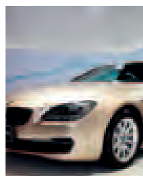
Core technology platform used in a high performance sensor that reduces emissions and improves performance in the volume small car sector.

India

Core technology platform used in a high performance sensor that improves reliability, safety and performance in the local two wheeler market.

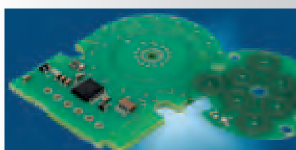
Germany

Core technology platform used in a high performance sensor that is at the heart of performance engines for the luxury car market.



Core technology platform

Final packaged product for local market and application



Interface and control software

Environmental package for harsh environments (for example -40°C to + 130°C)

Application specific packaging and interface electronics

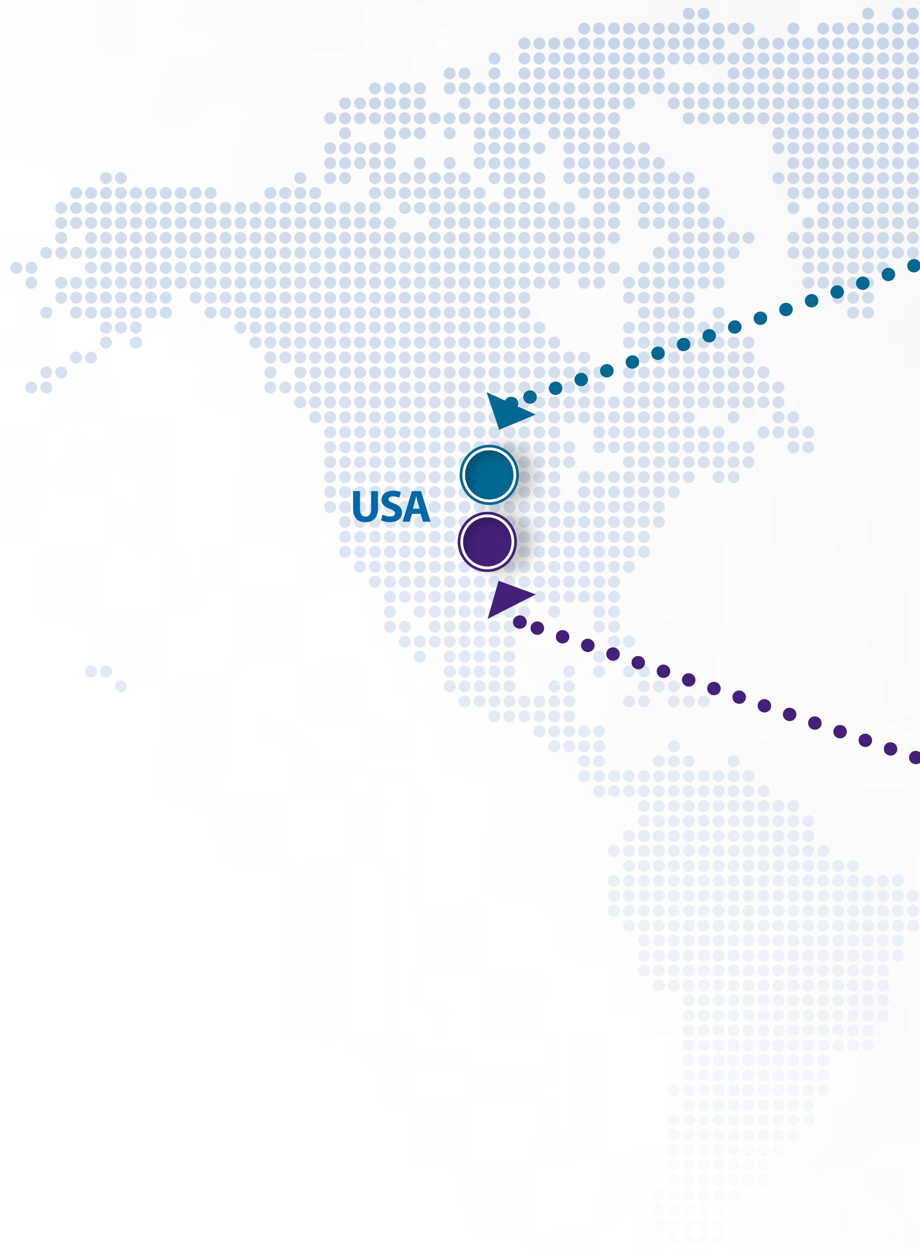
Our strategy in action
Globalisation

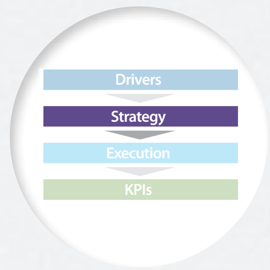
Delivering value worldwide

TT is well positioned globally with sales, engineering and manufacturing in all major regions. Key account managers align these resources to support major customers.

Schneider

Schneider is a global specialist in energy management, with solutions for power and control, energy efficiency, automation and renewable energy. Having been identified as a key account in 2009, Schneider nominated TT electronics as a key supplier in early 2010. We now work with their design centres worldwide and visit multiple sites each week to work on new opportunities. We ship products to many locations supporting their manufacturing organisation, creating a strong partnership that drives value for both businesses.





Product is shipped to Schneider and their fulfilment partners worldwide, with local teams ensuring continuity in the supply chain.

France

TT's key account managers work closely with Schneider's global procurement team headquartered in Grenoble, France.

China

India

Field applications engineers work closely with Schneider's design centres in China, India, France and America designing high performance electronic components that meet demanding requirements.

Our global reach

The Americas	
Headcount	2,432
Percentage of Group revenue	27%
Europe, Middle East and Africa	
Headcount	2,474
Percentage of Group revenue	61%
Asia	
Headcount	1,309
Percentage of Group revenue	12%

Our strategy in action
Culture

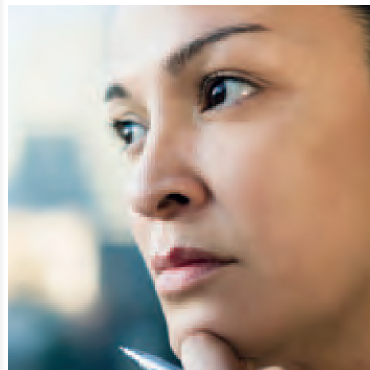
Our values define who we are and how we do business, creating a consistent set of standards and behaviours throughout the Group. This is increasingly important in an environment that requires our employees to operate across broad geographies in a less hierarchical structure, responding rapidly to opportunities as they arise.

Our values

Customer driven

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

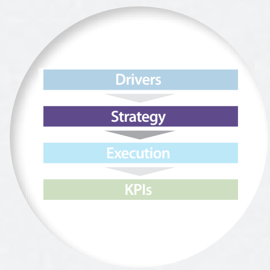
Integrity



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 teamworking environment, constantly challenging each other whilst maintaining mutual respect and a clear focus on the achievement of common goals.

Execution

Our priorities reflect our strategy and are designed to strengthen the Group. These priorities translate the strategy into deliverable plans within each division.

Targeting higher growth markets

All of our internal resources are focused on markets with good long-term growth drivers. Product roadmaps are in place to ensure we develop the right technologies. Our sales teams have clear objectives to serve our customers, supported by manufacturing and customer service.

Increasing customer intimacy

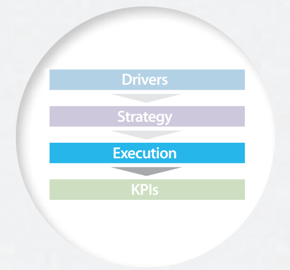
We aim to build long-term relationships with our customers. We undertake regular business reviews with our major customers and constantly monitor our quality, responsiveness and on time delivery performance. We are investing in the key account programme and training for our sales and applications engineering teams. In addition, we continue to upgrade our IT systems to make it easier for our customers to do business with us.

International expansion

We are investing in our capabilities in emerging markets with projects underway to expand our campus facility in China, increase our capabilities in Mexico (where the Sensors division will begin manufacturing in late 2012) and further develop our position in India. Going forward, we expect the pace of investment in these regions to continue.

Differentiation through innovation

We are committed to developing new products and technologies. We have clear development plans for 2012. These are aligned to our customers' technology roadmaps due to our focus on specific markets and our significant investment in product management.



Investment in people

Our people are key to our success. We invest in training and development and ensure that talented individuals are recognised and provided with opportunities to progress within the Group. We recently commenced the roll-out of a global management development programme aimed at 400 managers, in addition to providing courses focused on specific functions including sales and procurement. We will continue to supplement our own talent with key hires where necessary.

Total business excellence

We continue to standardise processes, sharing expertise and best practice across the Group. Lean manufacturing, continuous improvement initiatives and the development of lower cost manufacturing facilities in Mexico, Romania, India and China are delivering sustainable improvements in cost, quality and on time delivery.

Acquisitions

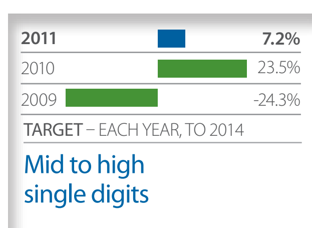
We will look to acquire technologies and businesses that have a good fit with our strategy. These businesses will be technology leaders serving our target markets, will ideally accelerate our geographic growth, particularly in Asia and Latin America, and will share our culture and values.

Key performance indicators

We use a number of financial and non-financial key performance indicators (KPIs), set in 2009, to measure our performance

Financial KPIs[1]

Organic revenue growth



Definition

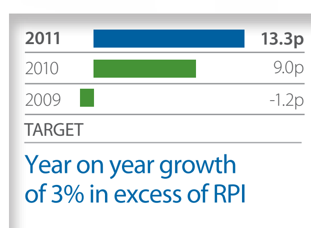
Organic revenue growth measures the change in revenue in the current year compared with the prior year from continuing Group operations. The effects of currency movements and acquisitions made during the current or prior financial year have been removed.

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 benefited from strong sales in many key markets.

Earnings per share (EPS) growth



Definition

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

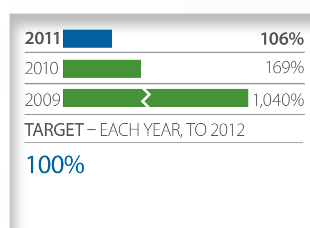
We have chosen EPS growth as a KPI as it is a standard metric to determine corporate profitability for shareholders.

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 62.

Performance

There was a significant improvement in EPS during the year, delivering growth of 48 per cent, well ahead of the target.

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

The cash conversion target of 100 per cent was exceeded in 2011 due to the delivery of operational efficiencies and active management of the Group's working capital.

Relative total shareholder return (TSR)

Definition

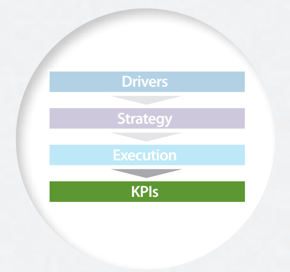
TSR is defined as capital growth plus dividends paid, assuming dividends are re-invested over the period using a three-month opening and closing average.

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 62.

Performance

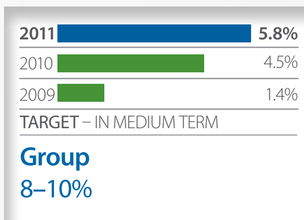
The Group's TSR for 2011 was -11.3 per cent compared to the median of the comparator group of -11.2 per cent. TSR for 2010 and 2011 combined would place the Group in the first quartile.

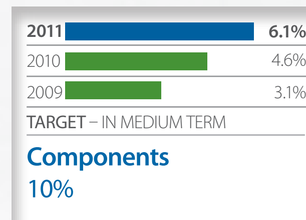
[1] All comparative data is as previously published in the 2009 and 2010 Annual Reports.

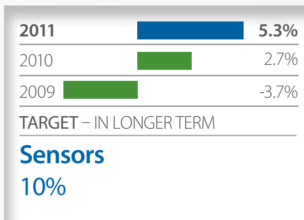


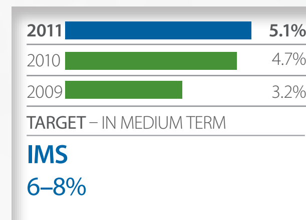
Financial KPIs

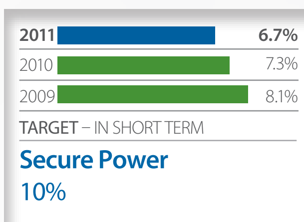
Operating profit margin











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
Operating margins improved in all businesses with the exception of Secure Power.

Non-financial KPIs

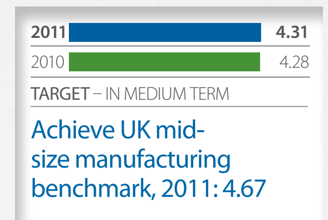
Safety performance

Definition
The number of occupational injuries resulting in three or more days absence per 1,000 employees.

This KPI allows us to compare our performance with that of our peers. We use a UK benchmark published by the Health and Safety Executive and apply this to all of our facilities worldwide reflecting our commitment to raise standards globally.

Performance
We are committed to targeting zero occupational injuries. The injury rate improved in 2011 and was better than the UK manufacturing benchmark.

Employee engagement



Definition
We use our employee survey to measure how our employees feel about working in TT using a scale of 1 (low) to 7 (high) against eight factors. We benchmark the results against mid-size UK manufacturing companies as surveyed by Best Companies Ltd.

Performance
The response rate from this year's survey was a creditable 65 per cent, compared to an industry benchmark of 50 per cent.

The results show an improvement in our overall engagement score against the backdrop of considerable change in the business during 2011. Whilst the score has increased, with good progress in areas of focus, it remains below the benchmark. We will share the results of the latest survey with our employees and develop plans to deliver further improvements.

Training and communities

Understanding our current capabilities and future requirements and identifying talent within the Group is essential to sustaining our growth. We made significant improvements to our talent management and succession planning process throughout 2011. It has been designed to promote from within through career development, building on potential talent across all divisions and geographies. In 2011, we continued to support our future leaders through individually tailored mentoring and development plans and maintained our graduate and apprenticeship programmes at selected sites. During 2012 we will continue to encourage our people to use the increasing range of training programmes on offer.

The 2010 engagement survey highlighted the need to increase our engagement with the communities in which we operate. A wide range of activities took place during the year as set out on page 45.

Progress in 2011

In this section

25 How we are structured
26 Operating review
28 Components
31 Sensors
34 IMS
36 Secure Power
38 Financial review
41 Principal risks and risk management process
44 Corporate responsibility

How we are structured

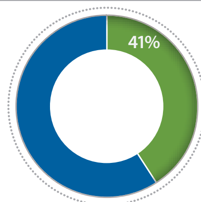
The Group consists of four divisions. The Components, Sensors and IMS divisions all provide electronic products and services to common target markets worldwide. The Secure Power division provides standby power solutions, principally to customers in Central and South America and the UK.

Components

The division delivers innovative electronic solutions providing increased functionality, efficiency and control, coupled with best in class service and support worldwide. Products include fixed and variable resistors, optoelectronics, power modules, control circuitry, magnetics and interconnect solutions for customers in the transportation, industrial, defence, aerospace, medical and energy markets.

Further detail: See page 28

Revenue	£242.7m
Operating profit	£14.8m
Proportion of Group revenue	41%

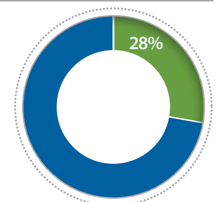


Sensors

Provides sensing solutions for critical applications which require high levels of expertise, precision and reliability, often operating in extremely harsh environments. Products include speed, direction, position, temperature and pressure sensor assemblies primarily for customers in the transportation and industrial markets.

Further detail: See page 31

Revenue	£166.9m
Operating profit	£8.8m
Proportion of Group revenue	28%

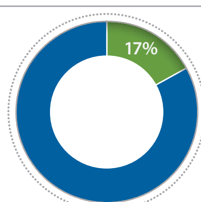


IMS

The division draws on its design engineering capabilities, flexibility and word-class facilities to provide high quality electronic manufacturing support to customers in the premium industrial, medical, defence and aerospace sectors. The business has a broad capability from board assembly to full systems integration.

Further detail: See page 34

Revenue	£100.0m
Operating profit	£5.1m
Proportion of Group revenue	17%

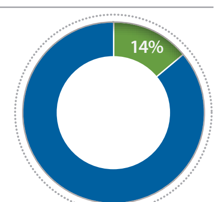


Secure Power

Provides generating sets and uninterruptible power supplies to a wide variety of global industries which require reliable consistent power including the petrochemical, medical, utilities and financial services sectors. The division is focused on supplying turnkey solutions for major one-off projects and differentiated medium to high power generating sets with a focus on quality, reliability and service.

Further detail: See page 36

Revenue	£81.7m
Operating profit	£5.5m
Proportion of Group revenue	14%



Operating review

Geraint Anderson Group Chief Executive

14 March 2012

Shatish Dasani Group Finance Director

14 March 2012

TT delivered a strong improvement in performance in 2011 with a 37.3 per cent increase in operating profit before exceptional items and ended the year in a net cash position.

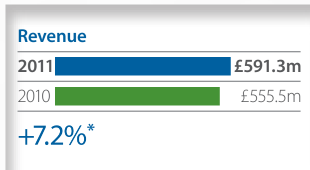
Group overview

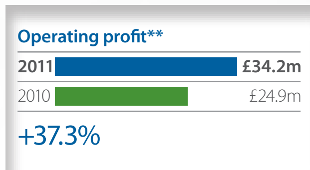
The Group is now more focused, following completion of the sale of the General Industrial businesses. As an electronics group we have a clear vision to deliver performance critical solutions by turning ideas and technology into innovative products that our customers need. As set out on pages 8 and 9, we are targeting markets with strong fundamental growth dynamics and where the pace of deployment of electronics is being driven by increasing demands in terms of performance and reliability.

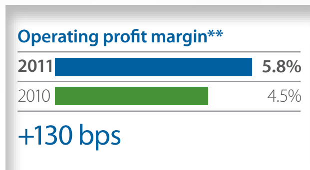
In 2011 the Group performed strongly. Having deployed our resources to ensure that we put the customer at the heart of our business, it has been encouraging to see this delivering tangible results. We strengthened our relationships with key customers and secured new business in target markets. We have regular reviews with our major customers and, whilst significant opportunity exists for further improvement, we have seen positive progress as illustrated by what our customers say about us on pages 12 and 13. We added four customers to our key account programme during the year and aggregate revenue from our key accounts as a group increased by more than 11 per cent. Three of the customers added to the programme are based in Asia and we relocated key members of our management team to China during the year, reflecting the growth potential of this region for the Group.

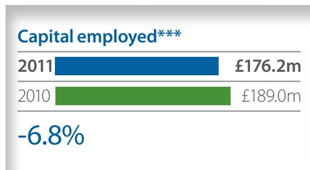
We have made good progress developing our position in markets which we believe present the greatest opportunity. Revenue from the medical market increased by 35 per cent at constant currency rates due to particularly strong growth in this segment by the IMS division and we also secured a number of new customers in the Components division. The passenger car market remained the largest segment for the Group representing 35 per cent of revenue due to strong demand from Daimler, BMW and VW and from customers in emerging markets. We remain committed to reducing this to below 30 per cent of Group revenue in the medium term by growing our business in other areas more rapidly. Revenue from other transportation markets, including trucks, buses and off-road vehicles grew by more than 37 per cent to approximately £47 million and revenue from industrial markets increased by 9 per cent. Sales to the aerospace segment increased by 43 per cent whilst sales to defence markets decreased by 16 per cent. Revenue from power generation decreased by 6 per cent reflecting lower sales in the Secure Power division. Sales to the telecom and computing markets reduced by 27 per cent reflecting our strategic focus.

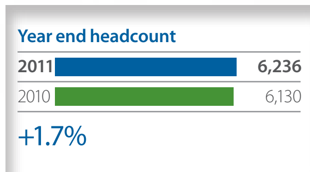
We continued to invest in our people, strengthening the divisional management teams and increasing training and development. This included rolling out the first phase of a global management development programme (see page 21).

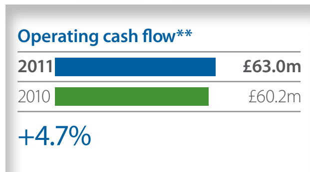












* At constant exchange rates

** Before exceptional items

*** Capital employed represents net assets less net cash/(debt)

Group overview (continued)

We continue to improve our international operational footprint to increase profitability and better support our global business. We are developing regional lower cost manufacturing centres of excellence and our new facility in Romania is expected to begin production in the second quarter of 2012. We are doubling the size of our existing Components division facility in Mexicali, Mexico, to accommodate production lines that are being relocated from other sites, including our facility in Boone, North Carolina, which will be closed by the end of 2012. In addition, the Sensors division is making significant investments to further develop existing operations in India and China, and a new manufacturing operation is being established in Mexico to serve the North and South American markets, with manufacturing due to commence at the end of 2012.

We completed a review of our risk management and internal audit processes which resulted in the re-organisation of the risk and internal audit function and the appointment of a Group Head of Risk and Assurance to ensure that our risk management process is robust, consistently applied across the Group and aligned to the strategy (see page 41 for further detail).

In July, we completed the disposal of AEI Compounds Limited, the last remaining business within the General Industrial division, comprising those businesses identified in the Strategic Review in 2009 as non-core and to be run for value. In total, over the years, the Group received more than £30 million net proceeds, considerably exceeding the Board's initial expectations.

Market environment

The broad market recovery seen during 2010 continued into 2011 and we experienced increased demand in the majority of our markets in the first half of the year. There was a sharp increase in orders in certain markets immediately following the Japanese earthquake. This particularly affected our Components and IMS divisions which saw a re-balancing in the latter part of the year as customers reduced inventory and reacted to increasing macroeconomic uncertainty, particularly in Europe. Demand from customers in the passenger car and transportation markets remained robust throughout the year.

Revenue

Revenue from continuing operations increased by 6.4 per cent to £591.3 million (2010: £555.5 million) after including an adverse foreign exchange impact of approximately £4.1 million. Excluding this foreign exchange impact, the underlying growth in revenue was 7.2 per cent, against our target of mid to high single digit growth. Our electronics businesses, comprising the Components, Sensors and IMS divisions represented 86.2 per cent of sales and grew by 4.9 per cent, 14.9 per cent and 9.7 per cent respectively on an underlying basis. Revenue in the Secure Power division fell by 2.3 per cent on an underlying basis as a result of challenging trading conditions in the Mexican and South American markets in the first half of the year.

Operating profit

The strong overall revenue performance, new business at improved margins and the impact of our operational excellence programme resulted in an operating profit from continuing operations (before exceptional items) of £34.2 million, an increase of 37.3 per cent compared to 2010. All divisions delivered higher operating profit margins, with the exception of Secure Power where margins declined slightly. The overall Group operating profit margin increased from 4.5 per cent to 5.8 per cent and significant potential remains to increase margins and achieve the target for the Group of 8 to 10 per cent as set out on page 23. The adverse impact of foreign exchange variations on the translation of operating profit was £0.7 million.

Group outlook

We are focused on providing critical technology to markets with strong fundamental growth dynamics where the deployment of complex electronics is increasing. This will drive demand for our solutions even if the macroeconomic environment remains unpredictable. We are investing to improve further the Group's competitive position for the medium and longer term with a number of important projects expected to begin to have a positive impact on overall Group performance towards the end of the year. As a result of this and a sharp increase in orders in certain markets immediately following the Japanese earthquake in the first half of last year, we anticipate that performance in the current year will be more weighted to the second half. The good progress we are making provides confidence that we will meet the performance targets set.

Components

Watch a video of Billal: http://annualreports.ttelectronics.com

"With the new organisation in place I am excited about the opportunities in 2012. We will continue improving performance by completing a number of initiatives to optimise our operational footprint. We will also begin to see the benefit of the actions we have taken to accelerate the introduction of new products for our target markets."

Billal Hammoud Divisional Chief Executive – Components

The Components division is focused on creating value by delivering innovative electronic solutions with increased functionality, efficiency and control, coupled with best in class service and support worldwide. With facilities in North America, Europe and Asia, a sales presence in all major markets and application engineers strategically located around the world, the division is well positioned to serve customers in all regions.

Strategy

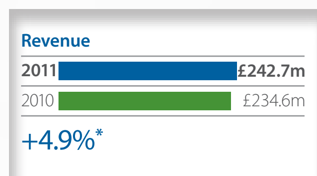
The division targets markets with underlying growth drivers (as set out on pages 8 and 9) where it can create value based upon its technology and engineering expertise. It works closely with its customers, anticipating their needs, turning ideas and technology into differentiated solutions. It is focused on increasing the pace of new product introduction through improvements in product management and delivering wide ranging operational improvements that make it easier for customers to do business with the division and contribute to increased profitability.

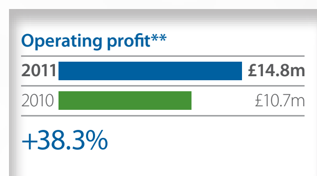
Progress

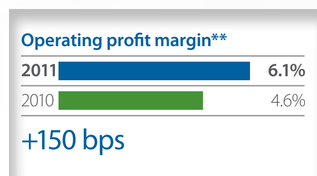
The division successfully completed the transition to a business unit structure in 2011, creating alignment around key products and technologies, supported by global functions to drive best practices. This new structure is a key enabler for the efficient development of new products and for optimising our manufacturing footprint and supply chains.

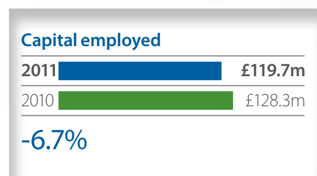
The development of the product portfolio is a critical focus. Recognising this, we appointed a Vice President of Marketing (a newly created position) in the third quarter of 2011, responsible for ensuring that our product development plans accurately align with our customers' technology roadmaps. In addition, working in conjunction with the business unit and functional leaders, a new product introduction programme has been implemented that focuses on gathering inputs from our customers to identify their current and future needs. This process will be supplemented in the first half of 2012 by the introduction of a project portfolio management tool which will provide a framework for effectively managing and prioritising the portfolio of development projects and the related spend. All of these actions are designed to increase the value that we capture, the pace of new product introduction and the return on engineering investment, underpinning improvements in revenue and profit in 2012 and beyond.

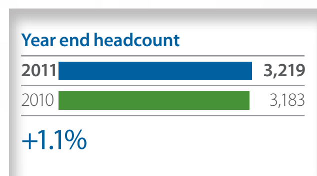
We are seeing continued benefits from the global sales structure, the investments made in the sales team in 2011 and the focus on growth markets. Our opportunity pipeline doubled from December 2010 to December 2011, with a major proportion of the growth generated through key account activities, improved engagement with channel partners and targeted marketing campaigns linked to specific products and applications. Several contracts were won with new customers in China during the year and we doubled the number of local sales and application engineering resources. In 2012 we are implementing a new campaign process to focus our sales resources on high growth segments where we can offer multiple products and create the greatest value for our customers.











