WE SOLVE ELECTRONIC CHALLENGES