* At constant exchange rates
** Before exceptional items

Applying innovation in space

TT electronics has significant experience supplying highly-engineered electronic components to customers in the space industry including Tesat-Spacecom, a subsidiary of EADS Astrium NV. In 2011, our applications engineering teams worked closely with Tesat-Spacecom's design department in Backnang near Stuttgart, Germany, to develop an improved RF power amplifier, a key component in communications satellites. Our high reliability hermetic packaging "know-how" and our experience in semiconductor technologies enabled us to develop a radiation tolerant product meeting rigorous European Space Agency standards. It is designed to operate reliably for a programme life of more than ten years in the harsh space environment.

EUTELSAT 9B, EADS Astrium's high-power broadcast satellite, scheduled for launch end of 2014. © Astrium

Components continued

Progress (continued)

The operations team delivered improvements in efficiency, quality and on-time delivery through the implementation of lean manufacturing principles, six sigma and investments in infrastructure, including in the area of enterprise resource planning. As previously announced, we are opening a new lower cost facility in Romania to accommodate increasing customer demand. The fit out programme is well underway and manufacturing is expected to start in the second quarter of 2012. In August we announced the closure of our facility in Boone, North Carolina as part of the Group's strategy to align its footprint with key customers and increase profitability. We are doubling the size of our facility in Mexicali to accommodate production lines that are being relocated. The full year benefit of this project will be realised from 2013 and is on target to be in the region of £2.5 million per year.

The division's principal competitors include Bourns, Fairchild, Koa, Semikron and Vishay.

Markets

The broad market recovery in 2010 continued in the first half of 2011. The earthquake in Japan led to sharp increases in order patterns as our customers sought to secure component supplies. Demand softened in the latter part of 2011, reflecting a rebalancing of inventory levels and uncertainty caused by the economic crisis in Europe.

Performance

Underlying revenue for the year increased by 4.9 per cent to £246.1 million excluding an adverse foreign exchange impact of 1.4 per cent. Operating profits significantly increased by 38.3 per cent to £14.8 million with the operating profit margin increasing to 6.1 per cent (2010: 4.6 per cent).

Outlook

The continuing macroeconomic issues are creating some uncertainty and we expect our distributors to continue to reduce inventory levels in the first half of the year. However, this is offset by the strong fundamental growth drivers in our markets underpinning an increased demand for electronic components in the medium term. The investments we are making in operational improvements, and the increased pace of new product introductions, will underpin further improvements in performance and will begin to have a positive impact in the second half of the year.

Sensors

"We have strong drivers in our end markets resulting in an increase in the use of sensors. In 2011 we strengthened our longstanding relationships with VW, Daimler and BMW, three leading worldwide automotive manufacturers. The globalisation of our business, our ability to respond quickly to opportunities and the significant business we have secured with leading customers in the automotive, truck, off-highway and industrial segments is extremely exciting."

Pat Murray Divisional Chief Executive – Sensors

The division provides sensing solutions for critical applications which require high levels of expertise, precision and reliability, often operating in extremely harsh environments. We are focused primarily on the transportation and industrial markets where our ability to meet these requirements helps our customers to compete and win. The division's principal operations are in Germany, China and India supported by additional engineering and development teams in Eastern Europe and the UK. A new manufacturing operation has been established in Mexico to serve North and South America.

Strategy

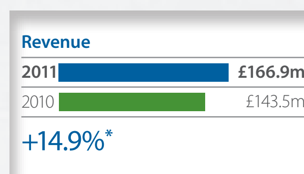
We provide sensors that form the heart of critical systems which improve safety, performance and emissions, helping our customers to be more competitive and address increasing levels of regulation and legislation. The division's ability to deliver high performance micro electronic and mechanical solutions that work reliably first time, every time, in extremely harsh environments is a key differentiator. We are focused on sectors which are growing, that value our expertise and where the deployment of sensing technology is increasing to address new challenges. Target markets include transportation, industrial and medical. We are building long-term strategic partnerships with leading companies in each of these markets whilst investing in the further development of our geographic footprint to support them in all major regions. The division is embedding a culture of continuous improvement and using total business excellence to ensure common core processes and standards across all of its operations.

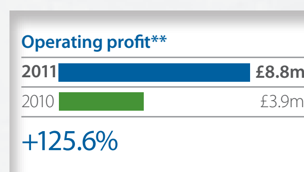
Progress

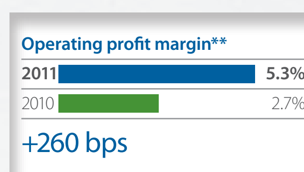
We made good progress in 2011 securing sensor projects on new vehicle platforms and increasing our market share. In addition we benefited from greater sensor content per vehicle. We achieved strategic wins with BMW, Daimler and VW. These included our nomination as a key sensor partner for VW's latest global engine platform that will be manufactured in Germany, China and Mexico (see page 12 for more detail) and major new programmes with BMW for our innovative combi-sensor (providing precision pressure and temperature measurement in one smaller package).

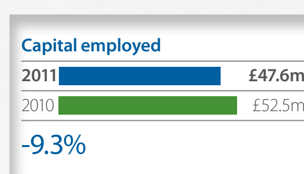
We are responding quickly to global opportunities, actively transferring sensor expertise developed over many years in Germany and the UK to our teams in China, India and Mexico. These teams re-package our core technology, developing customised solutions for the local market. Growing our business in the Americas and Asia remains a key strategy and we secured wins with several of the leading Chinese manufacturers during the year, including JAC, Chery and BYD and continued to strengthen our relationship with Hero, Mahindra and Tata in India. It is also notable that a significant proportion of our European revenues are linked to exports by our customers to other regions, principally Asia.

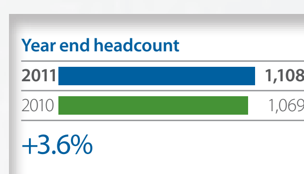
Another key strategy for the division is to modify our core automotive sensing technologies and re-package them for the broader transportation market (including truck, off-highway and rail) and selective industrial and medical applications. The investments we have made are beginning to deliver results, particularly in the transportation market where we increased revenue in 2011 to c£26 million, representing growth of 90 per cent.











* At constant exchange rates
** Before exceptional items

Sensors continued

Progress (continued)

The global structure put in place in 2010 was strengthened during the year. The division's Global Operations leader relocated from Germany to China, along with the key account manager for VW, reflecting the region's importance, the need to be close to our customers and our growing global manufacturing presence. In addition we have established a new manufacturing centre in Mexico where we are on track to commence production in 2012. We will continue to strengthen the local and global management teams to enable further growth.

Our manufacturing operations continue to improve productivity, whilst ensuring consistent quality and on-time delivery across all sites, which is critical for our customers. We are implementing common processes, equipment and systems in all of our facilities so that we operate to one global standard. As part of this programme, in 2011 we selected five highly talented individuals to undergo black belt training and become experts in six sigma and lean techniques as we continue our drive for savings and continuous improvement. These individuals, along with the divisional leadership team, are championing the culture change necessary for us to be a best in class sensors business and remain the first choice for our customers.

The division's principal competitors include divisions of Bosch, Continental, CTS and Hella.

Markets

The recovery in the automotive market seen in 2010 continued in 2011 with particularly strong demand for premium passenger cars from emerging markets. Despite more modest growth in Western Europe and the US, our three largest automotive customers all had record years as the premium car market out-performed other sectors. The truck and off-highway segments also showed a good improvement in key regions.

Performance

The division has delivered an excellent performance during 2011. Underlying revenue for the year increased by 14.9 per cent, excluding a foreign exchange benefit of 1.4 per cent, and we grew sales in Europe, Asia and North America. Operating profit more than doubled to £8.8 million with the operating profit margin increasing to 5.3 per cent.

Outlook

Following the growth in 2011, demand in Western Europe for passenger cars is expected to reduce in 2012. The US, China and India are forecast to see good growth. We are very well positioned to capture new business worldwide, both with our major global customers who are growing their market share and with local manufacturers. In addition sensor deployment continues to increase driven by emissions regulations and a desire for greater safety, comfort and performance. Building on our progress in 2011, we are continuing to invest in our people and our global footprint as we secure new programmes that will come into volume production in 2013 and beyond.

Implementing global standards

With manufacturing facilities in Europe, Asia and North America, the Sensors division delivers products to customers from multiple locations. Business excellence and lean manufacturing are key to ensuring consistent quality and on time delivery across all sites - factors which are of critical importance to our customers. In 2012 the division will begin to manufacture and ship products to Daimler from its facility in China, supporting their global growth.

IMS

"2011 was another strong year for the IMS division, building upon the foundations we put in place during 2010. I am particularly pleased that we have strengthened our position in key markets by further developing our relationships with major customers and with the step change in performance from our site in the UK. Our progress in 2011 positions us to deliver further improvements in performance in 2012."

John Molloy Divisional Chief Executive – IMS

The division draws on its design engineering capabilities, flexibility and world-class facilities to provide high quality electronic manufacturing support to customers in the defence and aerospace, medical and premium industrial sectors. The business has a broad capability from board assembly to full systems integration focused on higher mix, lower volume business.

The division supports its customers from manufacturing operations in China, USA, UK and Malaysia.

Strategy

The division's strategy is to work with customers who are looking for a partner to build their more complex electronic and electromechanical products and who value our ability to provide support, not only throughout the product lifecycle but also across multiple geographic regions. Our global presence, combined with local engineering and customer service is a key differentiator against our regional competitors.

Progress

During the year our continued focus on key markets and accounts, combined with investments in our sales team, resulted in significant new contract wins. In addition to increasing our revenue with many of our major customers, we were particularly pleased to secure a new global customer, Meggitt PLC, bringing significant business for all of our sites (see page 13 for further detail).

We successfully managed the supply chain challenges that arose following the Japanese tsunami and the flooding in Thailand. Our procurement teams worked hard with our suppliers, quickly securing the parts required to maintain supply to our customers. Based on our responsiveness and performance, a number of customers have awarded us additional business.

Quality remains a key focus and, in June, our facility in China obtained the NADCAP standard which is widely recognised as the leading quality standard in the aerospace industry. This accreditation is now being replicated at our other sites.

Margins improved as we brought on new business and completed the transition of a number of projects to lower cost manufacturing regions. In addition, we saw a significant improvement in the profitability of our operation in the UK following the re-structuring completed in 2010.

The division's principal competitors include ACW, CTS, EPIC, Neways and Plexus.

Markets

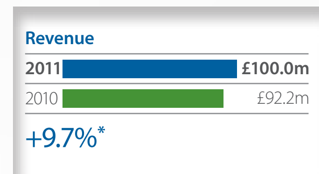
Strong customer demand at the end of 2010 continued into 2011 in all of our markets. The natural disasters in Japan and Thailand resulted in an increase in demand in the second and third quarters as customers placed orders to secure supply for the rest of the year. Reflecting this, demand stabilised in the final quarter with customers looking to manage their year end inventory positions.

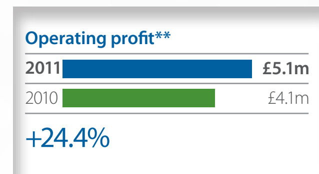
Performance

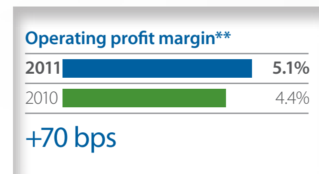
Underlying revenue for the year grew by 9.7 per cent excluding a foreign exchange impact of 1.2 per cent. Progress made with our global customers underpinned this growth and led to an improvement in operating profit before exceptional items which increased to £5.1 million, delivering an operating profit margin of 5.1 per cent.

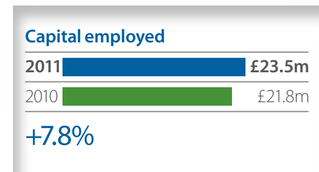
Outlook

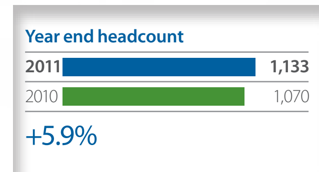
Following a strong year in 2011, we expect to see limited growth in broader market demand in the first half of 2012 due to the ongoing macroeconomic issues. However, we are focused on specific segments that have good fundamental growth drivers and on further developing our position with key customers.







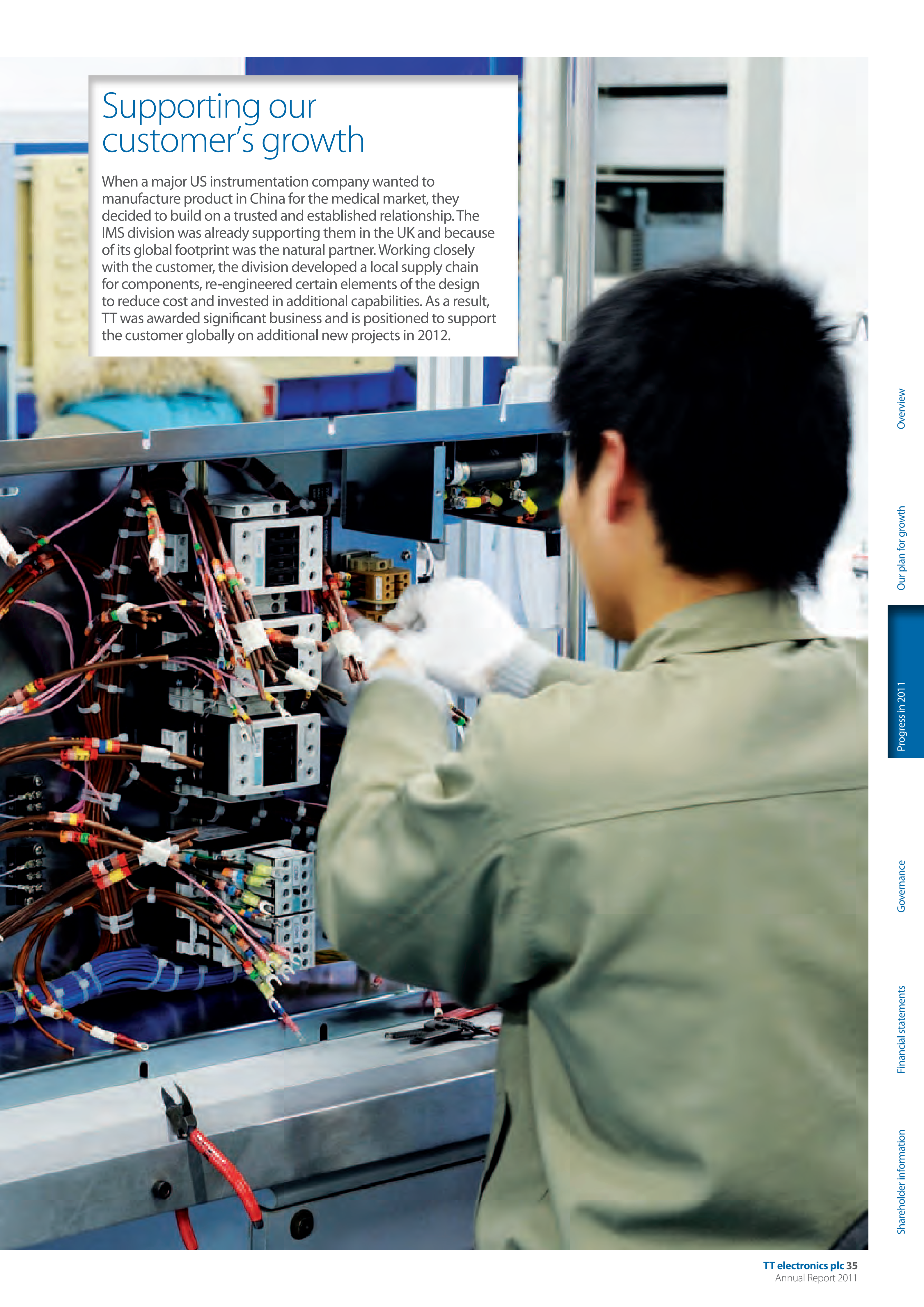




* At constant exchange rates

** Before exceptional items

All 2010 comparatives restated for inclusion of Abtest Limited



Supporting our customer's growth

When a major US instrumentation company wanted to manufacture product in China for the medical market, they decided to build on a trusted and established relationship. The IMS division was already supporting them in the UK and because of its global footprint was the natural partner. Working closely with the customer, the division developed a local supply chain for components, re-engineered certain elements of the design to reduce cost and invested in additional capabilities. As a result, TT was awarded significant business and is positioned to support the customer globally on additional new projects in 2012.

Delivering market leading secure power solutions

The new "Secure Power Series" product range was developed specifically for the rental and urgent power markets providing higher power in a limited footprint, combined with reduced noise and emissions. The product delivered strong sales in 2011 and generated significant interest at the recent Middle East Electricity show in Dubai.

Secure Power

Watch a video of Nigel: http://annualreports.ttelectronics.com

"Following a difficult first six months in Mexico and Latin America we finished the year strongly with a good order book for 2012. New products introduced in 2011 and our increasing presence in key export markets provide a strong platform as we go into 2012."

Nigel Brice Divisional Chief Executive – Secure Power

The division provides secure power solutions including generating sets, uninterruptible power supplies and service and support to a wide variety of global industries which require reliable consistent power. Utilising its engineering capability, the division offers bespoke turnkey solutions for major one-off projects and differentiated medium to high power generating sets with a focus on quality, reliability and service.

The division has two principal operations: Ottomotores in Mexico and Dale Power Solutions in the UK. In addition, it has a facility in Brazil and sales and service offices in Scotland and the UAE.

Strategy

The division is focused on providing secure power solutions to industries which face significant economic loss from any disruption in their power supply including the petrochemical, utilities and financial services sectors. The business is expanding in Latin America and the Middle East through investment in the sales organisation and the development of new distributor relationships to take advantage of increasing requirements for standby and continuous power. In addition, the division is continuing to improve its product range with a specific emphasis on solutions targeting the growing number of rental providers and higher power opportunities.

Progress

Ottomotores made solid progress during 2011. A new mid power canopied range of generating sets was introduced with a number of orders secured, including two for customers in Kuwait and Brazil each worth c£1 million. In addition, a major project was delivered in Venezuela for a "mini power plant", reflecting a trend towards utilities and industrial plant developers using banks of mid to high power gensets to deliver large amounts of power in place of supply from the grid. The business strengthened its distributor and dealer network in Venezuela, Guatemala, Ecuador and Chile and made good progress in Brazil where we commenced local product assembly. Dale saw significant success following the launch of the new containerised Secure Power Series product range in late 2010, winning a number of major orders in the UK and Middle East. This is a portable product designed primarily for the growing rental market where the ability to deliver higher power in a limited footprint, combined with reduced noise and emissions, is critical. Additionally, further investment was made in developing export sales channels and there was a significant increase in the number of orders received for the commercial UPS product range first introduced in 2010.

The division's principal competitors include Broadcrown, Caterpillar (including FG Wilson), Chloride and IGSA.

Markets

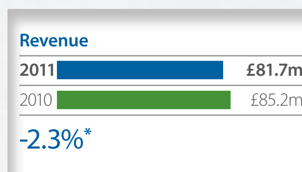
The Latin American markets, including Mexico, were difficult in the first half of the year with many customers delaying major capital projects. However, we experienced a significant improvement in demand in the second half with a very strong final quarter in terms of both orders and sales. Markets in the UK and Middle East performed well.

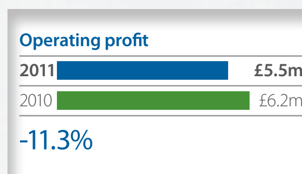
Performance

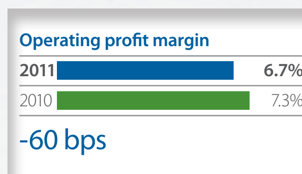
Following a 44.2 per cent increase in full year revenue in 2010, underlying revenue for 2011 reduced by 2.3 per cent to £83.2 million excluding an adverse foreign exchange impact of 1.8 per cent. Operating profits reduced broadly in line with revenue to £5.5 million, delivering an operating profit margin of 6.7 per cent.

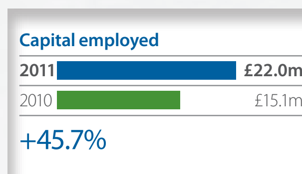
Outlook

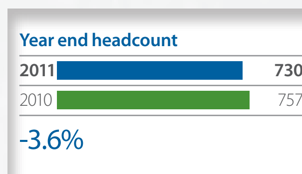
We anticipate good levels of demand from key export markets in Latin America, the Middle East and North Africa whilst the UK and Europe are expected to continue to be impacted by ongoing uncertainty in the eurozone. The division normally experiences some seasonality in demand with a stronger second half year and we expect this to be the case in the current year. Investments in sales channels, the extension of the product range and the success of the Secure Power Series position the division well for 2012.











* At constant exchange rates

Financial review

Measuring our performance

The Group has a clear strategy to improve performance and deliver shareholder value. Key financial performance indicators were identified in the 2009 Annual Report and these are used to monitor progress. Organic revenue growth from continuing operations for 2011 compared to 2010 was 7.2 per cent against the overall target of mid to high single digit growth. The improvement in the Group operating margin to 5.8 per cent represents progress towards the goal of 8 to 10 per cent. The Components, Sensors and IMS divisions all made excellent progress towards their respective operating margin targets, while the operating profit margin in the Secure Power division declined slightly in the year. We remain on course to achieve the overall target margin for the Group of 8 per cent as we exit 2013. Both earnings per share growth and operating cash flow conversion exceeded the targets set whilst the relative total shareholder return was broadly in line with the target level.

Revenue from continuing operations increased by 7.2 per cent to £595.4 million in 2011 at constant exchange rates, and operating profit before exceptional items increased to £34.2 million. Profit before tax and exceptional items was £29.5 million, an increase of 43.2 per cent compared to 2010.

Exceptional items

The Group reports non-trading 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. An exceptional credit of £2.3 million from continuing operations has been recognised during 2011, compared with an exceptional credit of £4.5 million for 2010. The make up is shown below:

£million	**2011**	2010
Reduction in UK pension liabilities	**7.5**	–
Restructuring costs	**(5.2)**	–
Pension curtailment gain from scheme closure	**–**	4.3
Profit on sale of property interest	**–**	1.0
Onerous property leases	**–**	(0.8)
Total	**2.3**	4.5

Following the UK Government's announcement in 2010 to change the basis of indexation of occupational pension schemes from the Retail Price Index (RPI) to the Consumer Price Index (CPI), the Group has recognised a one-off reduction in the future liabilities of the UK pension scheme of £7.5 million. Restructuring costs principally include the costs associated with the closure of the Components facility in Boone, North Carolina.

Net finance costs

Net finance costs for 2011 were £4.7 million compared to £4.3 million in 2010. Included within this amount is £1.0 million in respect of the net interest expense arising on pension scheme liabilities (2010: £0.5 million) primarily due to a reduction in the discount rate, £0.6 million (2010: £0.6 million) in respect of the amortisation of loan arrangement fees associated with the re-financing undertaken in May 2010 and £0.7 million (2010: £0.4 million) in respect of the interest expense on a minority put/call option relating to a third party minority interest in one of the Group's subsidiaries.

Taxation

The tax charge for the year was £7.3 million (2010: £6.7 million), which represents an effective tax rate of 30.2 per cent on continuing operations excluding exceptional items (2010: 32.4 per cent). The charge arises from the profits generated in overseas countries, in particular in USA, Mexico, China and India. There is a minimal level of tax payable in the UK and Germany due to the availability of tax losses.

Earnings per share and dividends

Headline earnings per share from continuing operations were 13.3 pence which represents an increase of 47.8 per cent over the 2010 figure. Basic earnings per share from continuing operations were 15.8 pence (2010: 11.9 pence).

The Directors recommend a final dividend of 3.2 pence which together with the interim dividend of 1.2 pence gives a total dividend for the year of 4.4 pence per share (2010: 2.8 pence), an increase of 57 per cent. This is in line with the Group's policy of increasing dividends progressively whilst maintaining cover of at least two times underlying earnings per share. The final dividend will be paid on 8 June 2012 to shareholders on the register at 25 May 2012.

Discontinued operations

In July 2011, the Group disposed of AEI Compounds Limited, the last business remaining within the former General Industrial division, for £8.6 million in cash before costs. This business has been classified as a discontinued operation in the Consolidated income statement. Discontinued operations for 2010 comprised AEI Compounds Limited and the other General Industrial businesses which were sold during that year.

Pensions

The Group operates one significant defined benefit scheme in the UK and two overseas defined benefit schemes in the USA and Japan. All of these schemes are closed to new members and the UK and USA schemes were closed to future accrual during 2010.

The assets and liabilities of the Group's defined benefit schemes are summarised below:

£million	**2011**	2010
Fair value of assets	**373.4**	333.9
Liabilities	**(405.5)**	(372.5)
Deficit – UK scheme	**(32.1)**	(38.6)
Overseas schemes	**(3.4)**	(2.6)
Total Group deficit	**(35.5)**	(41.2)

As noted above, during 2011 there was a one-off reduction in the future liabilities of the UK scheme of £7.5 million arising from the UK Government's change to using CPI rather than RPI.

The triennial valuation of the UK scheme as at April 2010 showed a deficit of £39.8 million. A funding agreement is in place with the Trustee fixing deficit contributions at £3.5 million in 2011 and increasing by £0.2 million each year to £4.5 million in 2016. In addition, the Company has agreed to set aside £1.0 million per year for the next three years to be utilised in agreement with the Trustee for reducing the long-term liabilities of the scheme.

Cash flow, borrowings and facilities

Excellent progress has been made in reducing net debt levels. The Group moved into a net cash position of £15.2 million at the end of 2011, compared with a net debt balance of £9.9 million at the end of 2010, and £113.2 million at the end of 2008.

£million (unless otherwise stated)	**2011**	2010
Underlying operating cash flow	**63.0**	60.2
Working capital improvement	**5.4**	5.0
Capital expenditure (including software)	**(21.6)**	(12.2)
Exceptional restructuring costs	**(2.2)**	(5.0)
Proceeds from disposal of businesses	**8.3**	21.7
Net cash/(debt)	**15.2**	(9.9)
Stock turns (times)	**5.7**	5.7
Debtor days	**42**	44
Creditor days	**53**	55

Underlying operating cash flow for the year was £63.0 million compared with £60.2 million in 2010. This increase was as a result of the improvement in profitability and the continued focus on managing working capital, which reduced by a further £5.4 million in 2011, following reductions made in the prior two years. The divisions successfully managed the impact of the increase in inventory levels following the Japanese earthquake and the Thailand floods, and the adverse working capital cash flow impact at the half year was reversed by year end. As a percentage of sales, trade working capital was a healthy 16 per cent compared with 17 per cent at December 2010 demonstrating our commitment to managing working capital levels. Conversion of operating profit to operating cash flow after capital expenditure was 106 per cent, exceeding the target of 100 per cent conversion.

There was an increase in cash generated from operations of 10.2 per cent to £57.3 million after exceptional restructuring cash costs of £2.2 million and a £3.5 million special payment to the UK pension fund.

Financial review continued

Cash flow, borrowings and facilities (continued)

Capital expenditure (including software) increased to £21.6 million compared with depreciation of £16.9 million as divisions increased investment levels. Proceeds from the sale of AEI Compounds Limited and the receipt of deferred consideration from previous disposals amounted to £8.3 million. Net cash flow for the year was £25.8 million (2010: £46.6 million).

The Group has in place a committed facility of £60 million to May 2013 with a club of four banks comprising HSBC, The Royal Bank of Scotland, Santander and Fifth Third Bank of the USA. This facility is made up of a term loan amount of £40 million and a revolving credit facility of £20 million. At 31 December 2011, the term loan was fully drawn down and the revolving credit facility was undrawn. During the year a £10 million loan from one of the club banks was repaid. The club facility, together with other bilateral term loans and working capital lines, give the Group facilities of over £100 million, which are adequate for the foreseeable future.

The main financial covenants in the £60 million club facility restrict net debt to be below two times EBITDA before exceptional items. In addition, EBITDA before exceptional items is required to cover net finance charges by 6.25 times, increasing to 6.5 times in the final year of the facility. The covenants are tested quarterly on a rolling 12-month basis and were satisfied comfortably at 31 December 2011:

	Covenant	December 2011[1]
Net debt/EBITDA before exceptional items	<2.0	(0.3)
EBITDA before exceptional items/ net finance charges	>6.25	16.0

[1] based on EBITDA and net finance charges for year ended 31 December 2011

The Directors have assessed the future funding requirements of the Group and compared them with the level of available borrowing facilities and are satisfied that the Group has adequate resources for the foreseeable future.

Principal risks and risk management process

As a multinational business, operating in diverse industrial markets and jurisdictions, the Group is exposed to a number of potential risks which may have a material effect on its reputation and financial or operational performance. The Board has overall responsibility for risk management and internal controls, supported by the Risk Committee and the Audit Committee.

The Risk Committee, chaired by the Group Chief Executive, holds regular meetings to review risks and assess and monitor actions to mitigate them. This provides a framework for managing risk throughout the Group. Risk identification and evaluation, including the nature, likelihood and materiality of the risks affecting each Group business, is owned and assessed by management and reviewed periodically. On the basis of these assessments, the Risk Committee produces a Group Risk Register and a Group Risk Map which identifies and categorises risks (based on the likelihood of their occurrence and their potential impact on the Group) together with management actions to address and mitigate them. Minutes of the Risk Committee meetings, together with the Group Risk Register and Group Risk Map, are circulated to the Board and to the Audit Committee.

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

KPMG Audit Plc were engaged to undertake a comprehensive assessment of the Group's risk management processes and internal audit function during 2011. The processes and structure were reviewed in order to identify areas for improvement which would build on the progress made over recent years. This was achieved by means of a desktop review of risk management and internal audit documentation; structured interviews with key stakeholders; assessment of where risk management and internal audit is positioned against stakeholders' expectations and review against KPMG's knowledge base of leading practices. The results of these assessments were then benchmarked against KPMG's Risk Management Maturity Framework, leading practices and standards set by the Institute of Internal Audit.

The Group's risk management processes were assessed as being at a level of maturity typical of many FTSE 250 companies. Key strengths identified included a strong "tone at the top" and an active Group level Risk Committee. However areas for improvement at divisional and site level were also highlighted. In order to reach a more mature state, changes to the Group's risk management organisational structure and the formalisation of risk management processes, including roles and responsibilities were recommended.

Opportunities for improvements in the effectiveness of the Group's internal audit department were also identified and KPMG's recommendation was that a review of the structure, approach and reporting lines of the internal audit department be undertaken.

In light of these recommendations and following a review of the risk management processes and internal audit function, recruitment began for a new combined role of Group Head of Risk and Assurance, reporting to the Group Chief Executive. The new appointee, Per-Olof Ahlstrom, joined the Group in January 2012 and has been appointed to the Operating Board and the Risk Committee, with responsibility for developing risk and compliance frameworks, developing risk detection, assessment and mitigation strategies, and working closely with the businesses to ensure that risk management is fully embedded across the Group.

Further details of the Group's system of internal controls are contained in the Directors' report on corporate governance on pages 51 to 56.

Additional risk mitigation and related initiatives undertaken during 2011 included the implementation of a Group-wide training and compliance programme, training seminars conducted within each division, the risk assessment of suppliers and business partners, the introduction of revised ethics and compliance policies and a new, multi-lingual, anonymous whistleblowing procedure maintained by an external third party provider. In addition, specific legal and product liability risk training for key members of staff involved in providing sensors and components to the automotive industry was carried out in conjunction with Allianz, the Group's product liability insurer, at its technical centre in Munich.

Principal risks and risk management process continued

The Risk Committee reviews risks and assesses and monitors actions to mitigate them. The risks outlined below are those the Group believes are the principal and material risks. The risks are listed in priority order within each area of risk based upon their current relevance to our business. It should be noted that additional risks the Group does not consider material, or of which it is not aware, could have an adverse impact.

Area of risk	Potential impact	Mitigation
Markets and customers		
Economic downturn	General economic downturn leading to reduction in customer demand and production volumes.	• Forward-looking indicators are regularly reviewed to identify deteriorating market conditions. • Management structures are in place to enable a rapid response to changing circumstances.
Erosion of customer base	The Group operates in a highly competitive global market and could face a significant erosion of its existing customer base as a result of competition, customer relocation or a reduction in end user demand.	• The composition of the customer base is reviewed as part of the annual strategic planning process. Plans are established and monitored to diversify it. • The key account management programme ensures that major customers are dealt within a co-ordinated manner globally. Regular reviews are held with them to assess performance and identify areas for improvement. • Regular feedback from customers is used to drive improvements in performance. • Improvements in product development roadmaps ensure that the Group retains and increases its competitive advantage.
Operations		
Product warranty	The Group manufactures products that often operate in extreme environments where a serious incident arising from failure could result in liabilities for personal injury and damage to reputation, particularly in the automotive sector which represented 35 per cent of Group revenue in 2011.	• Comprehensive quality control procedures and rigorous product testing are backed up by an appropriate level of insurance. • Processes are in place to audit key suppliers and monitor the quality of materials received. • Major contracts are reviewed by the Group General Counsel and we work continuously to build and maintain relationships with all key stakeholders. • Group guidelines on acceptable levels of contractual liability are reinforced by legal risk training seminars, specific to each division's business needs.
IT delivery	The Group and operational management depend on timely and reliable information from software systems. A large SAP implementation across the Group is in progress. A major failure in the delivery of the SAP or other IT projects on time and on budget could delay or impact decision making or service to our customers.	• The Group's IT Steering Committee meets on a monthly basis to review the SAP implementation and all other major IT projects. • The Committee is chaired by the Group Chief Executive and members include the Group Finance Director, Group Business Development Director, the Group IT Director and certain Divisional Chief Executives. • The Group only sources hardware and software from reputable manufacturers and suppliers and has appropriate disaster recovery plans in place.

Area of risk	Potential impact	Mitigation
Operations (continued) Transformation programme	The Group is going through a transformational programme to improve competitive advantage and be more responsive to customers' requirements. This is being achieved by consolidating manufacturing sites, implementing common IT solutions and streamlining processes. For example, the Group is closing a site in Boone, North Carolina, transferring business and product lines to Mexicali, Mexico. Risks associated with such large scale transformation include disruption to the customer base, anticipated benefits not being realised and the loss of key individuals.	• Strong change management and operational controls with professional project managers recruited to oversee major programmes. • Regular project reviews by the senior management team. • Close communication with key customers to explain the actions being taken and to understand and address their concerns. • Regular talent and performance reviews, supported by monitoring and communication with employees.
Business interruption	Inability to fulfil customer orders resulting in lost sales and reputational damage with a consequential impact on revenue and profit.	• The spread of businesses offers good protection from individual events. • Robust business continuity plans are tested periodically to manage the risk of the loss of a major facility.
Supply chain costs	Reliance on suppliers for key commodities, materials and components, some of which may be available from a limited number of sources. There is a risk of substantial increases in supplier costs driven by commodity pricing.	• The Group purchasing team co-ordinates activities across the Components, Sensors and IMS divisions through the Group Purchasing Steering Committee which meets monthly. • Key material pricing trends are tracked to ensure increases are passed on to customers where possible. • An active programme to improve low cost sourcing. • Use of commodity price hedging, taking into account the forecast volume of purchases, forward commodity prices and the cost of taking out cover.
Acquisitions	The Group may pursue acquisitions as part of its overall growth strategy. Such acquisitions may not realise expected benefits.	• Performing robust due diligence. • Obtaining representation, warranties and indemnities from vendors where possible. • Implementing business integration processes.
Laws and regulations		
Compliance	The Group operates in a large number of jurisdictions and, as a consequence, is subject to numerous domestic and international regulations. These include laws and regulations covering export control, anti-bribery and competition. Failure to comply could result in civil or criminal liabilities leading to significant fines and penalties or restrictions being placed upon the Group's ability to trade resulting in reduced sales and profitability, and reputational damage.	• Robust policy and control framework in place. • Cross-division export compliance group formed, led by the Group General Counsel, supported by external advisers as required. • Comprehensive anti-bribery programme introduced including an employee declaration supported by online and site specific training. • Audit programmes and clear policies issued to all employees.
Finance		
Financial risks	The major financial risks faced by the Group are: foreign exchange risk, interest rate risk, credit risk, liquidity risk and commodity price risk. Significant fluctuations in foreign exchange rates, interest rates or commodity prices could have a material adverse impact on the Group's results and financial position if not managed appropriately. The global nature of the Group's business means that it is exposed to financial risks in multiple jurisdictions. The Group is increasing its presence in emerging regions where systems of financial controls may be less developed.	• The main financial risks are managed by the Group's Treasury department in close liaison with the Group's business divisions and operating companies, under the oversight of a Treasury Committee chaired by the Group Finance Director. • The responsibilities of the Group's Treasury department include management of cash resources, debt and capital structure, approval of counterparties and relevant transaction limits and oversight of all significant treasury activities.

Corporate responsibility

We manage our business responsibly and sustainably in accordance with the diverse expectations of our global stakeholders. We understand corporate responsibility (CR) as a dynamic discipline to manage risk and maximise opportunities in an ever changing world.

We take our corporate responsibility seriously across the Group as an employer, manufacturer, investor and consumer. We are committed to understanding, monitoring and managing our social, environmental and economic impact to enable us to contribute to society's wider goal of sustainable development. We aim to demonstrate these responsibilities through our actions and within our corporate policies.

The Corporate and Social Responsibility Committee, chaired by the Group Chief Executive, is responsible for defining our strategic CR priorities, monitoring our CR performance and ensuring that our CR activity remains directly related to our overall business objectives. This report highlights some of the activities undertaken in key areas.

Our workplace

We believe that the people working at TT electronics are our key asset. Creating a good working environment at all of our locations is of paramount importance. We strive to build a supportive, diverse and engaging workplace, whilst nurturing a high performance corporate culture, built around our core values (set out on pages 18 and 19).

We employ more than 6,000 people globally and will continue to invest in their training and development. We strongly believe in equipping our people with the skills to do their jobs effectively, encouraging them to develop to their full potential. TT electronics provides a variety of tailored training and development opportunities. For example, in 2011, the Sensors division continued its six sigma training programme with five employees achieving black belt status.

Managers and employees alike are encouraged to promote and live our corporate values, collectively making our people feel proud to be part of our organisation. In 2011, we successfully launched our global recognition programme "Inspire", acknowledging individual and team contributions through monthly recognition awards, quarterly exceptional awards and bi-annual Chief Executive awards.

Actively encouraging open communication throughout the workplace assists in developing a culture where inclusion, diversity and flexible working practices are the norm. During the year we improved the way we communicate with our employees, formalising quarterly management briefings to share and discuss business critical information directly with them. In addition, regular face to face briefings are taking place at a local level throughout the Group.

The Group is committed to providing a safe working environment for all employees. We made significant progress during 2011 to create a working environment that supports the health, safety and well-being of our people and we have seen a 40 per cent reduction in the number of three day workplace accidents compared to 2010.

All our global employees were recently invited to complete our second employee survey to gather views on what it is like to work for TT electronics. Survey questions relate to a wide range of topics and results are analysed by each business unit and shared by all managers with their teams. During 2011, a number of actions were taken based on the results of our first survey including encouraging further engagement with the local communities in which we operate, enhancing our learning and development offerings and a greater focus on rewarding achievements.

We reviewed our whistleblowing policy during the year in light of legislative changes and more than 600 employees also undertook mandatory training and assessment relating to the UK Bribery Act.

Our marketplace

We work closely with our customers, treating them with respect whilst ensuring we maintain the highest ethical standards. To this end we have launched a global, multi-lingual Ethics and Integrity Helpline.

By acting with integrity and fairness, we seek to be a business partner that customers choose to work with. In turn, we require our own supply chain to ensure that their employees operate in a safe environment. The Group is a member of the Electronic Industry Citizenship Coalition (EICC) and follows its Code of Conduct. During 2012 we will focus on improving how we monitor and manage our supply chain. We adhere to appropriate values, ethics, standards and behaviours even in areas where laws or standards are inadequate or absent, ensuring that we meet the needs of all stakeholders.

Our marketplace (continued)

Ensuring that we provide a world-class service to our customers is essential to the continued growth of our business. Each division has its own set of quality and performance measures which are monitored on a monthly basis. We undertake regular reviews with all our key customers to gather clear feedback on our performance.

Our environment

We are all responsible for the preservation of the natural environment. For TT, this means managing our operations to minimise our impact on the environment. In 2011 we made progress mitigating the impact of climate change by reducing greenhouse gas emissions from energy use, transportation and everyday processes. We attained the Carbon Trust Standard for our UK operations and delivered an 8.6 per cent reduction per annum in our UK carbon footprint in the period from 2008 to 2010 (equivalent to a reduction of c3,000 tonnes of carbon per year on an ongoing basis). The auditor was particularly impressed with the breadth of products designed and manufactured in the UK that contribute to carbon reduction and the new web-based system for measuring energy reduction that is now in use at each of our UK sites.

Products highlighted by the auditor included:

- Sensors that assist start stop technology for Audi and Fiat
- Lower energy processes for resistive ink manufacture
- Electronic components for smart meters
- UPS solutions for windfarm monitoring equipment

During 2012 we will continue to focus on further reducing our carbon emissions across the Group.

Our community

As an organisation we believe that it is our responsibility to ensure that our activities support strong, thriving and diverse communities around the world. We aim to make a distinctive contribution to equality and social development by establishing effective partnerships and programmes that make best use of the energies and skills of our employees. We support our employees in fundraising for charities and voluntary work, recognising both the benefit to the community and to the employees themselves.

During 2011, we actively encouraged employees to become involved in worthwhile community activities, in partnership with community organisations.

1 BI Technologies – Malaysia celebrating 1,000,000 accident free hours.

2 In January 2011 the Sensors division introduced TTotal Business Excellence focused on six sigma and lean manufacturing.

3 Congratulations to everyone involved in achieving a 17% reduction in our carbon footprint across the UK business.

4 "Go Yellow" charity days at TT's UK companies in support of Help the Hospices.

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Introduction by the Chairman

Sean Watson Chairman

"I am pleased with the progress we have made embedding our core values, principles and ethics throughout the business to ensure that all employees understand, and adhere to, the behaviours expected of them in their day to day activities."

The application of the principles of good corporate governance: accountability, transparency, probity and focus is critical to the continued success of the Group. High quality governance requires that core values, principles and ethics are encouraged throughout the business to ensure that all employees understand, and adhere to, the behaviours expected of them in their day to day activities. We have clearly defined values that provide a framework within which we expect all of our employees to operate and which guide how we manage the business. I am pleased with the progress that we have made in 2011 embedding these values across the organisation.

The effectiveness of the Board is one of my principal priorities and we made further improvements in 2011. The Board has been actively engaged with the Group's business, meeting with many members of the senior management team in formal and informal settings. In addition, Board members undertook an active programme of site visits and we held our first Board meeting at our facility in China, reflecting the importance of the region. The Board evaluation process continues to mature, with increased transparency and the honest and open expression of feedback actively encouraged. We will continue to strive to ensure that the Board is well informed, engaged and free to openly express views and concerns.

Effective succession planning is key if the Board and its committees are to have the appropriate balance of skills, experience, independence and knowledge to enable them to effectively discharge their duties and responsibilities. I am delighted with the appointment of Stephen King as a non-executive Director, strengthening the Board and bringing additional finance experience and an in depth knowledge of global manufacturing businesses.

The achievement of good governance requires focus and commitment. As we continue to build on the progress made in recent years I am confident that we are encouraging the correct behaviours across the Group to effectively support a highly sustainable, successful and respected business.

Board of Directors and Company Secretary

1. Sean Watson (63)

Chairman

Committees:
Nominations (Chairman)
Corporate Governance (Chairman)
Remuneration

Joined TT: 2007 as an independent non-executive Director. Chairman since May 2010.

Experience: A partner and former Head of Corporate Finance with CMS Cameron McKenna LLP. Was a non-executive Director of Informa plc from 2000 to 2009.

2. Geraint Anderson (52)

Group Chief Executive

Committees:
Corporate and Social Responsibility (Chairman)
Risk (Chairman)

Joined TT: 2008

Experience: Previously Vice President and General Manager of the Worldwide Service Provider Organisation for Linksys, a division of Cisco Systems, Inc.

3. Shatish Dasani (50)

Group Finance Director

Committees:
Corporate Governance
Risk

Joined TT: 2008

Experience: 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.

4. Tim Roberts (41)

Group Business Development Director

Committees:
Corporate Governance

Joined TT: 2008. Appointed to the Board in January 2010.

Experience: Previously Strategy and Business Development Director with Spirent Communications plc and formerly a solicitor specialising in corporate finance.

5. David Crowther (66)

Senior Independent Non-executive Director

Committees:
Audit (Chairman*)
Nominations
Remuneration
Corporate Governance

Joined TT: 2005

Experience: A Chartered Accountant who was a senior partner with PricewaterhouseCoopers LLP. A non-executive Board Member and chairman of the Audit Committee of the Treasury Solicitor's Department. Previously a member of the Professional Oversight Board, a part of the Financial Reporting Council, and a non-executive director of the Financial Ombudsman Service.

* Stephen King will succeed David Crowther as Chairman of the Audit Committee upon David Crowther's retirement at the conclusion of the 2012 Annual General Meeting

6. Michael Baunton CBE (61)

Independent Non-executive Director

Committees:
Audit
Nominations

Joined TT: 2010

Experience: Currently Chairman of the Board of the Society of Motor Manufacturers and Traders Limited's Industry Forum and a non-executive Director of ACAL Energy Ltd. Awarded a CBE in 2004 for services to the automotive and engineering industries in the UK. Previously held senior executive roles with companies including Caterpillar Inc, Perkins Engines Company Limited and Tenneco Inc.

8. John Shakeshaft (57)

Independent Non-executive Director

Committees:
Remuneration (Chairman)
Audit
Nominations
Corporate and Social Responsibility

Joined TT: 2007

Experience: Currently chairman of Ludgate Environmental Fund Limited; deputy chairman and chair of the Audit Committee of The Economy Bank NV; chair of the Investment Committee of Corestone, AG; director and chair of the Audit Committee of both Tele2 AB and Xebec Adsorption, Inc.. Director of Valiance Investment Funds. External member and chair of the Audit Committee of the Council of Cambridge University. Formerly a Managing Director at ABN AMRO and Lazard Brothers, having held senior positions within Barings, Morgan Stanley and Morgan Grenfell. Joined the City in 1986 following a number of overseas postings with HM Foreign and Commonwealth Office.

7. Stephen King (51)

Independent Non-executive Director

Committees:
Audit
Nominations

Joined TT: 24 October 2011

Experience: Currently Group Finance Director of Caledonia Investments plc; non-executive Director and chairman of the Audit Committee of The Weir Group plc; and member of the Board of Bristow Group Inc. Group finance director of De La Rue plc from 2003 to 2009 and, prior to that, finance director of Aquila Networks plc (formerly Midlands Electricity plc). A Chartered Accountant, Stephen has also held senior financial positions in Lucas Industries plc and Seeboard plc and was also a non-executive director of Camelot plc from 2008 to 2009.

9. Wendy Sharp (46)

Group Company Secretary

Committees:
Corporate Governance

Joined TT: 1996. Appointed Group Company Secretary in 2007.

Operating Board

The Operating Board consists of the executive Directors and:

1. Billal Hammoud (39)

Divisional Chief Executive – Components

Joined TT: 2010

Experience: Previously responsible for Honeywell's magnetic, optical and pressure sensor portfolios serving the global transportation, aerospace, medical and industrial markets. An engineer who holds an MBA, he is fluent in French and Arabic and is six sigma green belt certified.

4. Nigel Brice (50)

Divisional Chief Executive – Secure Power

Committees:
Corporate and Social Responsibility

Joined TT: 1996

Experience: Has held a number of divisional management positions, having had responsibility for the Group's Secure Power businesses since 2003. Previously had been working in senior management roles for eight years with The General Electric Company. Started his professional career as a Chartered Management Accountant with Saint-Gobain.

2. Pat Murray (52)

Divisional Chief Executive – Sensors

Joined TT: 2009

Experience: Previously Global Leader of Honeywell's Sensor Division and Regional Vice-President and General Manager for Europe, Middle East and Africa. A chartered engineer and six sigma green belt certified.

5. Paul Felbeck (47)

General Counsel

Committees:
Risk

Joined TT: 2000

Experience: Formerly International Legal Counsel with MediaOne (now a unit of AT&T). Started his professional career as a solicitor with Freshfields.

7. Per-Olof Ahlstrom (35)

Group Head of Risk and Assurance

Committees:
Risk

Joined TT: January 2012

Experience: Joined from Everything Everywhere Limited, a joint venture between Orange UK and T-Mobile UK, where he was Director, Risk Assurance and Internal Audit. Previously worked with T-Mobile and PwC covering programme, service integration, risk, audit and compliance management. A CISA accredited Information System Auditor with a BSc and MSc, he is fluent in Swedish.

3. John Molloy (48)

Divisional Chief Executive – IMS

Joined TT: 2005

Experience: Joined the Group when it acquired Dage (a business which now forms part of the IMS division) where he had been working in senior management roles for six years, primarily in Asia. Previously held senior management positions with electronics companies and EMS providers.

6. John Leighton-Jones (42)

Group Human Resources Director

Committees:
Corporate and Social Responsibility

Joined TT: 2010

Experience: Joined from QinetiQ Group plc, where he was Human Resources Director. Previously worked in a variety of senior human resources roles. Originally trained as a tax accountant.

Corporate Governance

The Company is committed to achieving and maintaining high standards of corporate governance. The main and supporting principles of good corporate governance set out in the UK Corporate Governance Code ("Code") have been complied with throughout the year ended 31 December 2011. Details and explanations of the application of the principles of corporate governance are set out below.

The Board
Subject to the Company's 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 and acquisition and disposal policy. The Board appoints its members and those of its principal Committees having received the recommendations of the Nominations Committee and reviews recommendations of the Board Committees and the financial performance and operation of the Group's 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 2011 the Board comprised three executive Directors and up to five non-executive Directors. All of the Directors served throughout the year, with the exception of Stephen King who was appointed on 24 October 2011. David Crowther is the senior independent non-executive Director.

Board and Committee meetings are scheduled in line with the financial calendar of the Company, thereby ensuring that latest operating data is available for review and sufficient time and focus can be given to matters under consideration. During the year there were eight principal Board meetings on scheduled dates for which full notice was given. Of these principal meetings, one was dedicated to strategic planning, whilst two were held at subsidiaries in Leicestershire, UK and Suzhou, China, thereby enabling the non-executive Directors to meet with employees and gain a better understanding of these operations. Additional meetings are held as and when required and, during 2011, three such meetings took place. The Board has had two principal meetings and one additional meeting to date during 2012. Full details of each Director's Board and Committee meeting attendance are given on page 53 and in the relevant Committee report.

Directors
Directors' biographies including the Committees on which they serve and chair are shown on pages 48 and 49.

At the time of his appointment as Chairman, Sean Watson was considered to be independent in accordance with the provisions of the Code. All the remaining non-executive Directors are also considered to be independent as defined by the Code.

In accordance with the Company's Articles of Association each Director will offer himself for re-election every three years. At the forthcoming Annual General Meeting Geraint Anderson and Shatish Dasani retire and, being eligible, offer themselves for re-election. Stephen King, 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.

Directors' interests
The Directors of the Company at 31 December 2011 held interests in the following numbers of the Company's Ordinary shares of 25p each on 1 January 2011, 31 December 2011 and 12 March 2012:

	12 March 2012 Ordinary shares	**31 Dec 2011 Ordinary shares**	1 Jan 2011 (or date of appointment if later) Ordinary shares
Sean Watson	173,000	**173,000**	140,450
Geraint Anderson	140,000	**140,000**	140,000
Shatish Dasani	420,000	**420,000**	400,000
Tim Roberts	33,196	**33,196**	53,473
David Crowther	111,006	**111,006**	103,800
Michael Baunton	64,217	**64,217**	25,000
Stephen King (appointed 24 October 2011)	50,000	**50,000**	nil
John Shakeshaft	15,479	**15,479**	15,479

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 65 and 66.

Corporate Governance continued

The Chairman and Group Chief Executive

The division of responsibilities between the Chairman and the Group Chief Executive has been defined, formalised in writing, and approved by the Board:

The 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; ensuring constructive relations between executive and non-executive Directors; and ensuring effective communication with shareholders. He is also responsible for ensuring that the performance of individual Directors, the Board as a whole and its Committees is evaluated at least once a year.

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; ensuring effective communication with shareholders; and setting Group human resource policies, including management development and succession planning for the senior executive team.

Board procedures

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 conflicts 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, 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.

Board and Committee performance evaluation

In accordance with the Code, the Board conducted an evaluation of its performance and that of its principal Committees.

The Board performance evaluation programme was led by the Chairman and each Director completed a questionnaire which they used to score and comment on a number of performance criteria. These individual responses were then compiled into a single report by the Group Company Secretary and this was circulated to the Board for discussion and detailed review. It was concluded that the Board was performing satisfactorily, noting in particular that:

- Board engagement, particularly that of the non-executive Directors, had continued to improve as a result of increased contact with the Divisional Chief Executives, together with visits to operational facilities; and
- the Board had been strengthened by the appointment of an additional independent non-executive Director: Stephen King has relevant and recent financial experience and will become Chairman of the Audit Committee at the conclusion of the 2012 Annual General Meeting.

Future enhancements to the strategic review process were identified so as to encourage greater input from both executive and non-executive Directors on strategy development, including the consideration of alternative strategies, at an earlier stage in the process. It was also noted that further improvements to risk management should be expected following the appointment of the new Group Head of Risk and Assurance.

Directors' performance evaluation

In accordance with the Code, the performance of individual Directors was also evaluated.

Each of the non-executive Directors completed a self assessment questionnaire which required them to score their own performance against a number of criteria. The Chairman then held private discussions with each non-executive Director and this provided an opportunity to discuss any issues which had arisen in respect of either their individual assessments or those of the Board and its principal Committees. In respect of the Chairman's performance, the other non-executive Directors, led by the senior independent non-executive Director, and with input from the Group Chief Executive, met privately to discuss this, with the outcomes being fed back to the Chairman by the senior independent non-executive Director for discussion and action as appropriate.

At the beginning of the year, each executive Director was set challenging performance objectives, progress against which was then reviewed as the year progressed. All the executive Directors take part in the Group's performance management programme under which they each receive detailed feedback from their colleagues which, together with a review of progress against agreed goals and objectives, is used to assess performance and to set clear objectives and developmental plans for the following year which are closely aligned with the Group's strategic priorities and values. The Group Chief Executive met with each of the other two executive Directors to confidentially discuss and review their performance against objectives. The performance evaluation of the Group Chief Executive was conducted by the Chairman, taking account of the output from the Group's performance management programme together with feedback provided by the other non-executive Directors at a private meeting held to discuss this and any other matters which the non-executive Directors wished to raise.

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 members of all principal Board Committees, having received the recommendations of the Nominations Committee.

Principal Committees

The principal Committees are the Nominations, Audit and Remuneration Committees. Details of the Nominations and Audit Committees, including 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, together with a summary of significant events which have taken place during the year, can be found on pages 57 to 59 and should be read as part of the Directors' report. Details of the Remuneration Committee and its activities are contained within the Remuneration report on pages 60 to 66.

Board meeting attendance 2011

Eight principal Board meetings were held during 2011.

Sean Watson	8 of 8
Geraint Anderson	8 of 8
Shatish Dasani	8 of 8
Tim Roberts	8 of 8
David Crowther	8 of 8
Michael Baunton	8 of 8
Stephen King (appointed 24 October 2011)	2 of 2
John Shakeshaft	8 of 8

Additional meetings of the Board and its principal Committees take place as and when required throughout the year. During 2011 there were three such Board meetings, all of which were fully attended.

Directors' attendance at meetings of the principal Committees on which they serve are detailed in the Audit, Nominations and Remuneration Committee reports on pages 57, 58 and 60.

Other Committees

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 senior independent non-executive Director, the Group Finance Director, the Group Business Development 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 they are up-to-date and effective, and 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 Code and the Listing, Prospectus and Disclosure and Transparency Rules of the UK Listing 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 2011, during which time it considered recent developments, including those relating to diversity. Details of the policy on Board diversity can be found in the Nominations Committee section of this report. The Corporate Governance Committee also considered Code provisions regarding the annual re-election of Directors and external facilitation of the Board performance evaluation process, notwithstanding the fact that these provisions do not apply to the Company, it currently being outside of the FTSE 350. It was concluded that no changes would be implemented but that these matters would be considered again in 2012. The reports and AGM voting recommendations from various investor bodies were also reviewed and areas for improvement noted in relation to auditors and audit policy, remuneration and environmental, social and governance matters.

Corporate Governance continued

Corporate and Social Responsibility Committee

The Corporate and Social Responsibility Committee is chaired by the Group Chief Executive and also comprises one independent non-executive Director and up to three senior executives from within the Group. The Committee met four times during 2011 and has had one meeting to date during 2012. 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 on pages 44 and 45.

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 General Counsel, the Group Internal Controls Executive and up to four senior executives from within the Group. Following the creation of the new role of Group Head of Risk and Assurance, the Group Internal Controls Executive has been replaced on the Committee by the Group Head of Risk and Assurance. A representative from the Company's insurance brokers also regularly attends meetings. The Committee met 12 times during 2011 and has had three meetings to date in 2012.

Further information on the activities of the Risk Committee, including the work undertaken in relation to the Bribery Act 2010, is given in the Principal risks and risk management process section on pages 41 to 43 and in the Review of principal risks and internal controls below.

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, divisional and Group levels as part of the annual budget preparation process. Having identified risks, operating companies and divisions then monitor, review and update the risks 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 regularly report directly to the Group Chief Executive at Risk Committee meetings. 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 on pages 41 to 43.

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. Biographies of Operating Board members are given on page 50.
- The Group Chief Executive also chairs the Risk Committee. Further details on the remit and activities of the Risk Committee are given on page 54.
- Each operating company within the Group operates within the policies, rules and procedures determined by the Directors and communicated through an internet based Group Policies hub. 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 and seek to ensure that these companies comply with Group accounting policies in the process for preparation of consolidated financial statements. The directors of operating companies and heads of business units 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 consolidated up to a divisional and Group level and 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 and the Board.
- 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.
- During 2011, the framework for maintaining control and the adherence to procedures was reviewed by the Group Internal Controls Executive.
- During 2011, risk management systems at key operational facilities (as identified by the Operating Board) were reviewed and assessed by the Group Internal Controls Executive to identify recommended improvements.

Responsibility for the above two items now sits with the newly-appointed Group Head of Risk and Assurance, who reports to the Group Chief Executive.

- 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 2011 and during the period since then to the date of this report. They have made, and will continue to make, improvements where necessary.

Financial risk management objectives and policies are set out under Financial risks on page 43.

Corporate Governance continued

Investor relations
Geraint Anderson and Shatish Dasani meet institutional investors immediately after publication of the annual and interim results. Sean Watson, as Chairman, David Crowther, as senior independent non-executive Director and John Shakeshaft, as Chairman of the Remuneration Committee, also undertake consultation on certain matters with major shareholders from time to time. 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.

Going concern
The Directors have reviewed the budgets for 2012 and the projections for 2013 developed during the 2011 annual strategic planning cycle. The Directors have assessed the future funding requirements of the Group and compared them with the level of available borrowing facilities, recognising that the main committed facility was re-negotiated during 2010 for a period of three years to May 2013. Based on this, 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.

Approved by the Board on 14 March 2012 and signed on its behalf by:

Wendy Sharp
Group Company Secretary

Nominations Committee

Sean Watson Chairman

Membership:

Sean Watson (Chairman)

David Crowther

Michael Baunton

Stephen King (appointed 24 October 2011)

John Shakeshaft

Remit:

The Nominations Committee's remit includes the structure, size and composition of the Board as a whole; the overall leadership needs of the organisation; consideration of succession planning for Directors and Divisional Chief Executives (having due regard to the length of service of non-executive Directors) and the search for and selection of suitable candidates for the appointment of replacement or additional Directors.

Committee meeting attendance 2011

During 2011 the Committee met three times.

Sean Watson	3 of 3
David Crowther	3 of 3
Michael Baunton	3 of 3
Stephen King (appointed 24 October 2011)	1 of 1
John Shakeshaft	3 of 3

The Committee has had no meetings to date during 2012.

2011 review

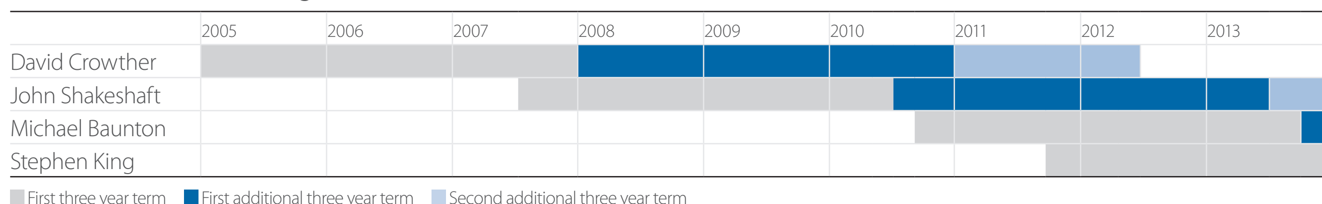
The Committee seeks to ensure that the Board of TT electronics is balanced and effective with diverse skills, knowledge and experience. Diversity and gender inclusiveness span the whole Group and are important and enduring considerations in the search for and selection of Board members.

The Committee reviewed Lord Davies of Abersoch's report "Women on Boards" published in February 2011 and the subsequent changes to the Code announced by the Financial Reporting Council in October 2011. The Committee is rigorous in seeking talent and is focused on ensuring that the Group has the best possible Board available to promote its interests. The Committee engages external search consultants to assist in the specification of Board positions and their selection of prospective candidates to ensure that there is a robust, measurable and orderly process. The Committee believes that this rigorous process has, over time, led to the recruitment of talented individuals, significantly enhancing the composition of the Board.

The Committee considers diversity quotas are inappropriate and is committed to recruiting the best talent available, based on merit and assessed against objective criteria of skills, knowledge, independence and experience. Its primary objective is to ensure that TT maintains the strongest possible leadership.

During 2011 the Committee began the search for an additional independent non-executive Director with relevant and recent financial experience with a view to that individual being appointed as Chairman of the Audit Committee, in anticipation of David Crowther stepping down from that role. Search consultants were engaged and tasked with ensuring that they considered a wide, diverse pool of potential candidates of the appropriate calibre who met the agreed specification. Following interviews with a number of candidates, Stephen King was identified as being suitable for the role, having extensive experience in finance, combined with a detailed knowledge of global manufacturing businesses. The Committee accordingly recommended Stephen King's appointment as an independent non-executive Director, serving on the Audit and Nominations Committees.

Non-executive Directors' lengths of service



Performance evaluation

The Committee carried out an assessment of its performance in 2011 based on a review of its activities during the year against its terms of reference. It was concluded that the Committee is structured appropriately to provide effective support to the Board. Improved visibility on the business and the performance of senior management team members had been achieved by Divisional Chief Executives presenting at Board meetings, site visits undertaken by the Board and non-executive Directors participating in Group events. In relation to succession planning for executive Directors, the Committee concluded that, in order to maximise the possibilities of succession from within the Group, in future it would have greater involvement in the recruitment process for senior positions below Board level.

Audit Committee

David Crowther Chairman

Membership:

David Crowther (Chairman)

Michael Baunton

Stephen King (appointed 24 October 2011)

John Shakeshaft

Remit

The Committee's duties include reviewing and advising the Board on:

- the integrity of the financial statements;
- the appointment and remuneration of external auditors and their effectiveness 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 2006;
- the scope, performance and effectiveness of the internal audit and other internal control functions and the Auditors' assessment thereon;
- risk management (by reference to reports received regularly from the Risk Committee and the head of the internal control function) and any changes to the Register of Principal Risks; and
- the Company's procedures for responding to any allegations made by whistleblowers.

The Code requires that at least one member of the Audit Committee has recent and relevant financial experience. David Crowther and Stephen King both fulfil this requirement.

Committee meeting attendance 2011

During 2011 the Committee held four scheduled meetings.

David Crowther	4 of 4
Michael Baunton	4 of 4
Stephen King (appointed 24 October 2011)	1 of 1
John Shakeshaft	4 of 4

The Committee met twice with the Group's auditors, KPMG Audit Plc, without executives of the Company being present. During the year, the Committee also met twice with the head of the internal control function without executives of the Company being present.

The Committee has had two meetings to date during 2012.

2011 review

In order that the Audit Committee fulfils its duties regarding the integrity of the financial statements and other financial data, the Group Finance Director and the Group Financial Controller attend Committee meetings, presenting reports and providing analysis and explanations for queries raised. The external auditors are also attendees and present reports on their audits – addressing such matters as an overview of the financial statements, key accounting judgements, accounting policies, audit differences and internal control matters.

During 2011 the Audit Committee regularly received reports from both the Risk Committee and the Group Internal Controls Executive who was required to attend the Committee's meetings. The Committee reviews internal audit plans and recommendations, and a formal review of the effectiveness of the internal control functions is undertaken as part of the year end process.

Following a review of the Group's risk management and internal audit processes undertaken in 2011 in conjunction with KPMG, the Group re-organised the risk and internal audit function, establishing a new position of Group Head of Risk and Assurance reporting directly to the Group Chief Executive (see page 41 for further detail). The Committee endorsed this review and its recommendations and the steps taken subsequently.

Significant matters reported through the Group's multi-lingual, anonymous whistleblowing portal are reported to, and considered by, the Committee. During the year the Committee received details of three matters which were all investigated and action taken where appropriate.

Auditors' independence, objectivity and effectiveness

The independence of the Auditors is assessed annually by the Audit Committee in order to ensure that suitable policies and procedures are in place to safeguard the Auditors' independence and objectivity, having regard to length of tenure, provision of non-audit services and the existence of any conflicts of interest. KPMG Audit Plc were appointed in July 2010, at which time their independence had been considered. At the time of the annual assessment, the provision of non-audit services was reviewed and KPMG Audit Plc confirmed that no conflicts of interest existed of which the Audit Committee should be aware.

The Committee also reviewed the effectiveness of the Auditors during the year. The use of an evaluation questionnaire assisted in ensuring that a comprehensive assessment was undertaken, and reference was made to a report produced by the Audit Inspection Unit of the Financial Reporting Council together with information provided by the Auditors.

Following confirmation by the Auditors that none of the comments made by the Audit Inspection Unit of the Financial Reporting Council on areas where improvements were required applied to the audit of TT electronics and that no conflicts of interest existed of which the Committee should be aware, it was concluded that the Auditors' independence and objectivity were suitably safeguarded and that they were providing an effective service to the Group.

The Audit Committee has recommended to the Board that KPMG Audit Plc continue in office as Auditors.

Policy on non-audit services

The Company has an established policy regarding the provision of non-audit services. This 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. Following a review of the policy during 2011, this threshold was reduced from £50,000 to £25,000. There is also 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 overriding 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.

Performance evaluation

The Committee carried out an assessment of its performance in 2011 based on a review of its activities during the year against its terms of reference. It was concluded that the Committee was performing satisfactorily, is structured appropriately to provide effective support to the Board and had been reinforced by the appointment of Stephen King who will succeed David Crowther as Chair of the Committee at the conclusion of the 2012 Annual General Meeting.

Remuneration report

John Shakeshaft Chairman

Membership:

John Shakeshaft (Chairman)

David Crowther

Sean Watson

This remuneration report has been prepared according to the requirements of the Companies Act 2006, Schedule 8 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Listing Rules of the UK Listing Authority. Additionally, the Board has applied the principles for Directors' remuneration as set out in the UK Corporate Governance Code. The purpose of the report is to set out the Group's remuneration policy with a particular focus on executive Directors.

The Auditors are required to give an opinion on whether certain parts have been prepared in accordance with the Accounting Regulations. The report is therefore divided between unaudited and audited information. A resolution to approve the report will be proposed at the Annual General Meeting on 15 May 2012.

Unaudited information

Remuneration Committee

Remit:

The role of the Committee is to recommend to the Board the policy for the remuneration of the Chairman, executive Directors, Divisional Chief Executives and the Group Company Secretary. Such remuneration includes fees, salaries and other benefits, pensions, performance-related pay, 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.

In order to enable the Committee to make informed decisions on executive remuneration, the Committee retained the services of New Bridge Street ("NBS"), independent external consultants, to advise on senior executive remuneration matters. NBS provided no other services to the Company during the year.

The Group Chief Executive, Geraint Anderson, and the Group Human Resources Director, John Leighton-Jones, also attend Committee meetings as and when required to provide advice on Group strategy, performance and remuneration strategy. No individual is present during discussions relating to their own remuneration.

Committee meeting attendance 2011

During 2011 the Committee met four times.

John Shakeshaft	4 of 4
David Crowther	4 of 4
Sean Watson	4 of 4

The Committee has had two meetings to date during 2012.

2011 review

The Committee's main activities during 2011 included the:

- annual review of base salary levels;
- review of executive Director pension arrangements;
- assessment of annual bonus levels for executive Directors for 2010, payable in 2011;
- setting of targets for the 2012 executive Directors' annual bonus plan;
- review of total remuneration levels for executive Directors and the next level of senior executives;
- review of the linkage between risk and reward;
- review of non-executive Chairman's fees;
- 2011 grant under the Long Term Incentive Plan ("LTIP") (including a review of the performance targets);
- review of the LTIP structure and the current dilution position; and
- review of the Committee's external advisers.

Performance evaluation

The Committee carried out an assessment of its performance, constitution and terms of reference during 2011 based on a questionnaire completed by its members. The Committee was deemed to be performing satisfactorily and it was noted that its future performance would be enhanced by having access to more in-depth information relating to performance assessments for those individuals under its remit, together with increased visibility of management remuneration arrangements across the Group.

Remuneration policy

The Group is committed to the objective of maximising shareholder return in the longer term ensuring that a strong link between performance and reward is maintained. The remuneration policy aims to be competitive, performance based, aligned to shareholder interests and relatively simple and transparent in nature.

The Committee aims to pay base salaries around market median levels coupled with highly competitive total rewards that are linked to performance and aligned with shareholders' interests. Remuneration packages must meet the objective of attracting, retaining and motivating executives of the highest quality in a challenging business environment. In delivering an appropriate mix between fixed and variable remuneration, the Committee is mindful to avoid creating excessive risks in the pursuit of performance metrics.

Following a review of the existing total remuneration framework for the executive Directors and the most senior managers, the Committee concluded that the following principles remain appropriate for 2012.

Competitive: Through the combination of base salaries and competitive performance-related incentive mechanisms, the Group aims to provide individuals with a competitive total remuneration package in return for superior performance. Base salaries are designed to reflect the nature of the role and its responsibility, together with the overall level of individual performance. In ascertaining appropriate salary adjustments, account is also taken of prevailing market and economic conditions together with salary levels across the Group.

Performance related: The majority of the executive Directors' and senior managers' remuneration packages are determined based on the performance of the Group. A significant proportion of this is aligned to shareholder interests given that it is awarded based on earnings growth and total shareholder return. Failure to achieve predetermined growth thresholds results in no payout under the Group's annual bonus or long-term incentive arrangements. In order to provide further alignment with the achievement of strategic objectives and delivery of value to shareholders, executive Directors have agreed to maintain a minimum shareholding equal to 100 per cent of base salary through the vesting of long-term incentives.

Transparency: In order to engender a fair and collaborative culture, total remuneration frameworks are clear and openly communicated.

Components of total remuneration

In the year under review, executive Directors' total remuneration packages comprised:

- Fixed pay, including base salary, pension contribution, car or car allowance and private medical insurance; and
- Variable pay, comprising annual bonus opportunity, participation in a share based Long Term Incentive Plan and participation in an all employee share scheme.

No changes were made in 2011 to the level of short-term or long-term incentive payouts payable for achieving either on-target or stretch performance.

Base salary

The Committee reviews salaries annually and takes account of personal and Company performance, together with data sourced from companies of a broadly similar size and complexity.

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

	1 January 2012	1 January 2011	% Increase
Geraint Anderson	**£388,516**	£379,040	2.5%
Shatish Dasani	**£266,049**	£259,560	2.5%
Tim Roberts	**£210,000**	£189,520	10.8%

In reviewing base salaries from 1 January 2012, the Committee had regard to personal performance, Group performance and pay levels within the Group. External benchmark data was also considered based on companies within similar sectors and of a similar turnover and market capitalisation to the Group although such external comparisons are used by the Committee with caution given the risk of upwards ratchets in pay.

As a result, base salary levels for the Group Chief Executive and Group Finance Director were increased by the general workforce increase of 2.5 per cent. The salary for the Group Business Development Director was increased by 10.8 per cent reflecting both personal performance and increasing experience following his promotion to the Board at the start of 2010. All increases were made with effect from 1 January 2012.

Remuneration report continued

Benefits
Benefits in kind comprise a company car or allowance and the provision of private medical insurance.

Pension
Following a review of market practice conducted at the start of 2011 and for consistency with the Group Finance Director, the Group Chief Executive's and Group Business Development Director's pension contributions were increased from 10 per cent to 15 per cent of salary. The provisions were increased in stages, to 12.5 per cent of salary for 2011 and to 15 per cent from 1 January 2012.

Annual bonus
Bonus arrangements for executive Directors comprise three core elements: operating profit, operating cash flow and attainment of personal objectives. The objective of performance-related remuneration is to stimulate improved Group results by providing the opportunity for increased remuneration upon the achievement of challenging performance targets.

For 2011, targets comprised a sliding scale of operating profit (50 per cent of total bonus potential), a sliding scale of cash flow (25 per cent of total bonus potential) and personal objectives linked to implementation of the Group's strategy (25 per cent of total bonus potential). This recognises the importance attached to successful implementation of the Group's strategy.

The bonus arrangements for all senior executives below Board level are aligned to the same performance criteria to encourage greater team working and include an element of profit of the whole division or group into which they report.

Bonus awards for 2011
Following the assessment of the performance targets and in light of the Group's strong revenue and cash performance, the annual bonus payment has been calculated at 96.3% of maximum. Performance against each of the targets is set out below:

	Potential (% of salary)	Maximum/Stretch performance (% of budget)	% of budget achieved	Actual payout (% of salary)
Group profit	50%	120%	122%	50%
Group operating cash flow	25%	130%	121%	21.3%
Personal objectives	25%	n/a	n/a	25%
Total % of salary	100%			96.3%

For further analysis of the Group's performance please refer to the Key performance indicators on pages 22 and 23.

Details of bonuses awarded to the executive Directors for the year ended 31 December 2011 are set out in the emoluments table on page 64.

Annual Bonus Opportunity 2012
The maximum potential bonus which can be earned will continue to be 100 per cent of salary for 2012. The bonus arrangements for 2012 have been reviewed and will continue to be aligned with profitable growth combined with strong cash performance, supported by the achievement of key strategic initiatives through the fulfilment of personal objectives.

Long Term Incentive Plan 2005 ("LTIP")
During the latter part of 2011, the Committee reviewed the operation of the LTIP. The main conclusions of the review were that the LTIP should remain the primary long-term incentive scheme in the Company and the structure of long-term incentives should remain unchanged. Award levels (100 per cent of base salary) and performance metrics based on earnings per share ("EPS") and relative Total Shareholder Return ("TSR") against the FTSE SmallCap index excluding investment trusts remain appropriate. However, the Committee concluded that shareholder approval should be sought at the 2012 AGM to remove the 5 per cent in ten year limit and, consistent with best practice, a clawback provision should be added to the LTIP rules (see below).

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 agreed 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.

The performance targets attached to awards granted in May 2011 require the achievement of earnings per share ("EPS") and total shareholder return ("TSR") targets measured over a three year performance period as follows:

- 50 per cent of an award is based on EPS targets: 25 per cent of the shares subject to this part of the award will vest if the EPS for the year ending 31 December 2013 is equal to RPI plus 10 per cent compound per annum, increasing on a straight-line basis to 100 per cent vesting for EPS growth of at least 15 per cent compound per annum in excess of RPI; and
- 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. In addition to 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's current intention is that similar EPS and TSR targets will apply for awards to be granted in 2012. The Committee considers that the combined use of EPS and TSR performance conditions provides a good blend of performance measures, with EPS rewarding strong financial performance and TSR rewarding relative stock market performance.

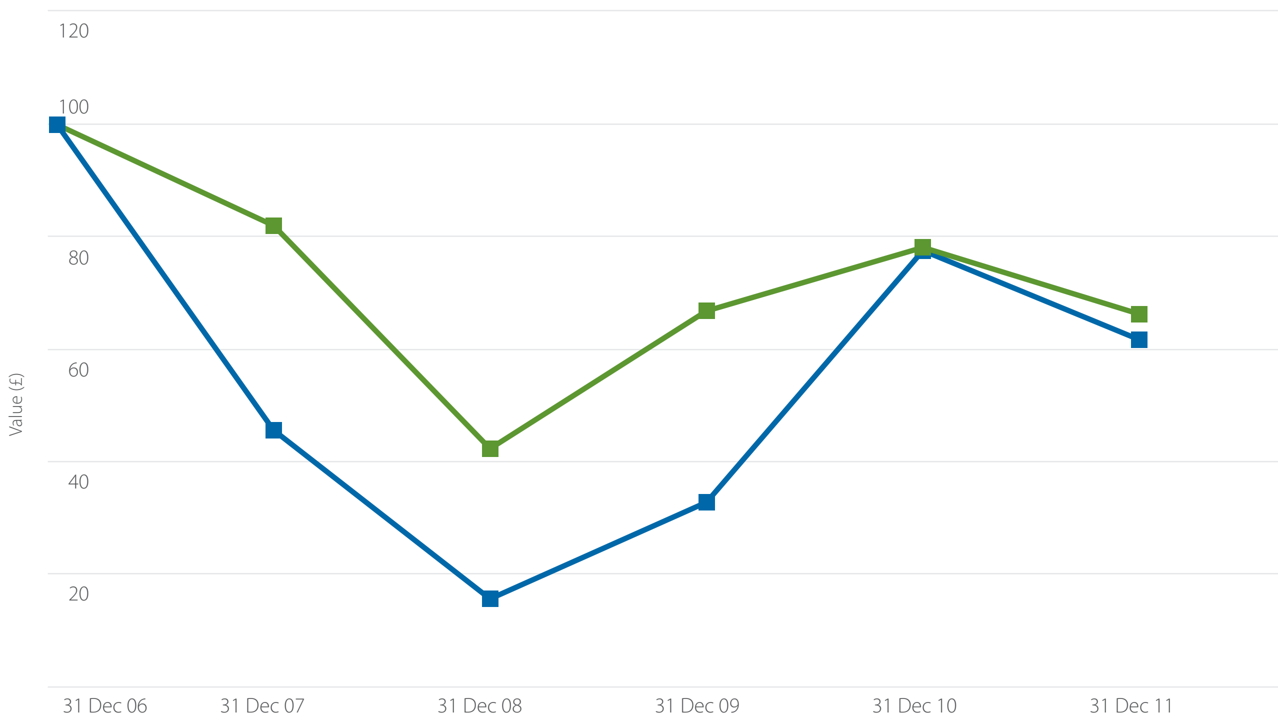
Shareholding guidelines
The Company operates shareholding guidelines for executive Directors for the LTIP. At the time awards vest under the LTIP (or any other executive plan operated in the future), there will be a requirement to retain no fewer than 50 per cent of the shares (net of taxes) until such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

Dilution
The Company's current dilution position is 4.6 per cent against the 5 per cent in ten year limit and 5.7 per cent against the 10 per cent in ten year limit. Given the limited headroom under the 5 per cent in ten year limit and following an extensive investor consultation exercise at the start of 2012 during which the Company's largest shareholders and the major representative bodies were consulted, the Company will seek shareholder consent at the 2012 AGM to remove the 5 per cent limit from the LTIP rules.

As the Committee wishes to revert to a 5 per cent in ten year limit over time, the Committee will formally review the dilution position in 2015 when the Company's existing LTIP will time expire. That said, to the extent that the Committee is not able to revert to a 5 per cent in ten year limit in 2015, the position will be reviewed annually with a long-term objective of reverting to the 5 per cent within a ten year limit. Full details with respect to the Company's dilution position will be provided in future Remuneration Reports.

Clawback
Consistent with best practice, clawback provisions will operate whereby annual bonus and LTIP awards may be clawed back if following payment/grant/vesting it transpires that value was awarded/delivered as a result of gross misconduct or a material mis-statement of results.

Total shareholder return
The Company's total shareholder return performance for the five years to 31 December 2011 is shown on the graph below compared with the index of the FTSE SmallCap companies (excluding investment trusts). As the Company is a constituent of the FTSE SmallCap Index, the Directors consider it an appropriate benchmark for the Company's performance.



This graph shows the spot value on 31 December 2011 of £100 invested in TT electronics plc on 31 December 2006 compared with the value of £100 invested in the FTSE SmallCap (excluding investment trusts) Index. The intermediate points are the spot values on each calendar year end.

TT electronics plc   FTSE SmallCap (excluding investment trusts) Index

Share options
The Company has operated a number of share option schemes in the past. The Committee does not intend to make further grants to executive Directors under these plans.

Sharesave Scheme
The Company introduced international all employee Sharesave schemes in 2010 and 2011. Grants under the schemes have been made to encourage the involvement of employees in the Company's performance. The executive Directors have all chosen to participate in the UK scheme.

Remuneration report continued

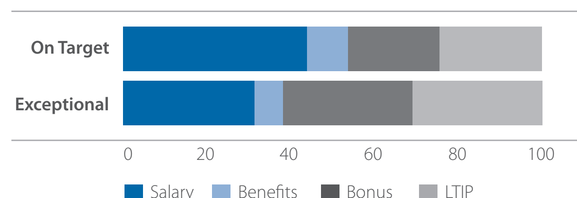
Service contracts

The executive Directors have service contracts reflecting current market practice and an appropriate balance between the interests of the Company and those of the individual Directors. These contracts include 12 month non-compete clauses and standard provisions for summary termination and are terminable on 12 months notice from either side.

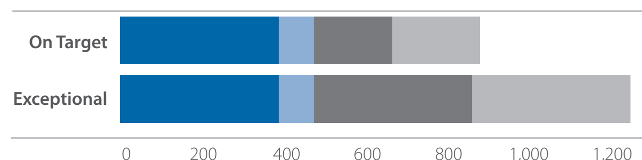
Comparison of fixed to variable pay for the Group Chief Executive

The graphs below show the proportion of the package delivered through fixed and variable rewards together with the value of the 2012 package for on-target and stretch performance:

Proportion of Incentive Package (%)



Value of Package (£'000)



Non-executive Directors

The fees of each of the non-executive Directors is determined by the Chairman and the executive Directors, reflecting the time commitment required, the responsibility of each role and the fees paid in other comparable companies. The fees paid to the Chairman were reviewed at the start of 2012 and were increased by 2.5 per cent. Current fee levels are as follows:

Chairman	£143,500
Non-executive Director	£39,000
Audit Committee Chair fee	£7,000
Remuneration Committee Chair fee	£7,000

No benefits in kind are provided for non-executive Directors.

Audited information

Aggregate Directors' emoluments

Set out below are tables of remuneration of the Directors who served during 2011 and 2010. 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[(1)] £000	Benefits £000	2011 Total £000	2010 Total £000
Executive Directors					
Geraint Anderson	**379**	**365**	**27**	**771**	735
Shatish Dasani	**260**	**250**	**23**	**533**	513
Tim Roberts	**190**	**182**	**11**	**383**	345
Non-executive Directors					
Sean Watson	**140**	**–**	**–**	**140**	115
David Crowther	**45**	**–**	**–**	**45**	45
Michael Baunton	**38**	**–**	**–**	**38**	14
Stephen King[(2)]	**7**	**–**	**–**	**7**	–
John Shakeshaft	**45**	**–**	**–**	**45**	43
Former Directors[(3)]	**–**	**–**	**–**	**–**	37
	1,104	**797**	**61**	**1,962**	1,847

(1) The amounts are payable under the bonus arrangements in place for 2011 as explained on page 62. 50 per cent of salary was payable against the profit targets, 25 per cent of salary was payable against the cash flow targets and up to 25 per cent of salary was payable against personal objectives.

(2) Stephen King was appointed as a non-executive Director on 24 October 2011.

(3) J W Newman retired on 12 May 2010.

Benefits in kind during the year comprised a company car or allowance and the provision of private medical insurance. No Director received an expense allowance during the year.

Executive Directors' pensions – defined contribution

During 2011, the Company contributed £42,618 for Geraint Anderson, £40,232 for Shatish Dasani and £23,278 for Tim Roberts to the Company's group personal pension arrangement.

Long Term Incentive Plan

As at 31 December 2011, Directors' interests under the LTIP were as follows:

	Date of grant	1 January 2011	Granted during the year	Lapsed	Vested	31 December 2011	Market value at 31 December 2011 £	Market price at grant date Pence	Vesting date
Geraint Anderson	28-Aug-08	341,463	–	341,463	–	–	–	102.50	28-Aug-11
	05-May-09	875,000	–	–	–	875,000	1,176,875	30.25	05-May-12
	04-May-10	330,189	–	–	–	330,189	444,104	106.00	04-May-13
	27-Apr-11	–	216,285	–	–	216,285	290,903	172.25	27-Apr-14
		1,546,652	216,285	341,463	–	1,421,474	1,911,882		
Shatish Dasani	28-Aug-08	214,634	–	214,634	–	–	–	102.50	28-Aug-11
	05-May-09	600,000	–	–	–	600,000	807,000	30.25	05-May-12
	04-May-10	226,415	–	–	–	226,415	304,528	106.00	04-May-13
	27-Apr-11	–	148,108	–	–	148,108	199,205	172.25	27-Apr-14
		1,041,049	148,108	214,634	–	974,523	1,310,733		
Tim Roberts	28-Aug-08	10,000	–	10,000	–	–	–	102.50	28-Aug-11
	05-May-09	202,667	–	–	–	202,667	272,587	30.25	05-May-12
	04-May-10	123,821	–	–	–	123,821	166,539	106.00	04-May-13
	27-Apr-11	–	108,142	–	–	108,142	145,451	172.25	27-Apr-14
		336,488	108,142	10,000	–	434,630	584,577		

Notes

(1) For LTIP awards granted in 2008: 25 per cent of the shares subject to an award vested 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. These performance conditions were not met and the awards therefore lapsed.

(2) For LTIP awards granted in 2009: For 50 per cent of an award, 25 per cent of this part 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. For the other 50 per cent, 25 per cent of this part will vest at median performance against the FTSE SmallCap (excluding Investment Trusts) increasing on a straight-line basis to 100 per cent vesting at the upper quartile. In addition to 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.

(3) For LTIP awards granted in 2010: For 50 per cent of an award, 25 per cent of this part of an award will vest if the EPS for the year ending 31 December 2012 is equal to 12 pence, increasing on a straight-line basis to 100 per cent vesting for EPS of 14 pence or more. For the other 50 per cent, 25 per cent of this part of an award will vest at median performance against the FTSE SmallCap (excluding Investment Trusts) increasing on a straight-line basis to 100 per cent vesting at the upper quartile. In addition to 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.

(4) For LTIP awards granted in 2011: For 50 per cent of an award, 25 per cent of this part will vest for EPS growth of 10 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 15 per cent compound per annum in excess of RPI. For the other 50 per cent, 25 per cent of this part of an award will vest at median performance against the FTSE SmallCap (excluding Investment Trusts) increasing on a straight-line basis to 100 per cent vesting at the upper quartile. In addition to 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.

(5) The market value at 31 December 2011 represents the total number of shares award multiplied by 134.5 pence being the share price on 31 December 2011. The calculation does not take into account the likelihood of vesting.

Remuneration report continued

TT electronics plc Sharesave Scheme

As at 31 December 2011, Directors' interests under the Sharesave Scheme were as follows:

	Date of grant	1 January 2011	Granted during the year	Lapsed	Vested	31 December 2011	Potential gain at 31 December 2011 £	Option price Pence	Exercisable between
Geraint Anderson	01-Oct-10	13,552	–	–	–	13,552	2,778	114	1 Nov 15–30 Apr 16
Shatish Dasani	01-Oct-10	7,894	–	–	–	7,894	1,618	114	1 Nov 13–30 Apr 14
Tim Roberts	01-Oct-10	7,894	–	–	–	7,894	1,618	114	1 Nov 13–30 Apr 14

Notes

(1) The potential gain at 31 December 2011 represents the total number of shares under option multiplied by 134.5 pence being the share price on 31 December 2011 less the option price. The calculation assumes that the executive Director remains employed and completes the contract.

The closing middle market prices for an Ordinary share of 25 pence of the Company on 31 December 2010 and 2011 as derived from the Stock Exchange Daily Official List were 172.0 pence and 134.5 pence respectively. During 2011 the middle market price of TT electronics plc Ordinary shares ranged between 120.5 pence and 208.0 pence.

Conclusion

In a volatile year for the global economy, TT electronics performed well. In determining base salary adjustments, annual bonus, and long-term awards, the Committee has recognised the significant achievements of the management team.

Approved by the Board on 14 March 2012 and signed on its behalf by:

John Shakeshaft
Chairman of the Remuneration Committee

Other statutory disclosures

Directors' report
This Annual Report includes the Directors' report and the audited financial statements for the year ended 31 December 2011. Certain information required to be disclosed in the Directors' report is provided in other sections of this Annual Report. This includes the Overview, the Operating and Financial reviews, the Corporate governance and Remuneration reports and specific elements of the financial statements noted below and, accordingly, these are incorporated into the Directors' report by reference.

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 component and sensor technology for the defence, aerospace, medical, transportation and industrial electronics markets. Further details of the Group's activities and future plans are set out in the Overview and Operating and Financial review sections on pages 1 to 45 of this report.

The principal operating subsidiaries are listed on page 117.

Results and dividends
The Group's profit on ordinary activities after taxation was £25.0 million (2010: £25.9 million). The audited financial statements of the Group and the Company are set out on pages 72 to 117. Further details of the Group's activities are set out in the Operating and Financial review on pages 26 to 40.

The Directors are recommending a final dividend of 3.2p per share for the year ended 31 December 2011 (2010: 2.0p) to be paid on 8 June 2012 to shareholders on the register at 25 May 2012 which, together with the interim dividend of 1.2p per share paid on 3 November 2011 (2010: 0.8p), makes a total for the year of 4.4p (2010: 2.8p).

Disposals
On 16 May 2011, the sale of WT Henley Electrical (Suzhou) Co. Ltd. in China to Sicame SA (reported in the Annual Report 2010) was completed, following receipt of the relevant regulatory approvals from the Chinese authorities.

The Board's strategic objective to realise value from the businesses within the Group's General Industrial division was completed during the year with the sale of AEI Compounds Limited to Saco Polymers Inc on 11 July 2011 for a gross consideration of £8.6 million.

Directors
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. Further details of the activities of the Nominations Committee including details relating to the appointments made to the Board during the year are set out on page 57.

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 60 to 66. 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.

Auditors
KPMG Audit Plc 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 page 71 and should be read in conjunction with those of the Directors as set out at the end of this report.

Annual General Meeting
The Annual General Meeting of the Company will be held on 15 May 2012 at the offices of Hudson Sandler Financial and Corporate Communications at 11.30 am. The Notice of the Company's Annual General Meeting accompanies this document.

Fixed assets
A professional valuation of land and buildings was carried out during the year ended 31 December 2010 and, in the opinion of the Directors, the market value, on an existing use basis, as at 31 December 2011 in aggregate is 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 14 to the consolidated financial statements.

Other statutory disclosures continued

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. The average number of days' credit taken by Group companies at the financial year end was 52 days (2010: 55 days). The average number of days' credit taken by the Company for trade purchases at the financial year end was 60 days (2010: 64 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. Together with many other global companies operating in its sector, the Group is a member of the Electronic Industry Citizenship Coalition, a leading industry organisation promoting best practices in corporate responsibility, which is committed to raising standards of employee welfare in all jurisdictions and at all levels of the supply chain for electronic products. Further details on the Group's policies relating to its employees are given on page 44.

Donations
During the year the Group contributed £58,000 (2010: £58,000) for charitable purposes. Employees across the Group regularly fund-raise for charity. Further details on the Group's fundraising activities are given in the Corporate responsibility section on pages 44 and 45. There were no political contributions.

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 is shown in note 18 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 15 May 2012.

Purchase of own shares
At the Annual General Meeting held on 19 May 2011, the Company was given authority to purchase up to 15,512,889 of its Ordinary shares until the date of its next Annual General Meeting. No purchases were made during the year by the Company. The Directors will be seeking a new authority for the Company to purchase its Ordinary shares at the forthcoming Annual General Meeting.

Further details regarding the authority to allot shares and disapply statutory pre-emption rights and the purchase of own shares are set out in the Notice of the Annual General Meeting which accompanies this document and is available to view on the Company's website.

Shares held by the Employee Benefit Trust
The Company has established an employee benefit trust ("EBT"), the trustee of which is Sanne Trust Company Limited, part of Sanne Group. As at 31 December 2011, the trustee held 259,515 shares with a nominal value of £64,879 and an aggregate purchase price of £1.46 per share, representing 0.16 per cent of the total issued share capital at that date. This figure was also the maximum number of shares held by the EBT during the year. These shares will be used to satisfy awards made under the TT electronics plc Restricted Share Plan ("RSP") or other employee share schemes. The voting rights in relation to these shares are exercisable by the trustee; however, in accordance with investor protection guidelines the trustee abstains from voting. The executive Directors as employees of the Company are potential beneficiaries of shares held by the EBT. During the year, no shares were disposed of by the EBT by way of the exercise of awards granted under the RSP or any other employee share scheme.

Substantial shareholding notifications

The Company had been notified of the following voting rights attaching to TT electronics plc shares in accordance with the Disclosure and Transparency Rules at 12 March 2012 and 31 December 2011.

	12 March 2012		31 December 2011	
	Number	**%**	Number	%
J W Newman	**10,858,010**	**7.0**	10,858,010	7.0
Mondrian Investment Partners Limited	**7,912,306**	**5.1**	7,912,306	5.1
Crystal Amber Fund Limited	**8,047,752**	**5.1**	8,047,752	5.1
Tweedy, Browne Company LLC	**7,664,336**	**4.9**	7,664,336	4.9
Legal & General Group plc	**6,188,558**	**3.9**	6,188,558	3.9

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.

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.

UK Corporate Governance Code

The Code is available to view at the website of the Financial Reporting Council, www.frc.org.uk.

Disclosure of information to auditors

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.

Approved by the Board on 14 March 2012 and signed on its behalf by:

Wendy Sharp
Group Company Secretary

Statement of Directors' responsibilities

Statement of Directors' responsibilities in respect of the Annual Report

The Directors are responsible for preparing the Annual Report. Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- for the parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Directors' report, Directors' remuneration report and a Directors' report on corporate governance that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement of the Directors in respect of the Annual Report

Each of the persons who is a Director at the date of approval of this report confirms that to the best of his or her knowledge:

- each of the Group and parent company financial statements, prepared in accordance with IFRS and UK Accounting Standards respectively, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the undertakings included in the consolidation taken as a whole; and
- the Directors' report on pages 1 to 69 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.

By order of the Board:

Wendy Sharp
Group Company Secretary

14 March 2012

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 financial statements of TT electronics plc for the year ended 31 December 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and Company balance sheets, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and UK Accounting Standards (UK 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 auditor

As explained more fully in the Statement of Directors' responsibilities set out on page 70 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the 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/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent Company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the Group financial statements, Article 4 of the IAS Regulation.

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 financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required 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.

Under the Listing Rules, we are required to review:

- the Directors' statement, set out on page 56 in relation to going concern;
- the part of the Directors' report on corporate governance relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration.

AJ Sykes (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL

14 March 2012

Consolidated income statement

for the year ended 31 December 2011

£million (unless otherwise stated)	Note	2011	2010*
Continuing operations			
Revenue	3	**591.3**	555.5
Cost of sales		**(473.0)**	(456.4)
Gross profit		**118.3**	99.1
Distribution costs		**(40.7)**	(34.5)
Administrative expenses		**(42.8)**	(37.6)
Other operating income		**1.7**	2.4
Operating profit		**36.5**	29.4
Analysed as:			
Operating profit before exceptional items	3a	**34.2**	24.9
Exceptional items	7	**2.3**	4.5
Finance income	5	**21.1**	19.5
Finance costs	5	**(25.8)**	(23.8)
Profit before taxation		**31.8**	25.1
Taxation	8	**(7.3)**	(6.7)
Profit from continuing operations	6	**24.5**	18.4
Discontinued operations			
Profit from discontinued operations	4	**0.5**	7.5
Profit for the year attributable to owners of the Company		**25.0**	25.9
EPS attributable to owners of the Company – basic			
From continuing operations (p)	10	**15.8**	11.9
From discontinued operations (p)	10	**0.3**	4.8
		16.1	16.7
EPS attributable to owners of the Company – diluted			
From continuing operations (p)	10	**15.5**	11.9
From discontinued operations (p)	10	**0.3**	4.8
		15.8	16.7

* Re-presented for discontinued operations in accordance with IFRS.

Consolidated statement of comprehensive income

for the year ended 31 December 2011

£million	Note	2011	2010
Profit for the year		**25.0**	25.9
Other comprehensive income/(loss) for the year after tax			
Exchange differences on retranslation of foreign operations		**0.9**	2.1
Tax on exchange differences		**0.1**	0.1
Loss on hedge of net investment in foreign operations		**(0.6)**	(0.9)
Gain/(loss) on cash flow hedges taken to equity less amounts taken to income statement		**0.2**	(0.2)
Foreign exchange loss on disposals taken to income statement		**–**	(1.7)
Fair value of minority put option		**–**	(3.9)
Actuarial loss on defined benefit pension schemes	22	**(6.2)**	(5.9)
Tax on actuarial amounts in pension deficit movement	21	**(2.3)**	8.1
Total comprehensive income for the year		**17.1**	23.6

Total comprehensive income is entirely attributable to the owners of the Company.

Consolidated balance sheet

at 31 December 2011

£million	Note	2011	2010
ASSETS			
Non-current assets			
Property, plant and equipment	12	**90.9**	93.5
Goodwill	13	**67.3**	66.9
Other intangible assets	14	**11.8**	14.7
Deferred tax assets	21	**21.0**	20.1
Total non-current assets		**191.0**	195.2
Current assets			
Inventories	15	**83.4**	81.4
Trade and other receivables	16	**85.6**	92.7
Derivative financial instruments		**0.5**	0.4
Cash and cash equivalents		**69.5**	44.8
Total current assets		**239.0**	219.3
Total assets		**430.0**	414.5
LIABILITIES			
Current liabilities			
Borrowings	19	**14.2**	5.4
Derivative financial instruments		**6.9**	0.4
Trade and other payables	17	**113.0**	112.9
Income taxes payable		**6.1**	4.5
Provisions	18	**6.4**	3.0
Total current liabilities		**146.6**	126.2
Non-current liabilities			
Borrowings	19	**40.1**	49.3
Derivative financial instruments		**–**	4.3
Deferred tax liability	21	**9.3**	8.9
Pensions and other post-employment benefits	22	**35.5**	41.2
Provisions	18	**0.2**	0.1
Other non-current liabilities	17	**6.9**	5.4
Total non-current liabilities		**92.0**	109.2
Total liabilities		**238.6**	235.4
Net assets		**191.4**	179.1
EQUITY			
Share capital	23	**38.8**	38.8
Share premium	23	**0.5**	0.4
Share options reserve		**3.6**	1.6
Hedging and translation reserve	25	**27.2**	26.6
Retained earnings	26	**119.3**	109.7
Equity attributable to owners of the Company		**189.4**	177.1
Non-controlling interests		**2.0**	2.0
Total equity		**191.4**	179.1

Approved by the Board of Directors on 14 March 2012 and signed on their behalf by:

G Anderson
Director

S D Dasani
Director

Consolidated statement of changes in equity

for the year ended 31 December 2011

£million	Share capital	Share premium	Share options reserve	Hedging reserve	Translation reserve	Retained earnings	Sub-total	Non-controlling interest	Total
At 1 January 2010	38.7	0.2	1.0	(11.5)	38.7	86.3	153.4	2.4	155.8
Profit for the year	–	–	–	–	–	25.9	25.9	–	25.9
Other comprehensive income									
Exchange differences on translation of foreign operations	–	–	–	–	2.1	–	2.1	–	2.1
Tax on exchange differences	–	–	–	–	0.1	–	0.1	–	0.1
Net loss on hedge of net investment in foreign operations	–	–	–	–	(0.9)	–	(0.9)	–	(0.9)
Net loss on cash flow hedges taken to equity less amounts taken to income statement	–	–	–	(0.2)	–	–	(0.2)	–	(0.2)
Foreign exchange loss on disposals taken to income statement	–	–	–	–	(1.7)	–	(1.7)	–	(1.7)
Fair value of minority put option	–	–	–	–	–	(3.5)	(3.5)	(0.4)	(3.9)
Actuarial loss on defined benefit pension scheme	–	–	–	–	–	(5.9)	(5.9)	–	(5.9)
Tax on actuarial amounts in pension deficit movement	–	–	–	–	–	8.1	8.1	–	8.1
Total other comprehensive income	–	–	–	(0.2)	(0.4)	(1.3)	(1.9)	(0.4)	(2.3)
Transactions with owners recorded directly in equity									
Equity dividends paid by the Company	–	–	–	–	–	(1.2)	(1.2)	–	(1.2)
Share-based payments	–	–	0.3	–	–	–	0.3	–	0.3
Deferred tax on share-based payments	–	–	0.7	–	–	–	0.7	–	0.7
New shares issued	0.1	0.2	–	–	–	–	0.3	–	0.3
Own shares acquired	–	–	(0.4)	–	–	–	(0.4)	–	(0.4)
At 31 December 2010	38.8	0.4	1.6	(11.7)	38.3	109.7	177.1	2.0	179.1
Profit for the year	–	–	–	–	–	25.0	**25.0**	–	**25.0**
Other comprehensive income									
Exchange differences on translation of foreign operations	–	–	–	–	0.9	–	**0.9**	–	**0.9**
Tax on exchange differences	–	–	–	–	0.1	–	**0.1**	–	**0.1**
Net loss on hedge of net investment in foreign operations	–	–	–	–	(0.6)	–	**(0.6)**	–	**(0.6)**
Net gain on cash flow hedges taken to equity less amounts taken to income statement	–	–	–	0.2	–	–	**0.2**	–	**0.2**
Actuarial loss on defined benefit pension scheme	–	–	–	–	–	(6.2)	**(6.2)**	–	**(6.2)**
Tax on actuarial amounts in pension deficit movement	–	–	–	–	–	(2.3)	**(2.3)**	–	**(2.3)**
Total other comprehensive income	–	–	–	0.2	0.4	(8.5)	**(7.9)**	–	**(7.9)**
Transactions with owners recorded directly in equity									
Equity dividends paid by the Company	–	–	–	–	–	(5.0)	**(5.0)**	–	**(5.0)**
Change in fair value of minority put option	–	–	–	–	–	(1.9)	**(1.9)**	–	**(1.9)**
Share-based payments	–	–	1.7	–	–	–	**1.7**	–	**1.7**
Deferred tax on share-based payments	–	–	0.3	–	–	–	**0.3**	–	**0.3**
New shares issued	–	0.1	–	–	–	–	**0.1**	–	**0.1**
At 31 December 2011	**38.8**	**0.5**	**3.6**	**(11.5)**	**38.7**	**119.3**	**189.4**	**2.0**	**191.4**

Consolidated cash flow statement

for the year ended 31 December 2011

£million	Note	2011	2010
Cash flows from operating activities			
Profit for the year		**25.0**	25.9
Taxation		**7.3**	7.1
Net finance costs		**4.7**	4.5
Exceptional items		**(2.3)**	(4.5)
Profit on disposal of discontinued operations		**(0.5)**	(7.1)
Operating profit from discontinued operations before exceptional items		**–**	(1.0)
Operating profit from continuing operations before exceptional items		**34.2**	24.9
Adjustments for:			
Depreciation of property, plant and equipment	12	**16.9**	21.2
Amortisation of intangible assets	14	**7.6**	9.6
Impairment of intangible assets	14	**0.6**	–
Other items including share-based payments		**(1.7)**	(0.5)
Increase in inventories		**(5.3)**	(6.0)
(Increase)/decrease in receivables		**0.8**	(15.2)
Increase in payables		**9.9**	26.2
Operating cash flow before exceptional payments		**63.0**	60.2
Special payments to pension funds		**(3.5)**	(3.2)
Exceptional restructuring costs		**(2.2)**	(5.0)
Net cash generated from operations		**57.3**	52.0
Income taxes paid		**(7.9)**	(7.0)
Net cash flow from operating activities		**49.4**	45.0
Cash flows from investing activities			
Interest received		**0.3**	0.2
Purchase of property, plant and equipment	12	**(21.3)**	(10.8)
Proceeds from sale of property, plant and equipment and grants received		**2.0**	1.7
Development expenditure	14	**(5.3)**	(6.0)
Purchase of other intangibles	14	**(0.3)**	(1.4)
Disposal of subsidiaries (net of cash in subsidiaries at date of disposal)		**7.6**	21.7
Deferred consideration received from disposal of subsidiaries in 2010		**0.7**	–
Net cash flow (used in)/from investing activities		**(16.3)**	5.4
Cash flows from financing activities			
Issue of share capital	23	**0.1**	0.3
Interest paid		**(2.4)**	(2.9)
Repayment of borrowings		**(11.1)**	(86.5)
Proceeds from borrowings (2010: net of arrangement costs of £2.0 million)		**0.2**	59.1
Finance leases		**(0.1)**	(0.1)
Dividends paid by the Company		**(5.0)**	(1.2)
Net cash flow used in financing activities		**(18.3)**	(31.3)
Net increase in cash and cash equivalents		**14.8**	19.1
Cash and cash equivalents at beginning of year	27	**44.2**	24.5
Exchange differences	27	**(0.2)**	0.6
Cash and cash equivalents at end of year	27	**58.8**	44.2
Cash and cash equivalents comprise			
Cash at bank and in hand		**69.5**	44.8
Bank overdrafts	19	**(10.7)**	(0.6)
		58.8	44.2

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

Notes to the consolidated financial statements

1 Basis of preparation

a) Basis of accounting

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

The financial statements set out on pages 72 to 111 have been prepared using consistent accounting policies, except for the adoption of new accounting standards and interpretations noted below. Adoption of these standards and interpretations did not have a significant impact on the financial position and performance of the Group.

- "Improvements to IFRSs". The Group adopted the Improvements to IFRSs on 1 January 2011.
- IAS 24 "Related party disclosures". The Group adopted the amendment to IAS 24 on 1 January 2011. The amendment clarified the definition of a related party.

b) Basis of consolidation

The consolidated financial statements set out the Group's financial position as at 31 December 2011 and the Group's financial performance for the year ended 31 December 2011.

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

c) Discontinued operations

In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", comparatives for prior years have been re-presented for businesses treated as discontinued.

d) Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set on pages 6 to 37. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial review on pages 38 to 40. In addition, note 20 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group had a net cash balance of £15.2 million at 31 December 2011, compared to a net debt balance of £9.9 million at 31 December 2010, with available financial headroom of over £100 million. Given the considerable financial resources available, together with long-term partnerships with a number of key customers and suppliers across different geographic areas and industries, the Directors believe that the Group is well placed to manage its business risks successfully.

The Directors have a reasonable expectation that the Company has adequate resources and financial headroom to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Further details are contained in the Directors' report on page 56.

Notes to the consolidated financial statements

continued

1 Basis of preparation (continued)

e) New standards and interpretations not yet adopted

There were no revisions to adopted IFRSs which became applicable in 2011 which had a significant impact on the Group's financial statements. In preparing the consolidated financial statements, the Group has not applied the following relevant standards and interpretations that have been issued but are not yet effective:

The Group does not expect there to be a significant impact on its financial position or performance arising from adoption of these accounting standards.

		Effective date
IAS 1	Presentation of financial statements (Amendment)	1 July 2012
IAS 19	Employee benefits (Amendment)	1 January 2013
IFRS 9	Financial instruments: Classification and measurement	1 January 2013
IFRS 10	Consolidated financial statements	1 January 2013
IFRS 11	Joint arrangements	1 January 2013
IFRS 12	Disclosure of interests in other entities	1 January 2013
IFRS 13	Fair value measurement	1 January 2013

f) Change in accounting policies

There have been no changes to accounting policies during the year, except for the adoption of new standards and interpretations as disclosed in note 1(a).

g) Significant accounting judgements and estimates

Judgements

Determining many of the amounts included in the consolidated financial statements involves the use of judgements. These judgements are based on management's best knowledge of the relevant facts and circumstances having regard to prior experience, but actual results may differ from the amounts included in the consolidated financial statements. Other than the key sources of estimation uncertainty shown below, the Directors believe that there were no material transactions or events during the year which required critical judgements in applying the Group's accounting policies.

Estimation uncertainty

The preparation of the consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates. In particular, information about significant areas of estimation uncertainty made by the Directors in preparing the consolidated financial statements is shown below:

- Note 13 – Impairment of goodwill. The carrying amount of goodwill has been tested for impairment by estimating the value in use of the cash-generating units to which it has been allocated. Note 13 outlines the significant assumptions made in performing the impairment tests;
- Note 14 – Intangible assets. The recoverability of capitalised development costs is dependent on assessments of the future commercial viability of the relevant products and processes;
- Note 18 – Provisions. The Group makes appropriate provision on a consistent basis for risks of product liability, litigation, restructuring, credit risk and other normal trading exposures with estimates being made regarding the timing of future payments;
- Note 21 – Deferred tax. The recognition of deferred tax assets is dependent on assessments of future taxable income in the relevant countries concerned; and
- Note 22 – Defined benefit pension obligations. The defined benefit pension obligations are calculated using a number of assumptions, including future inflation, salary increases and mortality and the obligation is then discounted to its present value using an assumed discount rate. The pension deficit has been calculated using the assumptions set out in note 22.

2 Summary of significant accounting policies

The following significant accounting policies have been applied in the preparation of the consolidated financial statements. These accounting policies have been consistently applied across the Group.

a) 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. Goodwill is not amortised, and any impairment losses are not subsequently reversed. 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.

2 Summary of significant accounting policies (continued)

b) 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.

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised in the income statement as incurred. Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. The carrying values of intangible assets are tested for impairment whenever there is an indication that they may be impaired.

Acquired computer software licences for use within the Group are capitalised as an intangible asset on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the implementation of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Capitalised software development expenditure is stated 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 to 8 years
Software	3 to 5 years

Amortisation is on a straight-line basis.

c) Foreign currency translation

The functional currency for each entity in the Group is determined with reference to the currency of the primary economic environment in which it operates. Transactions in currencies other than the functional currency are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Exchange gains and losses on settlement of foreign currency transactions translated at the rate prevailing at the date of the transactions, or the translation of monetary assets and liabilities at period end exchange rates, are taken to the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction.

On consolidation, income statements of subsidiaries are translated into sterling, at average rates of exchange. Balance sheet items are translated into sterling at period end exchange rates. Exchange differences on the retranslation are taken to equity. Exchange differences on foreign currency borrowings financing those net investments are also dealt with in equity and are reported in the statement of comprehensive income. All other exchange differences are charged or credited to the income statement in the year in which they arise. 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.

d) Property, plant and equipment

Initial measurement

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of a tangible fixed asset comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Depreciation

The cost of each item of property, plant and equipment is depreciated over its useful life. Depreciation is charged to the income statement so as to write-off the cost less estimated residual value on a straight-line basis over the estimated useful life of the asset. Depreciation commences on the date the assets are used within the business and the asset carrying values are reviewed for impairment when there is an indication that they may be impaired. Freehold land is not depreciated.

The depreciation rates of assets are as follows

Freehold buildings	2%
Leasehold buildings	2% (or over the period of the lease if less than 50 years)
Plant and equipment	10% to $33^1/_3$%

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that take a substantial period of time to get ready for their intended use are capitalised as part of the cost of the respective asset.

Notes to the consolidated financial statements

continued

2 Summary of significant accounting policies (continued)

e) Investment property

Property held to earn rental income rather than for the purpose of the Group's principal activities is classified as investment property. Investment property is recorded at cost less accumulated depreciation and any recognised impairment loss. The depreciation policy is consistent with those described for other Group properties. The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at each balance sheet date.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

f) Leases

Finance leases, which transfer to the Group substantially all the risks and rewards of ownership of the leased items, are capitalised at the commencement of the lease. Plant and equipment acquired by way of finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The capital elements of future obligations under leases and hire purchase contracts are included as liabilities in the balance sheet. Lease payments are apportioned between the finance charge and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised lease assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. All other leases are treated as operating leases and the cost is expensed to the income statement as incurred.

g) 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.

h) 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.

i) Trade and other receivables

Trade receivables are carried at original invoice price (which is the fair value of the consideration receivable) less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the original carrying amount and the recoverable amount, being the present value of expected cash flows receivable. The amount of the provision is recognised in the income statement.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, short-term deposits held on call or with maturities of less than three months at inception and highly liquid investments that are readily convertible into known amounts of cash and are subject to insignificant risk of changes in value, and bank overdrafts.

k) 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. No provision is made for deferred tax which would become payable on the distribution of retained profits by overseas subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. 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 substantively 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.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised or that they will reverse. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

l) Borrowings

Borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method.

m) Trade payables

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

n) Employee benefits

Defined benefit plans

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

2 Summary of significant accounting policies (continued)

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 in the statement of comprehensive income.

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised in the income statement in the periods during which services are rendered by employees.

Termination benefits

Termination benefits are recognised as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Share-based payments

Certain employees of the Group receive part of their remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). The cost of equity-settled transactions with employees is measured at fair value at the date at which they are granted. The fair value of share awards with market-related vesting conditions is determined by an external consultant and the fair value at the grant date is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest. The estimate of the number of awards likely to vest is reviewed at each balance sheet date up to the vesting date at which point the estimate is adjusted to reflect the actual outcome of awards which have vested. No adjustment is made to the fair value after the vesting date even if the awards are forfeited or not exercised.

o) Own shares

Own equity instruments which are re-acquired (own shares) are recognised at cost and deducted from equity. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration paid to acquire such equity instruments is recognised within equity.

p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

q) Revenue

Revenue is measured at the fair value of the right to consideration, usually the invoiced value, for the provision of goods and services to external customers excluding value added tax and other sales related taxes and is recognised when the significant risks and rewards of ownership have transferred to the customer. In most cases this coincides with the transfer of legal title of the goods. Revenue for services is recognised as the services are rendered.

r) Finance income

Finance income comprises interest income on funds invested, foreign exchange gains and the expected return on pension scheme assets. Interest income is recognised as it accrues.

s) Finance costs

Finance costs comprise interest expense on borrowings which are not capitalised under the borrowing costs policy, the unwinding of interest cost on employee benefits and provisions and foreign exchange losses.

t) Income tax

Income tax for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items charged or credited directly to equity, in which case it is recognised in equity. Current tax expense is the expected tax payable on the taxable income for the year and any adjustment to tax payable in respect of previous years.

Notes to the consolidated financial statements

continued

2 Summary of significant accounting policies (continued)

u) Dividends

Dividends are recognised as a liability in the period in which they are approved by shareholders. Dividends receivable are recognised when the Group's right to receive payment is established.

v) Discontinued operations

The Group reports a business as a discontinued operation when it has been disposed of in a period, or its future sale is considered to be highly probable at the balance sheet date, and results in the cessation of a major line of business or geographical area of operation.

w) Financial instruments

Recognition

The Group recognises financial assets and liabilities on its balance sheet when it becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Measurement

When financial assets and liabilities are initially recognised, they are measured at fair value being the consideration given or received plus directly attributable transaction costs.

In determining estimated fair value, investments are valued at quoted bid prices on the trade date. When quoted prices on an active market are not available, fair value is determined by reference to price quotations for similar instruments traded.

Loans and receivables comprise loans and advances other than purchased loans. Originated loans and receivables are initially recognised in accordance with the policy stated above and subsequently re-measured at amortised cost using the effective interest method. Allowance for impairment is estimated on a case-by-case basis.

The Group uses derivative financial instruments such as forward foreign exchange contracts to hedge risks associated with foreign exchange fluctuations. These are designated as cash flow hedges. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts deferred in equity are recycled in the income statement in the periods when the hedged item is recognised in the income statement, in the same line of the income statement as the recognised hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the income statement.

Derecognition

A financial asset is derecognised when the Group loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished. Originated loans and receivables are derecognised on the date they are transferred by the Group.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

3 Segmental reporting

For management purposes, the Group is organised into four divisions, as shown below, according to the nature of the products and services provided. Each of these divisions represents an operating segment in accordance with IFRS 8 "Operating segments" and there is no aggregation of segments. The chief operating decision maker is the Board of Directors. The operating segments are:

- 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 and integrated solutions; and
- Secure Power – standby generation and uninterruptible power systems manufacture and service.

The accounting policies of the reportable segments are the same as the Group's accounting policies as shown in note 2.

Following the disposal of AEI Compounds Limited in July 2011, the General Industrial division ceased to exist. This business is shown as a discontinued operation in these financial statements and the 2010 comparative amounts have been re-presented accordingly.

In 2010 Abtest Limited was reported under the General Industrial division, but is now included as part of the Integrated Manufacturing Services division. The comparatives for 2010 have been re-presented accordingly.

The key performance measure of the operating segments is operating profit before exceptional items. The Group reports non-trading 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. Segment operating profit represents the profit earned by each segment after allocation of central head office administration costs and is reviewed by the chief operating decision maker.

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

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

a) Income statement information – continuing operations

£million	Components	Sensors	Integrated Manufacturing Services	Secure Power	Total
					2011
Sales to external customers	**242.7**	**166.9**	**100.0**	**81.7**	**591.3**
Segment operating profit before exceptional items	**14.8**	**8.8**	**5.1**	**5.5**	**34.2**
Exceptional items					**2.3**
Operating profit					**36.5**
Net finance costs					**(4.7)**
Profit before taxation					**31.8**

£million	Components	Sensors	Integrated Manufacturing Services	Secure Power	Total
					2010 (re-presented)
Sales to external customers	234.6	143.5	92.2	85.2	555.5
Segment operating profit before exceptional items	10.7	3.9	4.1	6.2	24.9
Exceptional items					4.5
Operating profit					29.4
Net finance costs					(4.3)
Profit before taxation					25.1

There are no significant sales between sectors.

Notes to the consolidated financial statements

continued

3 Segmental reporting (continued)

b) Segment assets

£million	Assets		Liabilities	
	2011	2010	**2011**	2010
Components	**168.1**	175.9	**48.4**	47.6
Sensors	**78.9**	79.7	**31.3**	27.2
Integrated Manufacturing Services	**45.5**	46.1	**22.0**	24.3
Secure Power	**46.6**	38.0	**24.6**	22.9
Segment assets and liabilities	**339.1**	339.7	**126.3**	122.0
Assets and liabilities of discontinued operations	**–**	9.9	**–**	4.0
Pensions and other post-employment benefits	**–**	–	**35.5**	41.2
Unallocated assets and liabilities	**90.9**	64.9	**76.8**	68.2
Total assets/liabilities	**430.0**	414.5	**238.6**	235.4

£million	Capital expenditure		Depreciation and amortisation	
	2011	2010	**2011**	2010 (re-presented)
Components	**11.0**	5.9	**9.3**	12.3
Sensors	**12.8**	9.6	**12.8**	14.6
Integrated Manufacturing Services	**1.7**	1.0	**1.4**	1.8
Secure Power	**1.1**	0.6	**0.7**	0.6
Total continuing operations	**26.6**	17.1	**24.2**	29.3
Discontinued operations	**0.3**	1.1	**0.3**	1.5
Total	**26.9**	18.2	**24.5**	30.8

c) Geographic information

Revenue by destination

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

£million	**2011**	2010 (re-presented)
United Kingdom	**98.6**	95.0
Rest of Europe	**250.7**	222.4
North America	**110.7**	102.3
Central and South America	**48.7**	58.5
Asia	**70.5**	72.3
Rest of the World	**12.1**	5.0
Total continuing operations	**591.3**	555.5
Discontinued operations	**12.4**	44.2
Total revenue	**603.7**	599.7

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

3 Segmental reporting (continued)

Non-current assets

The carrying amount of non-current assets, excluding deferred tax assets and financial assets, analysed by the geographical area in which the assets are located is shown below:

£million	2011	2010
United Kingdom	**27.2**	33.5
Rest of Europe	**52.4**	49.9
North America	**75.2**	76.1
Central and South America	**6.6**	6.6
Asia	**8.6**	9.0
	170.0	175.1

4 Discontinued operations

On 11 July 2011 the Group disposed of AEI Compounds Limited, the last remaining business within the former General Industrial division, for consideration of £8.6 million in cash before costs.

During the year ended 31 December 2010, the Group disposed of six other businesses, all of which were part of the former General Industrial division.

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

£million	2011	2010 (re-presented)
Revenue	**12.4**	44.2
Cost of sales	**(11.4)**	(36.3)
Gross profit	**1.0**	7.9
Distribution costs	**(0.2)**	(2.9)
Administrative expenses	**(0.8)**	(4.0)
Operating profit	**–**	1.0
Net finance costs	**–**	(0.2)
Profit before taxation	**–**	0.8
Taxation	**–**	(0.4)
Profit after taxation	**–**	0.4
Profit on disposal of discontinued operations	**0.5**	7.1
Profit from discontinued operations	**0.5**	7.5

The profit on disposal of discontinued operations is analysed below:

£million	2011	2010
Gross cash received	**8.6**	23.5
Less: legal and professional costs	**(0.5)**	(1.5)
Less: cash disposed of at completion	**(0.5)**	(0.3)
Net proceeds per consolidated cash flow statement	**7.6**	21.7
Deferred consideration receivable	**0.2**	1.0
Less: net assets at completion	**(7.3)**	(15.6)
	0.5	7.1

Notes to the consolidated financial statements

continued

4 Discontinued operations (continued)

The net cash flows from discontinued operations included within the consolidated cash flow statement are shown below:

£million	2011	2010 (re-presented)
Operating activities	**0.7**	0.9
Investing activities	**0.2**	(0.6)
Financing activities	**2.8**	–
Net cash flow	**3.7**	0.3

5 Finance income and finance costs

£million	2011	2010 (re-presented)
Interest expense	**2.2**	3.0
Foreign exchange losses	**2.3**	–
Interest on employee obligations	**20.0**	19.8
Amortisation of arrangement fees	**0.6**	0.6
Unwinding of discount factor on minority put option	**0.7**	0.4
Finance costs	**25.8**	23.8
Interest income	**0.5**	0.2
Foreign exchange gains	**1.6**	–
Expected return on pension scheme assets	**19.0**	19.3
Finance income	**21.1**	19.5
Net finance costs	**4.7**	4.3

6 Profit for the year

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

£million	2011	2010 (re-presented)
Depreciation of property, plant and equipment	**16.6**	20.0
Amortisation of intangible assets	**7.6**	9.6
Net foreign exchange losses	**2.3**	0.1
Cost of inventories recognised as an expense	**475.0**	455.9
Staff costs (see note 11)	**156.5**	141.1
Remuneration of Group Auditors		
– Company and consolidation statutory audits	**0.2**	0.1
– statutory audit of subsidiaries	**0.6**	0.5
– tax services	**0.2**	0.2
– other services	**0.1**	–
Government grants credited	**(0.7)**	(1.0)
Share-based payments	**1.7**	0.3

Other operating income includes £0.4 million of profit on the disposal of property, plant and equipment.

7 Exceptional items

£million	2011	2010
Continuing operations		
Reduction in UK pension liabilities	**7.5**	–
Restructuring costs	**(5.2)**	–
Profit on sale of property interest	**–**	1.0
Onerous property leases	**–**	(0.8)
Pensions curtailment gain from scheme closure	**–**	4.3
Total	**2.3**	4.5

a) Year ended 31 December 2011
For the year ended 31 December 2011, the exceptional items relate to:

- a one-off reduction of £7.5 million in the future liabilities of the UK pension scheme following the UK Government's announcement to change the basis of indexation of occupational pension schemes from RPI to CPI (see note 22); and
- restructuring costs of £5.2 million primarily associated with the closure of the Components operation in Boone, North Carolina. This amount includes impairments of fixed assets of £1.8 million, provisions against inventory of £0.6 million and reorganisation provisions of £2.8 million.

b) Year ended 31 December 2010
For the year ended 31 December 2010, the exceptional items relate to:

- a curtailment gain of £4.3 million arising from the closure of the UK defined benefit scheme to future accrual;
- profit of £1.0 million arising from the sale of property interests; and
- a provision of £0.8 million which has been recognised in respect of two vacant properties subject to onerous long-term leases.

The Group reports non-trading 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.

Notes to the consolidated financial statements

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8 Taxation

a) Analysis of the tax charge for the year

£million	2011	2010
Current tax		
Current income tax charge	**9.7**	11.3
Adjustments in respect of current income tax of previous year	**(0.1)**	(0.1)
Total current tax charge	**9.6**	11.2
Deferred tax		
Relating to origination and reversal of temporary differences	**(2.3)**	(4.5)
Total tax charge in the income statement – continuing operations	**7.3**	6.7

UK tax is calculated at 26.5% (2010: 28%) of taxable profits. Overseas tax is calculated at the tax rates prevailing in the relevant countries. The Group's effective tax rate for the year from continuing operations was 23.0% (30.2% excluding exceptional items).

Included within the £2.3 million deferred tax credit for 2011 is £1.6 million relating to exceptional items.

b) Reconciliation of the total tax charge for the year

£million	2011	2010
Profit before tax from continuing operations	**31.8**	25.1
Profit before tax multiplied by the standard rate of corporation tax in the UK of 26.5% (2010: 28%)	**8.4**	7.1
Effects of:		
Items not deductible for tax purposes or income not taxable	**4.1**	1.1
Adjustment to current tax in respect of prior periods	**(0.1)**	(0.1)
Recognition and utilisation of previously unrecognised tax losses	**(4.2)**	(2.1)
Current year tax losses and other items not recognised	**0.2**	0.3
Overseas tax rate differences	**0.4**	0.4
Other timing differences – exceptional items	**(1.6)**	–
– other	**0.1**	–
Total tax charge reported in the income statement – continuing operations	**7.3**	6.7

The 2010 Emergency Budget and the 2011 Budget announced that the UK corporation tax rate will reduce from 28% to 23% over a period of four years from 2011. The reductions to 26% effective from 1 April 2011 and 25% effective from 1 April 2012 were substantively enacted on 29 March 2011 and 5 July 2011 respectively. As the rate change to 25% was substantively enacted prior to the year end, the closing deferred tax assets and liabilities have been calculated at this rate. The resulting charges or credits have been recognised in the income statement except to the extent that they relate to items previously charged or credited to other comprehensive income or equity. Accordingly, in 2011 £0.1 million has been charged directly to equity.

Had the further tax rate changes been substantively enacted on or before the balance sheet date it would have had the effect of reducing the deferred tax asset by £0.8 million.

9 Dividends

	2011 pence per share	2011 £million	2010 pence per share	2010 £million
Final dividend for prior year	**2.0**	**3.1**	–	–
Interim dividend for current year	**1.2**	**1.9**	0.8	1.2
	3.2	**5.0**	0.8	1.2

The Directors recommend a final dividend of 3.2p which when combined with the interim dividend of 1.2p gives a total dividend for the year of 4.4p per share. The Group's dividend policy is to increase dividends progressively whilst maintaining cover of at least two times underlying earnings per share. The final dividend will be paid on 8 June 2012 to shareholders on the register on 25 May 2012.

10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of shares in issue during the period. The weighted average number of shares in issue is 154.9 million (2010: 154.8 million).

Headline earnings per share is based on profit for the year from continuing operations before exceptional items and their associated tax effect.

Pence	2011	2010 (re-presented)
Basic earnings per share		
Continuing operations	**15.8**	11.9
Discontinued operations	**0.3**	4.8
Total	**16.1**	16.7

Pence	2011	2010 (re-presented)
Diluted earnings per share		
Continuing operations	**15.5**	11.9
Discontinued operations	**0.3**	4.8
Total	**15.8**	16.7

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

Headline earnings per share

£million	2011	2010 (re-presented)
Continuing operations		
Profit for the period attributable to owners of the Company	**24.5**	18.4
Exceptional items	**(2.3)**	(4.5)
Tax effect of exceptional items (see note 8a)	**(1.6)**	–
Headline earnings	**20.6**	13.9
Headline earnings per share (pence)	**13.3**	9.0

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

Million	2011	2010
Basic	**154.9**	154.8
Adjustment for share awards	**3.6**	–
Diluted	**158.5**	154.8

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11 Employee information

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

Number	2011	2010 (re-presented)
By function		
Production	**5,479**	5,258
Sales and distribution	**356**	474
Administration	**380**	351
	6,215	6,083
By division		
Components	**3,247**	3,255
Sensors	**1,092**	1,049
Integrated Manufacturing Services	**1,149**	1,062
Secure Power	**727**	717
Total continuing operations	**6,215**	6,083

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

£million	2011	2010 (re-presented)
Wages and salaries	**135.3**	119.1
Social security charges	**19.1**	20.5
Employers' pension costs	**2.1**	1.5
	156.5	141.1

Remuneration in respect of the Directors was as follows:

£million	2011	2010 (re-presented)
Emoluments	**1.8**	1.7

Further details of individual Directors' remuneration, pension benefits and share awards are shown in the Directors' remuneration report on pages 60 to 66. The 2010 comparative has been re-presented from £1.9 million to £1.7 million to exclude social security charges.

Key management personnel

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

£million	2011	2010
Short-term benefits	**3.8**	3.7
Post-employment benefits	**0.2**	0.2
Share based payments	**0.9**	–
	4.9	3.9

In accordance with IAS 24 "Related party disclosures", key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. Key management personnel comprise the Directors, Company Secretary, Divisional Chief Executives and other members of the Operating Board. Their compensation is considered and recommended to the Board by the Remuneration Committee.

Disclosures on Directors' remuneration required by the Companies Act 2006 and those specified for audit by the Directors' Remuneration Report Regulations 2002 are included in the Remuneration report.

12 Property, plant and equipment

£million	Land and buildings	Plant and equipment	Total
Cost			
At 1 January 2010	64.8	331.1	395.9
Additions	0.1	10.7	10.8
Disposals	(0.6)	(24.7)	(25.3)
Disposal of subsidiaries	(2.1)	(18.5)	(20.6)
Net exchange adjustment	(0.9)	(2.8)	(3.7)
At 1 January 2011	61.3	295.8	357.1
Additions	1.5	19.8	21.3
Disposals	(0.7)	(9.8)	(10.5)
Disposal of subsidiaries	(0.1)	(5.5)	(5.6)
Net exchange adjustment	(0.5)	(1.9)	(2.4)
At 31 December 2011	**61.5**	**298.4**	**359.9**
Depreciation and impairment			
At 1 January 2010	16.3	268.3	284.6
Depreciation charge	2.0	19.2	21.2
Impairment	0.4	–	0.4
Disposals	(0.3)	(24.2)	(24.5)
Disposal of subsidiaries	(0.4)	(15.4)	(15.8)
Net exchange adjustment	(0.3)	(2.0)	(2.3)
At 1 January 2011	17.7	245.9	263.6
Depreciation charge	2.5	14.4	16.9
Impairment	1.7	0.1	1.8
Disposals	(0.1)	(9.0)	(9.1)
Disposal of subsidiaries	–	(2.6)	(2.6)
Net exchange adjustment	(0.1)	(1.5)	(1.6)
At 31 December 2011	**21.7**	**247.3**	**269.0**
Net book value			
At 31 December 2011	**39.8**	**51.1**	**90.9**
31 December 2010	43.6	49.9	93.5

Included within land and buildings are two (2010: three) investment properties with a carrying value of £3.0 million (2010: £3.5 million). The fair value of these properties is £5.5 million (2010: £6.0 million).

The carrying amount of land and buildings includes £0.3 million (2010: £0.3 million) in respect of assets held under finance leases.

No borrowing costs were capitalised by the Group during the year (2010: £nil) as no significant qualifying assets commenced construction after 1 January 2010.

The depreciation charge for the year is allocated to continuing operations £16.6 million (2010: £20.0 million) and discontinued operations £0.3 million (2010: £1.2 million).

Notes to the consolidated financial statements

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13 Goodwill

	£million
Cost	
At 1 January 2010	65.9
Net exchange adjustment	1.0
At 1 January 2011	66.9
Net exchange adjustment	0.4
At 31 December 2011	**67.3**

Goodwill is attributed to the following operating company cash generating units in the divisions shown below:

	£million
Components:	
BI Technologies, USA	29.3
Optek Technology, USA	18.4
New Chapel Electronics, UK	3.4
Semelab, UK	2.3
Integrated Manufacturing Services:	
TT electronics integrated manufacturing services, USA	8.1
TT electronics integrated manufacturing services, Suzhou	5.1
Other	0.7

13 Goodwill (continued)

The Group tests goodwill impairment for each cash generating unit ("CGU") annually or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and operating cash projections during the period for which management have detailed plans. Management estimate discount rates using pre-tax rates that reflect current market assessments of the Group's time value of money and the risks specific to the CGU being measured.

As part of the annual budgeting and strategic review processes, the Group prepares cash flow forecasts for the following three years. The growth rate assumed after this three-year period is based on long-term GDP projections of the primary market for the CGU. The long-term projections used are based on GDP growth of 3.0% (2010: 3.0%). The growth rates assume that demand for our products remains broadly in line with the underlying economic environment in the long term future. Taking into account our expectation of future market conditions, we believe that the evolution of selling prices and cost measures put into place will lead to a sustained improvement in profitability which is higher than in recent years.

The pre-tax rates used to discount the forecast cash flows are:

	2011	2010
UK businesses	8.0%	8.3%
US businesses	10.5%	10.5%
Chinese business	11.5%	11.5%

Following detailed review, no impairment losses have been recognised in the current or prior year.

The goodwill allocated to each of BI Technologies, Optek Technology and TT electronics integrated manufacturing services USA are considered to be individually significant as they represent more than 10% of the Group's total goodwill carrying value. After translation using year end foreign exchange rates, these CGUs represent 83% or £55.8 million (2010: 83% or £55.3 million) of the total goodwill balance.

The recoverable amounts exceed the total carrying value of assets for the CGUs by the following amounts:

£million	2011	2010
BI Technologies	12.8	11.1
Optek Technology	13.8	12.6
TT electronics integrated manufacturing services, USA	11.2	0.8

The recoverable amounts associated with these goodwill balances have been determined on a value in use basis using conservative assumptions. A value in use test requires comparison of asset carrying values with pre-tax cash flows (which exclude any tax benefit). Furthermore, the value in use test ignores the related deferred tax liabilities which IFRS prevents from being included in any value in use calculation. Key assumptions and sensitivities are as follows:

Long-term growth rate

The budget and strategic review for these companies have been extrapolated in perpetuity using a long-term growth rate of 1.0% and discounted using the relevant entity discount rate. A key assumption in deriving the growth rate is that the businesses will grow in line with the underlying economic environment for the foreseeable future. Revenue would need to (contract)/increase annually by the following amounts for the carrying values to be impaired:

	2011	2010
BI Technologies	(0.6%)	(1.5%)
Optek Technology	(1.9%)	(5.6%)
TT electronics integrated manufacturing services, USA	(3.1%)	2.6%

Discount rate

Sensitivity analysis has determined that the discount rate of 10.5% in the US is an influential assumption on the outcome of the recoverable amount calculation. For the carrying values to be impaired, the discount rate would need to increase to the following amounts:

	2011	2010
BI Technologies	13.3%	13.1%
Optek Technology	15.9%	15.8%
TT electronics integrated manufacturing services, USA	16.6%	10.8%

Notes to the consolidated financial statements

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13 Goodwill (continued)

Cash flows

Sensitivity analysis has also been performed on the operating cash flow projections. Cash flows can be impacted by changes to sales projections, sales prices, direct costs and replacement capital expenditure. In order for the carrying value of goodwill for BI Technologies, Optek Technology and TT electronics integrated manufacturing services, USA to be impaired the expected cash flows for every year would need to reduce by the following:

	2011	2010
BI Technologies	**23%**	22%
Optek Technology	**36%**	36%
TT electronics integrated manufacturing services, USA	**41%**	4%

The Directors have not identified any other likely changes in other significant assumptions that would cause the carrying value of recognised goodwill to exceed its recoverable amount.

14 Other intangible assets

	Product development costs	Patents, licences and other	Customer relationships	Total
Cost				
At 1 January 2010	30.3	4.6	3.5	38.4
Additions	6.0	1.4	–	7.4
Disposals	(11.7)	(0.6)	–	(12.3)
Disposal of subsidiaries	(0.1)	–	–	(0.1)
Net exchange adjustment	(0.8)	–	–	(0.8)
At 1 January 2011	23.7	5.4	3.5	32.6
Additions	5.3	0.3	–	5.6
Disposals	(11.1)	–	–	(11.1)
Disposal of subsidiaries	(0.1)	–	–	(0.1)
Net exchange adjustment	(0.3)	(0.1)	–	(0.4)
At 31 December 2011	**17.5**	**5.6**	**3.5**	**26.6**
Amortisation				
At 1 January 2010	16.9	2.2	1.7	20.8
Charge for the year	8.9	0.4	0.3	9.6
Disposals	(11.7)	(0.2)	–	(11.9)
Disposal of subsidiaries	(0.1)	–	–	(0.1)
Net exchange adjustment	(0.5)	–	–	(0.5)
At 1 January 2011	13.5	2.4	2.0	17.9
Charge for the year	6.7	0.6	0.3	7.6
Impairment	0.6	–	–	0.6
Disposals	(11.1)	–	–	(11.1)
Disposal of subsidiaries	(0.1)	–	–	(0.1)
Net exchange adjustment	(0.1)	–	–	(0.1)
At 31 December 2011	**9.5**	**3.0**	**2.3**	**14.8**
Net book value				
At 31 December 2011	**8.0**	**2.6**	**1.2**	**11.8**
At 31 December 2010	10.2	3.0	1.5	14.7

15 Inventories

£million	2011	2010
Raw materials	**40.9**	40.2
Work in progress	**22.8**	21.8
Finished goods	**19.7**	19.4
	83.4	81.4

Inventories are stated after deduction of a provision for slow moving and obsolete items of £27.8 million (2010: £24.5 million).

16 Trade and other receivables

£million	2011	2010
Trade receivables	**69.1**	74.5
Prepayments	**9.5**	8.2
Other receivables	**7.0**	10.0
	85.6	92.7

Provisions for impairment in respect of trade receivables are shown in note 20(d)(ii).

Notes to the consolidated financial statements

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17 Trade and other payables

£million	2011	2010
Current liabilities		
Trade payables	**57.6**	61.7
Taxation and social security	**5.2**	3.6
Other payables, accruals and deferred income	**50.2**	47.6
	113.0	112.9

£million	2011	2010
Non-current liabilities		
Accruals and deferred income	**6.9**	5.4

18 Provisions

£million	Reorganisation	Environmental	Legal and other	Total
At 1 January 2010	6.6	0.1	2.4	9.1
Utilised	(5.5)	(0.1)	(1.7)	(7.3)
Arising during the year	–	–	1.3	1.3
At 1 January 2011	1.1	–	2.0	3.1
Utilised	(2.2)	–	(0.5)	(2.7)
Arising during the year	2.8	–	3.4	6.2
At 31 December 2011	**1.7**	**–**	**4.9**	**6.6**

The reorganisation provision in 2011 primarily relates to the restructuring programme associated with the closure of the Boone, North Carolina operations and is expected to be substantially utilised during 2012. The environmental provision is for 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 between current and non-current as follows:

£million	2011	2010
Non-current	**0.2**	0.1
Current	**6.4**	3.0
	6.6	3.1

The timing of the utilisation of these amounts is uncertain as they are subject to commercial negotiation and legal process in different jurisdictions.

19 Borrowings

£million	Maturity	Currency of denomination	Current	Non-current	Total
31 December 2011					
£60 million multi-currency club facility	**2013**	**GBP/USD**	**–**	**39.8**	**39.8**
AB Mikroelektronik GmbH loan	**2011**	**Euro**	**4.0**	**0.3**	**4.3**
Overdrafts			**10.7**	**–**	**10.7**
Finance leases			**0.1**	**0.2**	**0.3**
Loan arrangement fee			**(0.6)**	**(0.2)**	**(0.8)**
Total			**14.2**	**40.1**	**54.3**
31 December 2010					
£60 million multi-currency club facility	2013	GBP/USD	–	39.7	39.7
£10 million manufacturing fund loan	2013	GBP	–	10.0	10.0
AB Mikroelektronik GmbH loan	2011	Euro	4.2	–	4.2
TT Automotive Electronics (Suzhou) Co. Ltd loan	2011	CNY	0.6	–	0.6
AB Electronics (Suzhou) Co. Ltd loan	2011	CNY	0.5	–	0.5
Overdrafts			0.6	–	0.6
Finance leases			0.1	0.3	0.4
Loan arrangement fee			(0.6)	(0.7)	(1.3)
Total			5.4	49.3	54.7

19 Borrowings (continued)

In May 2010, the Group agreed a new committed facility of £60 million over three years to May 2013 with a club of four banks comprising HSBC, The Royal Bank of Scotland, Santander and Fifth Third Bank of the USA. This facility is made up of a term loan amount of £40 million and a revolving credit facility of £20 million. At 31 December 2011, the term loan was fully drawn down and the revolving credit facility was undrawn. The interest margin payable on the facility is based on the Group's compliance with certain covenants (net debt/EBITDA before exceptional items and EBITDA before exceptional items/net finance charges) and is payable on a floating basis above £LIBOR or $LIBOR depending on the currency of denomination of the loan. Of the £40 million drawn down, a 1% £LIBOR interest rate cap was taken out in June 2010 which limits the interest payable on £20 million of the borrowings.

In May 2010, the Group also agreed a £10 million fixed rate bi-lateral three-year manufacturing fund loan with The Royal Bank of Scotland. This loan was repaid in full in April 2011. Arrangement fees with an amortised cost of £0.8 million, gross cost before amortisation of £2.0 million, have been netted off against these borrowings in accordance with IFRS.

The loan in AB Mikroelektronik GmbH is an export facility loan and used for working capital purposes within that business.

The loans in AB Electronics (Suzhou) Co. Ltd and TT Automotive Electronics (Suzhou) Co. Ltd were both repaid in full in June and July 2011 respectively.

Undrawn facilities

At 31 December 2011, the total borrowing facilities available to the Group amounted to £102.3 million (2010: £110.7 million). At 31 December 2011, the Group had available £33.2 million (2010: £38.4 million) of undrawn committed borrowing facilities and £14.8 million (2010: £17.6 million) of undrawn uncommitted borrowing facilities, representing overdraft lines.

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20 Financial risk management

The financial information disclosed in the tables relating to the year ended 31 December 2011 represents continuing operations only.

The main risks arising from the Group's financial instruments are foreign exchange risk, interest rate risk, credit risk, liquidity risk and commodity price risk. These risks arise from exposures that occur in the normal course of business and are managed by the Group's Treasury department in close co-operation with the Group's business divisions and operating companies, under the oversight of a Treasury Committee which is chaired by the Group Finance Director. The responsibilities of the Group's Treasury department include the monitoring of financial risks, management of cash resources, debt and capital structure management, approval of counterparties and relevant transaction limits, and oversight of all significant treasury activities undertaken by the Group. The Group Treasury department operates as a service centre to the business divisions of the Group and not as a profit centre.

A Group Treasury policy has been approved by the Board of Directors and is periodically updated to reflect developments in the financial markets and the financial exposure facing the Group. The Group's Treasury and internal audit departments monitor compliance with the Treasury Policy on a regular basis.

The Group's principal financial instruments comprise borrowings, cash and cash equivalents and derivatives used for risk management purposes. The Group's borrowings, surplus liquidity and derivative financial instruments are monitored and managed centrally by the Group's Treasury department.

The Group's accounting policies with regard to financial instruments are detailed in note 2(w).

a) Derivatives, financial instruments and risk management

The Group uses derivative financial instruments to manage certain exposures to fluctuations in exchange rates, interest rates and commodity prices. The Group does not hold any speculative financial instruments.

The Group is exposed to transactional and translation foreign exchange risk. Transactional foreign exchange risk arises from sales or purchases by a Group company in a currency other than that company's functional currency. Translational foreign exchange risk arises on the translation of profits earned in overseas currencies into GBP and the translation of net assets denominated in overseas currencies into GBP, the Group's functional currency.

To mitigate transactional foreign exchange risk, wherever possible, Group companies enter into transactions in their functional currencies with customers and suppliers. When this is not possible, then hedging strategies are undertaken through the use of forward currency contracts for up to one year ahead.

The Group uses average rate forward currency hedges to mitigate translational foreign exchange risk taking into account the level of forecast profits in foreign currencies, natural hedges and the cost of taking out cover. During 2011, the Group took out average rate forward contracts hedging GBP against a portion of US dollar and Euro forecast cash flows for 2011 and 2012. In 2011, the Group broke even on the hedges that matured in 2011, and at 31 December 2011 the mark to market position of the 2012 hedges stood at a profit of £0.3 million which has been recognised in equity. The Group did not take out any average rate forward contracts in 2010.

In light of the current economic environment in the Eurozone economy, the Treasury Committee has undertaken an assessment of the sensitivity of the Group's Euro-denominated assets, liabilities and transactional activity to a variety of potential changes to the Eurozone economy and consequential impact on the Euro, and has considered the financial and operational consequences of such changes. Mitigating actions have been put in place through the use of GBP/Euro cash flow hedges to mitigate the impact of any downside risk arising from the Eurozone uncertainty and these hedges are constantly monitored by the Treasury Committee.

The Group's interest rate management policy is to maintain a balance between fixed and floating rates of interest on borrowings and deposits, and to use interest rate derivatives such as caps when appropriate. The Group holds a three-year 1% LIBOR interest rate cap on £20 million of borrowings which caps the interest payable on half of the Group's fixed-term floating club facility rate debt. The interest rate cap matures in May 2013.

In light of the significant commodity market volatility seen in the second half of the year, the Group commenced an exercise of evaluating commodity price hedging for the main base and precious metal exposures faced. These hedges were executed in January 2012 on a non-deliverable basis covering a portion of the maximum exposures for 2012.

The forward currency contracts and interest rate cap have been designated as cash flow hedges and the mark to market valuation of these derivatives at 31 December 2011 is taken to the hedging reserve within equity. At 31 December 2011, the Group had a net derivative financial liability of £6.4 million (2010: net derivative financial liability of £4.3 million).

Included within derivative financial liabilities is a cash settled put and call option associated with a minority interest in one of the Group's subsidiaries of £6.9 million (2010: £4.3 million). The option can be exercised by either party within a five year window commencing in September 2012. This has been accounted for under the anticipated acquisition method which results in the recognition of the liability at its fair value and the elimination of the minority interest. Changes in the fair value of the liability are reflected as a movement in reserves. An interest expense on the financial liability is recognised within finance costs in the income statement representing the unwinding of the discount factor.

20 Financial risk management (continued)

b) Foreign exchange risk

The Group's exposure to foreign currency is shown below:

£million	GBP	USD	Euro	Other	Total
31 December 2011					
Trade and other receivables	**0.3**	**5.1**	**2.3**	**2.6**	**10.3**
Cash and cash equivalents	**0.2**	**3.3**	**2.2**	**3.3**	**9.0**
Borrowings	**–**	**(6.4)**	**–**	**–**	**(6.4)**
Trade and other payables	**(0.8)**	**(5.6)**	**(1.4)**	**–**	**(7.8)**
	(0.3)	**(3.6)**	**3.1**	**5.9**	**5.1**
31 December 2010					
Trade and other receivables	0.4	13.1	3.7	3.3	20.5
Cash and cash equivalents	0.1	5.9	1.9	1.6	9.5
Borrowings	–	(6.4)	–	–	(6.4)
Trade and other payables	(0.8)	(11.5)	(2.4)	(2.7)	(17.4)
	(0.3)	1.1	3.2	2.2	6.2

A 10% strengthening of GBP against the following currencies at 31 December would have increased/(decreased) equity and profit after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2010.

£million	2011	2010
US dollar	**(0.2)**	0.1
Euro	**0.3**	0.3

A 10% weakening of GBP against the above currencies at 31 December would have had an equal but opposite effect on the above currencies to the amount shown above, on the basis that all other variables remain constant.

c) Interest rate risk

The Group has financial assets and liabilities which are exposed to changes in market interest rates. Changes in interest rates primarily impact borrowings by changing their future cash flows (floating rate debt) or their fair value (fixed rate debt) and deposits.

The exposure of the Group's financial assets and liabilities to interest rate risk is as follows:

£million	Floating rate	Fixed rate	Non-interest bearing	2011 total
Financial assets				
Trade and other receivables	**–**	**–**	**75.1**	**75.1**
Cash and cash equivalents	**52.5**	**17.0**	**–**	**69.5**
Derivative financial instruments	**–**	**–**	**0.5**	**0.5**
Total financial assets	**52.5**	**17.0**	**75.6**	**145.1**
Financial liabilities				
Borrowings	**(50.0)**	**(4.3)**	**–**	**(54.3)**
Trade and other payables	**–**	**–**	**(114.1)**	**(114.1)**
Derivative financial instruments	**–**	**–**	**(6.9)**	**(6.9)**
Total financial liabilities	**(50.0)**	**(4.3)**	**(121.0)**	**(175.3)**

At 31 December 2011, 8% (2010: 28%) of total debt was at a fixed rate and the balance was at floating rate. Of the floating rate borrowings of £50.0 million, £20.0 million has been hedged using an interest rate cap fixed at 1% until May 2013. Including the impact of the interest rate cap, 45% of the total debt was fixed at 31 December 2011.

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20 Financial risk management (continued)

£million	Floating rate	Fixed rate	Non-Interest bearing	2010 total
Financial assets				
Trade and other receivables	–	–	84.5	84.5
Cash and cash equivalents	33.8	11.0	–	44.8
Total financial assets	33.8	11.0	84.5	129.3
Financial liabilities				
Borrowings	(39.4)	(15.3)	–	(54.7)
Trade and other payables	–	–	(110.7)	(110.7)
Derivative financial instruments	–	–	(4.3)	(4.3)
Total financial liabilities	(39.4)	(15.3)	(115.0)	(169.7)

The interest charged on floating rate financial liabilities is based on the relevant benchmark rate (such as LIBOR). Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

Considering the net cash position of the Group at 31 December 2011, any increase in interest rates would result in a net gain in the consolidated income statement, and any decrease in interest rates would result in a net loss. The effect on profit after tax of a 1% movement in £LIBOR, based on the year-end floating rate net cash/(debt) and with all other variables held constant, is estimated to be £0.2 million (2010: £0.1 million).

d) Credit risk

Exposure to credit risk arises as a result of transactions in the Group's ordinary course of business and is applicable to all financial assets. Investments in cash and cash equivalents and derivative financial instruments are with approved counterparty banks and other financial institutions. Counterparties are assessed prior to, during, and after the conclusion of transactions to ensure exposure to credit risk is limited to an acceptable level. The maximum exposure with respect to credit risk is represented by the carrying amount of each financial asset on the balance sheet.

Credit risk relating to trade receivables

The Group's major exposure to credit risk is in respect of trade receivables. Given the number and geographical spread of the Group's ultimate customers and the solvency of major trade debtors, credit risk is believed to be limited. 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. The Group regularly monitors its exposure to bad debts in order to minimise this exposure.

The Group has strict procedures in place to manage the credit risk on trade receivables. Customer credit risk is managed by each operating company within a division but is subject to Group oversight to ensure that each division's customer credit risk management system operates in a prudent and responsible manner. Credit evaluations are performed for all customers and credit limits are established based on internal or external rating criteria. The credit quality of the Group's significant customers is monitored on an on-going basis, and receivables that are neither past due nor impaired are considered of good credit quality. Letters of credit or payments in advance are obtained where customer credit quality is not considered strong enough for open credit.

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 GBP which can be hedged using foreign exchange hedges.

There were no material impairments of trade receivables as at 31 December 2011 or 2010. The solvency of the debtor and their ability to repay the receivables were considered in assessing the impairment of such assets.

(i) Risk for trade receivables by geographical regions

The maximum exposure to credit risk for trade receivables at 31 December by geographic areas was:

£million	**2011**	2010
Europe (including UK)	**39.6**	44.3
North America	**9.3**	14.3
Central and South America	**11.2**	6.2
Asia	**8.0**	7.4
Rest of the World	**1.0**	2.3
	69.1	74.5

20 Financial risk management (continued)

(ii) Impairment losses

The ageing of trade receivables at 31 December was:

£million	2011 Gross	2011 Impairment	2010 Gross	2010 Impairment
Not past due	**50.5**	**–**	44.3	–
Past due 0–60 days	**15.2**	**(0.7)**	21.8	(0.1)
Past due 60–120 days	**4.1**	**(0.4)**	5.4	–
More than 120 days	**1.6**	**(1.2)**	4.5	(1.4)
	71.4	**(2.3)**	76.0	(1.5)

The movement in the provision for impairment in respect of trade receivables during the year was as follows:

£million	2011	2010
At 1 January 2011	**1.5**	1.7
Charged/(credited) to income statement	**0.8**	(0.1)
Businesses disposed	**–**	(0.1)
At 31 December 2011	**2.3**	1.5

(iii) Credit risk related to other financial assets and cash deposits

Credit risk relating to the Group's other financial assets, principally comprising cash and cash equivalents, other receivables and derivative financial instruments arises from the potential default of counterparties. Credit risk arising from balances with banks and financial institutions is managed by the Group's Treasury department. Investment of cash and deposits are made only with approved counterparties of high credit worthiness and are reviewed on a regular basis to take account of developments in financial markets.

No material exposure is considered to exist by virtue of the possible non-performance of the counterparties to derivative financial instruments and other receivables.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December was:

£million	2011	2010
Other receivables	**7.0**	10.0
Cash and cash equivalents	**69.5**	44.8
Derivative financial instruments (current assets)	**0.5**	0.4

e) Liquidity risk

The Group maintains a balance between availability of funding and maximising investment return on cash balances through the use of short-term cash deposits, credit facilities and longer term debt instruments. Management regularly reviews the funding requirements of the Group.

The Group's policy is to centrally manage debt and surplus cash balances.

At 31 December 2011, the Group had £33.2 million of undrawn committed borrowing facilities (2010: £38.4 million).

Maturity of financial assets and liabilities

The table below analyses the Group's financial assets and liabilities, which will be settled on a gross basis, into relevant maturity groups based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

£million	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2011						
Trade and other receivables	**–**	**71.2**	**3.8**	**0.1**	**–**	**75.1**
Cash and cash equivalents	**69.5**	**–**	**–**	**–**	**–**	**69.5**
Derivative financial instruments	**–**	**–**	**0.5**	**–**	**–**	**0.5**
	69.5	**71.2**	**4.3**	**0.1**	**–**	**145.1**
Borrowings	**(10.7)**	**0.1**	**(1.1)**	**(44.8)**	**–**	**(56.5)**
Trade and other payables	**–**	**(102.3)**	**(5.2)**	**(4.4)**	**(2.2)**	**(114.1)**
Derivative financial instruments	**–**	**–**	**(7.5)**	**–**	**–**	**(7.5)**
	(10.7)	**(102.2)**	**(13.8)**	**(49.2)**	**(2.2)**	**(178.1)**

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continued

20 Financial risk management (continued)

At 31 December 2011, the Group had derivative financial instruments hedging a notional contractual amount of £35.8 million, of which £15.8 million relates to foreign exchange cash flow hedges and £20 million to interest rate cash flow hedges. Of this total amount, £15 million matures within one year and £20 million matures between one and five years.

£million	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2010						
Trade and other receivables	–	84.5	–	–	–	84.5
Cash and cash equivalents	33.8	11.0	–	–	–	44.8
	33.8	95.5	–	–	–	129.3
Borrowings	(0.6)	(0.4)	(6.1)	(51.6)	–	(58.7)
Trade and other payables	–	(110.7)	–	–	–	(110.7)
Derivative financial instruments	–	–	–	(5.3)	–	(5.3)
	(0.6)	(111.1)	(6.1)	(56.9)	–	(174.7)

f) Fair value of financial assets and liabilities

The Group has adopted the amendment to IFRS 7 "Financial instruments: disclosures" for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements.

	2011		2010	
	Carrying value	**Fair value**	Carrying value	Fair value
Trade and other receivables	**75.1**	**75.1**	84.5	84.5
Cash and cash equivalents	**69.5**	**69.5**	44.8	44.8
Borrowings	**(54.3)**	**(54.2)**	(54.8)	(54.4)
Trade and other payables	**(114.1)**	**(114.1)**	(110.7)	(110.7)
Derivative financial instruments	**(6.4)**	**(6.4)**	(4.3)	(4.3)

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- cash and cash equivalents, trade and other receivables, trade and other payables approximate to their carrying amounts largely due to the short-term maturities of these instruments;
- the fair value of derivative financial instrument assets (£0.5 million) are estimated by discounting expected future cash flows using current market indices such as yield curves and forward exchange rates over the remaining term of the instrument (level 1 and level 2). The fair value of the derivative financial liability (£6.9 million) is estimated using risk-adjusted discounted future cash flow projections (level 3);
- provisions for cash payments are discounted back to their present value; and
- the fair value of borrowings is estimated by discounting future cash flows using rates currently available for debt and remaining maturities.

g) Capital management

The over-riding objectives of the Group's capital management policy are to safeguard and support the business as a going concern through the business cycle and to maintain an optimal capital structure by reducing the Group's overall cost of capital. The Board considers equity shareholders' funds as capital.

The Group maintains a balance between availability of funding and maximising investment return on cash balances through the use of short-term cash deposits, credit facilities and longer term debt instruments, and management regularly reviews the funding requirements of the Group.

Dividends are paid when the Board consider it appropriate to do so, taking into account the availability of funding. The Group's dividend policy is to increase dividends progressively whilst maintaining cover of at least two times underlying earnings per share.

The Group is in a net cash position of £15.2 million (2010: net debt position of £9.9 million). Included within the debt facilities are certain financial covenants related to net debt/EBITDA before exceptional items and EBITDA before exceptional items/net finance charges for which compliance certificates are produced on a 12 month rolling basis each quarter. All financial covenants were fully complied with during the year and up to the date of approval of the financial statements. There are no covenants under negotiation at present.

21 Deferred tax

The amounts of deferred taxation assets/(liabilities) provided in the financial statements are as follows:

£million	As at 1 January 2011	Continuing operations	Businesses disposed	Recognised in equity	Net exchange translation	As at 31 December 2011
Intangible assets	**(3.7)**	**(0.5)**	**–**	**–**	**–**	**(4.2)**
Property, plant and equipment	**(0.8)**	**(0.8)**	**–**	**–**	**–**	**(1.6)**
Deferred development costs	**(3.0)**	**0.6**	**–**	**–**	**0.1**	**(2.3)**
Retirement benefit obligations	**11.8**	**–**	**–**	**(2.3)**	**0.1**	**9.6**
Inventories	**2.8**	**(0.2)**	**–**	**–**	**0.1**	**2.7**
Provisions	**4.2**	**1.0**	**–**	**–**	**–**	**5.2**
Tax losses	**0.6**	**1.5**	**–**	**–**	**–**	**2.1**
Unremitted overseas earnings	**(0.8)**	**(0.4)**	**–**	**–**	**–**	**(1.2)**
Share-based payments	**0.7**	**0.3**	**–**	**0.3**	**–**	**1.3**
Short-term timing differences	**(0.6)**	**0.8**	**–**	**–**	**(0.1)**	**0.1**
Deferred tax asset/(liability)	**11.2**	**2.3**	**–**	**(2.0)**	**0.2**	**11.7**

£million	As at 1 January 2010	Continuing operations	Businesses disposed	Recognised in equity	Net exchange translation	As at 1 December 2010
Intangible assets	(3.7)	0.1	–	–	(0.1)	(3.7)
Property, plant and equipment	(2.5)	1.7	–	–	–	(0.8)
Deferred development costs	(4.0)	0.9	–	–	0.1	(3.0)
Retirement benefit obligations	5.6	(0.5)	–	6.6	0.1	11.8
Inventories	1.6	1.2	–	–	–	2.8
Provisions	2.5	1.6	–	–	0.1	4.2
Tax losses	0.1	0.5	–	–	–	0.6
Unremitted overseas earnings	(0.3)	(0.5)	–	–	–	(0.8)
Share-based payments	–	–	–	0.7	–	0.7
Short-term timing differences	(0.3)	(0.5)	0.2	–	–	(0.6)
Deferred tax asset/(liability)	(1.0)	4.5	0.2	7.3	0.2	11.2

The deferred tax movement recognised in equity in respect of retirement benefit obligations of £2.3 million arises due to a reduction in the substantively enacted UK tax rate (£0.8 million) and a reduction in the UK pension deficit (£1.5 million).

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances:

£million	2011	2010
Deferred tax assets	**21.0**	20.1
Deferred tax liabilities	**(9.3)**	(8.9)
Net deferred tax asset	**11.7**	11.2

At 31 December 2011, the Group had the following items for which no deferred tax assets have been recognised:

£million	2011	2010
Tax losses	**28.0**	26.0
Property, plant and equipment	**12.7**	16.1

Included within the £28.0 million (2010: £26.0 million) of unrecognised tax losses in the table above is £19.7 million (2010: £9.8 million) of tax losses within the Company. Since UK tax legislation does not allow the utilisation of brought forward tax losses of one UK entity against the current year tax profits of another UK entity, the use of these tax losses is therefore limited.

At the balance sheet date the aggregate unrecognised deferred tax liability in respect of undistributed earnings of subsidiaries is £nil (2010: £0.2 million).

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22 Retirement benefit schemes

Defined contribution schemes

The Group operates 401(k) plans in North America and defined contribution arrangements in the rest of the world. The assets of these schemes are held independently of the Group. The total contributions charged by the Group in respect of defined contribution schemes were £2.0 million (2010: £1.5 million).

Defined benefit schemes

The Group operates one significant defined benefit scheme in the UK and two overseas defined benefit schemes in the USA and Japan. All of these schemes are closed to new members and, in April 2010, the UK scheme was closed to future accrual following extensive consultation with affected employees being transferred into an enhanced Group defined contribution scheme. A one-off reduction in future liabilities of £4.3 million was recognised as an exceptional item in the consolidated income statement in 2010.

Following the UK Government's announcement in July 2010 to change the basis of statutory minimum indexation of occupational pension schemes from the Retail Price Index (RPI) to the Consumer Price Index (CPI), the Company communicated the impact of this change to affected members in 2011. This has resulted in a one-off reduction in the future liabilities of £7.5 million which has been recognised as an exceptional item within the consolidated income statement (see note 7).

The Company had reached agreement with the Trustee of the UK scheme for additional fixed contributions extending to 2016 based on the actuarial deficit at April 2007 and these arrangements have been confirmed under the actuarial valuation at April 2010. £3.2 million was paid in 2010, £3.5 million was paid in 2011 and further planned contributions amount to: 2012 £3.7 million; 2013 £3.9 million; then increasing by £0.2 million each year to £4.5 million in 2016.

The Group also operates defined benefit schemes in the United States and Japan. Actuarial valuations of the schemes were carried out by independent qualified actuaries in 2007 and 2010 using the projected unit credit method. Pension scheme assets are stated at their market value at 31 December 2011.

An analysis of the pension deficit by country is shown below:

£million	**2011**	2010
UK	**32.1**	38.6
USA	**3.1**	2.2
Japan	**0.3**	0.4
	35.5	41.2

The principal assumptions used for the purpose of the actuarial valuations for the Group's primary defined benefit scheme, the UK scheme, were as follows:

%	**2011**	2010
Discount rate	**4.7**	5.4
Inflation rate	**2.7**	3.5
Increases to pensions in payment	**2.5–3.2**	2.5–3.5

A decrease in the discount rate by 0.1% per annum increases the liabilities by approximately £6.8 million. An increase in the inflation rate of 0.1% per annum increases the liabilities by approximately £4.2 million.

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

%	**2011**	2010
Equities	**6.8**	7.4
Bonds	**4.1**	4.8
Gilts and swaps	**2.5**	3.4
Cash	**0.1**	0.1

22 Retirement benefit schemes (continued)

The mortality tables applied by the actuaries at 31 December 2011 were S1NA tables adjusted by + one year, with future improvements increasing in line with medium cohort with a 1% p.a. floor.

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

£million	**2011**	2010	2009	2008	2007	2006
Equities	**213.9**	199.8	190.0	174.7	182.0	187.8
Bonds	**78.6**	36.8	36.8	25.8	12.4	10.9
Gilts and cash	**26.9**	63.0	61.6	48.7	103.8	73.4
Swaps	**58.6**	38.5	18.1	33.9	–	–
Fair value of assets	**378.0**	338.1	306.5	283.1	298.2	272.1
Present value of funded obligation	**(413.5)**	(379.3)	(350.2)	(301.7)	(315.6)	(344.7)
Net liability recognised in the Consolidated balance sheet	**(35.5)**	(41.2)	(43.7)	(18.6)	(17.4)	(72.6)

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:

£million	**2011**	2010
Current service cost	**0.1**	0.3
Settlement/curtailment gain	**–**	(4.3)
RPI/CPI change to indexation	**(7.5)**	–
Interest on employee obligations	**20.0**	19.8
Expected return on pension scheme assets	**(19.0)**	(19.3)

Of the current service cost of £0.1 million (2010: £0.3 million), £0.1 million (2010: £0.2 million) is included in cost of sales in the income statement and £nil (2010: £0.1 million) is included in administrative expenses.

The actual return on schemes assets was a gain of £49.3 million (2010: £45.2 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 £36.3 million.

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

£million	**2011**	2010
Defined benefit obligation at 1 January	**379.3**	350.2
Current service cost	**0.1**	0.3
Interest on obligation	**20.0**	19.8
Scheme participant contributions	**–**	0.2
RPI/CPI change to indexation	**(7.5)**	–
Settlement/curtailment gain	**–**	(4.3)
Change in actuarial estimates and assumptions	**36.5**	31.8
Benefits paid	**(14.9)**	(18.7)
Defined benefit obligation at 31 December	**413.5**	379.3

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continued

22 Retirement benefit schemes (continued)

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

£million	2011	2010
Fair value of schemes' assets at 1 January	**338.1**	306.5
Expected return on schemes' assets	**19.0**	19.3
Excess of actual over expected returns	**30.3**	25.9
Contributions by employer	**5.5**	4.9
Contributions by employees	**–**	0.2
Benefits paid	**(14.9)**	(18.7)
Fair value of schemes' assets at 31 December	**378.0**	338.1

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

£million	2011	2010	2009	2008	2007	2006
Experience adjustments on schemes' liabilities	**(36.5)**	(31.8)	(44.5)	22.2	37.8	(6.2)
Experience adjustments on schemes' assets	**30.3**	25.9	15.8	(25.4)	0.5	9.4
	(6.2)	(5.9)	(28.7)	(3.2)	38.3	3.2

The Group expects to contribute approximately £3.7 million of additional fixed contributions to defined benefit schemes in the UK in 2012.

23 Share capital

£million	2011	2010
Issued and fully paid		
155,217,949 (2010: 155,124,724) ordinary shares of 25p each	**38.8**	38.8

During the year the Company issued 93,225 ordinary shares as a result of share options being exercised under the 2004 Approved Plan and Unapproved Plan and the Sharesave scheme. The aggregate consideration received was £0.1 million, which was represented by a £0.1 million increase in share premium.

24 Share-based payment plans

The Company has the following share-based payment plans in operation at 31 December 2011:

- Share option schemes, which are closed for future grants;
- Long Term Incentive Plans ("LTIP") for senior executives;
- Restricted Share Plan for certain senior executives; and
- Sharesave plans for UK, German and Austrian employees; and Share Purchase plans for US employees.

a) Share option schemes

Details of the share options outstanding during the year are as follows:

	2011		2010	
	Number of share options	**Weighted average exercise price (p)**	Number of share options	Weighted average exercise price (p)
At 1 January	**1,136,161**	**138.2**	2,618,043	135.3
Granted	**–**	**–**	–	–
Forfeited	**(140,818)**	**128.9**	(1,090,999)	140.9
Exercised	**(77,234)**	**145.0**	(171,929)	145.0
Expired	**(338,541)**	**186.1**	(218,954)	91.5
At 31 December	**579,568**	**115.9**	1,136,161	138.2
Exercisable at 31 December	**142,297**	**145.0**	234,595	145.0

24 Share-based payment plans (continued)

At 31 December 2011 options were exercisable over 579,568 (2010: 1,136,161) Ordinary shares under the Group share option schemes up to 2015. Subscription prices range from 80p to 165p with a weighted average of 115.9p and a weighted average remaining contractual life of 1.32 years (2010: 2.44 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 above the increase in the Retail Price Index over the same period.

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.

b) Long Term Incentive Plans

Details of the LTIP awards outstanding during the year are as follows:

	2011	2010
	Number of share awards	Number of share awards
At 1 January	**6,305,879**	5,458,293
Granted	**1,525,800**	1,846,920
Forfeited	**(291,811)**	(339,988)
Vested	**–**	–
Expired	**(930,121)**	(659,346)
At 31 December	**6,609,747**	6,305,879
Exercisable at 31 December	**–**	–

During 2010 and 2011 grants of awards were made under the LTIP for the issue of shares in 2013 and 2014 respectively. 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 require the achievement of earnings per share ("EPS") and total shareholder return ("TSR") targets as detailed in the Directors' remuneration report on page 62.

On 27 April 2011 and 18 October 2011, grants of awards were made under the LTIP for the issue of up to 1,490,800 and 35,000 shares in 2014. On 4 May 2010 and 24 September 2010, grants of awards were made under the LTIP for the issue of up to 1,781,178 and 65,742 shares in 2013.

The fair value of the shares was estimated at the grant date using a Monte Carlo simulation model, taking into account the terms and conditions upon which the shares were granted. This model simulates the TSR and compares it against the group of comparator companies. It takes into account historic dividends and share price fluctuations to predict the distribution of relative share price performance.

The following table lists the inputs to the model:

	2011		2010	
	Shares with a 18 October 2011 grant date	Shares with a 27 April 2011 grant date	Shares with a 24 September 2010 grant date	Shares with a 4 May 2010 grant date
Number of awards	**35,000**	**1,490,800**	65,742	1,781,180
Fair value at grant date	**126.0p**	**148.5p**	128.8p	94.1p
Share price at grant date	**149.8p**	**176.5p**	146.0p	105.0p
Exercise price	**£nil**	**£nil**	£nil	£nil
Expected volatility	**66%**	**66%**	68%	68%
Expected weighted average life at 31 December 2011	**2.9**	**2.3**	1.8	1.3

The award of shares is not affected by the risk free rate of interest since no investment is required by the recipient, and therefore no interest could be earned elsewhere. Expected volatility is based on historic share price movements.

On 27 April 2011, 113,000 (4 May 2010: 140,000) notional share awards were granted to senior executives which will ultimately be settled in cash. These awards are subject to the same vesting criteria as the 27 April 2011 (4 May 2010) LTIP grant.

The LTIP grants made in 2008 did not vest but the grants made in 2009 are forecast to vest in full based on the performance conditions.

Notes to the consolidated financial statements

continued

24 Share-based payment plans (continued)

c) Restricted Share Plan

On 24 September 2010, the Group granted 259,515 shares under a restricted share plan to certain senior executives. The award is a contingent right to receive shares with a three-year vesting period subject to continued employment with the Group and no performance conditions. Details of the restricted share plan awards outstanding during the year are as follows:

	2011	2010
	Number of share awards	Number of share awards
At 1 January	**259,515**	–
Granted	**–**	259,515
Forfeited	**–**	–
Exercised	**–**	–
Expired	**–**	–
At 31 December	**259,515**	259,515
Exercisable at 31 December	**–**	–

The fair value of the shares at grant date was 139.0p. On 24 October 2010, the Company purchased 259,515 shares at a cost of £0.4 million through an Employee Benefit Trust. These shares are dilutive for the purpose of earnings per share.

d) Sharesave schemes

The Group operates Sharesave schemes for participating employees in the UK, Germany and Austria under either a three-year or five-year plan. Employees may purchase the Group's shares at a 20% discount to the market price on the day prior to the commencement of the offer up to a maximum contribution value of £3,000 (UK) or €3,480 (Germany/Austria) in any one year. Monthly contributions are saved with LloydsTSB plc, via Equiniti Ltd, the Registrars, in the employee's share savings plan and will only be released to employees who remain in the Group's employment for a period of either three or five years from commencement of the savings contract. Options become exercisable on completion of either the three or five year term or within six months of leaving in certain circumstances.

	Date price set	Market price	Option price	Options outstanding
UK	3 September 2010	142.5p	114.0p	1,306,507
Germany/Austria	19 April 2011	169.0p	136.0p	130,801
UK	2 September 2011	162.0p	130.0p	288,204

The fair value of the shares at grant date was as follows:

	2011		2010	
Pence	UK	Germany/ Austria	UK	Germany/ Austria
3 year scheme	77.9	83.6	70.0	–
5 year scheme	87.5	93.9	79.0	–

Details of the Sharesave awards outstanding during the year are as follows:

	2011	2010
	Number of share awards	Number of share awards
At 1 January	**1,492,920**	–
Granted	**425,702**	1,492,920
Forfeited	**(177,119)**	–
Exercised	**(15,991)**	–
Expired	**–**	–
At 31 December	**1,725,512**	1,492,920
Exercisable at 31 December	**30,695**	–

On 26 September 2011 the Group launched a Stock Purchase Plan for participating US employees. Under the plan employees may purchase the Group's shares at a 15% discount to the market price at the date of acquisition, up to a maximum of $6,500 per annum. Employees save on a monthly basis and shares are purchased each quarter.

The total share-based payment charge for the year (excluding social security charges of £0.3 million) arising from the above share scheme plans was £1.7 million (2010: £0.3 million).

25 Hedging and translation reserves

£million	Hedging reserve	Translation reserve	Total
At 1 January 2010	(11.5)	38.7	27.2
Exchange differences on translation of foreign operations	–	2.1	2.1
Tax on exchange differences	–	0.1	0.1
Loss on hedge of net investment in foreign operations	–	(0.9)	(0.9)
Cash flow hedges	(0.2)	–	(0.2)
Foreign exchange loss on disposals taken to income statement	–	(1.7)	(1.7)
At 1 January 2011	(11.7)	38.3	26.6
Exchange differences on translation of foreign operations	–	0.9	0.9
Tax on exchange differences	–	0.1	0.1
Loss on hedge of net investment in foreign operations	–	(0.6)	(0.6)
Cash flow hedges	0.2	–	0.2
At 31 December 2011	**(11.5)**	**38.7**	**27.2**

26 Retained earnings

£million	
At 1 January 2010	86.3
Profit for the year	25.9
Fair value of minority put option	(3.5)
Dividends paid by the Company	(1.2)
Actuarial net loss on defined benefit pension schemes (see note 22)	(5.9)
Tax on actuarial amounts in pension deficit movement	8.1
At 1 January 2011	109.7
Profit for the year	25.0
Fair value of minority put option	(1.9)
Dividends paid by the Company	(5.0)
Actuarial net loss on defined benefit pension schemes (see note 22)	(6.2)
Tax on actuarial amounts in pension deficit movement	(2.3)
At 31 December 2011	**119.3**

Notes to the consolidated financial statements

continued

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

£million	Net cash	Borrowings and finance leases	Net (debt)/funds
At 1 January 2010	24.5	(81.4)	(56.9)
Cash flow	19.1	27.5	46.6
Non-cash items	–	(0.6)	(0.6)
Exchange differences	0.6	0.4	1.0
At 1 January 2011	44.2	(54.1)	(9.9)
Cash flow	14.8	11.0	25.8
Non-cash items	–	(0.5)	(0.5)
Exchange differences	(0.2)	–	(0.2)
At 31 December 2011	**58.8**	**(43.6)**	**15.2**

Net cash includes overdraft balances of £10.7 million (2010: £0.6 million).

28 Contingent liabilities

The Group has contingent liabilities amounting to £1.2 million (2010: £1.0 million) in respect of performance bonds and guarantees entered into in the normal course of business. The Group is subject to claims which arise in the ordinary course of business. Other than those for which provisions have been made and included within note 18, the Directors consider the likelihood of any other claims giving rise to a significant liability to be remote.

29 Capital commitments

£million	2011	2010
Contractual commitments for the purchase of property, plant and equipment	**9.7**	3.2

30 Operating leases

Operating lease payments charged to the income statement are as follows:

£million	2011	2010
Fixtures and equipment	**0.4**	0.3
Land and buildings	**2.7**	4.0

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

£million	2011	2010
In less than one year	**3.4**	3.3
Between one and five years	**9.6**	9.1
After five years	**1.8**	3.7

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.

31 Related party transactions

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

No related party transactions have taken place in 2011 or 2010 that have affected the financial position or performance of the Group.

Key management personnel and Directors' emoluments are disclosed in note 11.

Company balance sheet

£million	Note	2011	2010
Fixed assets			
Tangible assets	2	**3.1**	2.2
Investments	3	**119.7**	128.8
Deferred tax asset	11	**9.0**	11.1
		131.8	142.1
Current assets			
Debtors	4	**76.2**	59.5
Cash at bank and in hand		**1.3**	10.0
		77.5	69.5
Creditors: amounts falling due within one year	5	**(9.8)**	(10.2)
Net current assets		**67.7**	59.3
Total assets less current liabilities		**199.5**	201.4
Pension liability	10	**(32.1)**	(38.6)
Net assets		**167.4**	162.8
Capital and reserves			
Called up share capital	6	**38.8**	38.8
Share premium account	8	**0.5**	0.4
Profit and loss account	8	**128.1**	123.6
Shareholders' funds		**167.4**	162.8

Approved by the Board of Directors on 14 March 2012 and signed on their behalf by:

G Anderson
Director

S D Dasani
Director

Notes to the Company financial statements

1 Significant accounting policies

Basis of preparation
The financial statements of TT electronics plc (the Company) are presented as required by the Companies Act 2006 and have been prepared under the historical cost convention as modified by the revaluation of financial assets and derivatives held at fair value and in accordance with applicable United Kingdom accounting standards and law.

The following amendments to standards have been adopted in these financial statements for the first time. Adoption of these standards did not have a significant impact on the financial position and performance of the Company.

- The amendment to FRS 8 "Related party disclosures"; and
- The amendment to SSAP 25 "Segmental reporting".

There are no new standards or amendments to standards which are issued but not yet effective.

The principal accounting policies are summarised below and have been applied consistently throughout the current and prior year:

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 2 to the consolidated financial statements. The carrying values of fixed assets are reviewed for impairment when there is an indication that the assets may be impaired.

Investments
Fixed asset investments in subsidiaries are carried at cost less provision for impairment.

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 at the balance sheet date.

Pension costs
The Company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company.

Pension scheme assets are measured using market values. For quoted securities the current bid price is taken as market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme deficit is recognised in full with the movement in the scheme deficit being split between operating charges, finance items and, in the statement of total recognised gains and losses, actuarial gains and losses.

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
Certain employees of the Company receive part of their remuneration in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions). The cost of equity-settled transactions with employees is measured at fair value at the date at which they are granted. The fair value of share awards with market-related vesting conditions is determined by an external consultant and the fair value at the grant date is expensed on a straight-line basis over the vesting period based on the Company's estimate of shares that will eventually vest. The estimate of the number of awards likely to vest is reviewed at each balance sheet date up to the vesting date at which point the estimate is adjusted to reflect the actual outcome of awards which have vested. No adjustment is made to the fair value after the vesting date even if the awards are forfeited or not exercised.

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

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

Notes to the Company financial statements continued

1 Significant accounting policies (continued)

Own shares held by Employee Benefit Trust

Transactions of the Company-sponsored Employee Benefit Trust are treated as being those of the Company and are therefore reflected in the Company's financial statements. In particular, the trust's purchases of shares in the Company are debited directly to equity.

2 Tangible fixed assets

£million	Freehold land and buildings	Plant, equipment and vehicles	Total
Cost			
At 1 January 2011	2.9	0.8	3.7
Additions	–	1.1	1.1
Disposals	–	(0.6)	(0.6)
At 31 December 2011	**2.9**	**1.3**	**4.2**
Depreciation			
At 1 January 2011	0.8	0.7	1.5
Charge for the year	–	0.1	0.1
Disposals	–	(0.5)	(0.5)
At 31 December 2011	**0.8**	**0.3**	**1.1**
Net book value			
At 31 December 2011	**2.1**	**1.0**	**3.1**
At 31 December 2010	2.1	0.1	2.2

Freehold land and buildings includes freehold land with a carrying value of £0.6 million (2010: £0.6 million).

3 Fixed asset investments

£million	Subsidiary undertakings
Cost	
At 1 January and 31 December 2011	**129.4**
Provisions for impairment	
At 1 January 2011	0.6
Charge for year	9.1
At 31 December 2011	**9.7**
Net book value	
At 31 December 2011	**119.7**
At 31 December 2010	128.8

The Company's principal operating subsidiary undertakings and their locations 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 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.

The impairment charge for the year relates to the Company's investment in Automotive Electronic Systems Limited, an intermediate holding company.

4 Debtors

£million	2011	2010
Amounts falling due within one year		
Trade debtors	–	0.1
Amounts owed by subsidiary undertakings	**74.5**	57.8
Prepayments and accrued income	**1.7**	1.4
Corporation tax	–	0.2
	76.2	59.5

5 Creditors

£million	2011	2010
Amounts falling due within one year		
Trade creditors	**1.4**	0.5
Derivatives financial instruments	**–**	0.2
Amounts owed to subsidiary undertakings	**2.9**	3.3
Taxation and social security	**0.6**	0.5
Accruals and deferred income	**4.9**	5.7
	9.8	10.2

6 Share capital

£million	2011	2010
Issued called up and fully paid		
155,217,949 (2010: 155,124,724) Ordinary shares of 25p each	**38.8**	38.8

During the year the Company issued 93,225 Ordinary shares as a result of share options being exercised under the TT electronics plc 2004 Inland Revenue Approved Company Share Option Plan, the TT electronics plc 2004 Unapproved Company Share Option Plan and the Sharesave scheme. The aggregate consideration received was £0.1 million, which was represented by a £0.1 million increase in share premium.

7 Share-based payments

Details of share-based payments are shown in note 24 of the consolidated financial statements.

8 Reserves

£million	Share premium	Profit and loss account
At 1 January 2011	0.4	123.6
New shares issued	0.1	–
Actuarial net loss on defined benefit pension schemes	–	(5.6)
Tax on actuarial amounts in pension deficit movement	–	(2.4)
Share-based payments	–	1.7
Deferred tax on share-based payments	–	0.3
Dividends paid by the Company	–	(5.0)
Profit for the year	–	15.5
At 31 December 2011	**0.5**	**128.1**

9 Profit for the year

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its profit and loss account for the year. The profit after tax of the Company for the year was £15.5 million (2010: loss of £12.9 million). The auditor's remuneration for audit services is disclosed in note 6 to the consolidated financial statements.

Notes to the Company financial statements continued

10 Pension schemes

Defined benefit scheme

In October 2010 the Company agreed with the Trustee of the UK pension scheme to apportion the pension scheme liabilities from the participating employers to the Company. Further details of the UK defined benefit pension scheme are shown in note 22 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 are incurred. The total contributions charged by the Company in respect of the year ended 31 December 2011 were £0.3 million (2010: £0.2 million).

11 Deferred tax

The deferred tax asset of £9.0 million (2010: £11.1 million) is made up of an asset of £8.0 million (2010: £10.4 million), the movement of which has been recognised in equity in respect of the pension liability, and an asset of £1.0 million (2010: £0.7 million), the movement in which has been recognised in equity in respect of share-based payments.

At 31 December 2011, the Company had the following items for which no deferred tax assets have been recognised:

- Tax losses £19.7 million (2010: £9.8 million); and
- Property, plant and equipment £0.3 million (2010: £0.5 million).

12 Commitments under operating leases

Annual commitments under non-cancellable operating leases were as follows:

£million	Land and buildings	Other	2011 Total	Land and buildings	Other	2010 Total
On leases expiring:						
Within one year	–	0.1	0.1	–	–	–
Between two and five years	0.4	0.3	0.7	0.4	–	0.4
	0.4	0.4	0.8	0.4	–	0.4

13 Related party transactions

During 2011 and 2010, the Company did not have any related party transactions other than with wholly owned subsidiaries.

14 Principal operating subsidiaries

The principal operating subsidiaries are:

Components

International Resistive Company, USA, Barbados
BI Technologies, USA, Mexico
Optek Technology, USA, Mexico
Semelab Limited
AB Mikroelektronik GmbH, Austria
Welwyn Components Limited
AB Connectors Limited
AB Interconnect Inc, USA
New Chapel Electronics Limited
AB Electronics (Suzhou) Co Ltd, China

Sensors

AB Elektronik GmbH, Germany
AB Elektronik Sachsen GmbH, Germany
Padmini TT electronics Private Limited, India (51% owned)
AB Elektronik Sensors (Suzhou) Co Ltd, China

Integrated Manufacturing Services

TT electronics integrated manufacturing services 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
Ottomotores Comercializadora SA de CV, Mexico
Dale Power Solutions plc
Ottomotores Do Brasil Energia Ltda, Brazil

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

Five year record

£million (unless otherwise stated)	2011	2010[1]	2009	2008	2007
Revenue	**591.3**	555.5	463.5	584.3	544.9
Operating profit[2]	**34.2**	24.9	6.4	27.0	37.7
Profit before taxation[2]	**29.5**	20.6	0.8	21.1	33.3
Earnings/(loss)[2]	**20.6**	13.9	(1.8)	14.3	24.0
Earnings/(loss) per share (p)[2]	**13.3**	9.0	(1.2)	9.2	15.5
Dividends – paid and proposed	**6.8**	4.3	–	5.7	15.6
Dividend per share – paid and proposed (p)	**4.40**	2.80	–	3.69	10.05
Average number of shares in issue	**154.9**	154.8	155.0	155.0	154.9
Net cash/(debt)	**15.2**	(9.9)	(56.9)	(113.2)	(75.0)
Total equity	**191.4**	179.1	155.8	212.9	182.3

Notes

(1) Results for 2010 have been adjusted to exclude discontinued operations.

(2) Operating profit, profit before taxation, earnings and earnings per share are stated before exceptional items.

Shareholder information

Annual General Meeting

The Annual General Meeting will be held on 15 May 2012 at 11.30 am at the offices of Hudson Sandler Financial and Corporate Communications, 2nd Floor, 29 Cloth Fair, London EC1A 7NN.

Results

Announcement of 2012 half year results – late August 2012.

Preliminary announcement of 2012 results – mid March 2013.

Annual report 2012 – to be posted mid April 2013.

Dividends

For the year ending 31 December 2011, the Board has recommended a final dividend of 3.2p per share which will be paid on 8 June 2012 to shareholders on the register on 25 May 2012 (2010: 2.0p). An interim dividend of 1.2p per share was paid on 3 November 2011 (2010: 0.8p).

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 or call 0845 603 7037 between 8.30 am and 4.30 pm, 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 1.75 per cent with a minimum charge of £30.

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 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* (or +44 121 415 7047 if calling from outside the United Kingdom)
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

*UK calls to 0871 numbers are charged at 8p per minute from a BT landline. Other telephony provider costs may vary. Lines are open from 8.30 am to 5.30 pm, Monday to Friday.

Website

Information on the Group's financial performance, activities and share price is available at www.ttelectronics.com

Shareholder notes

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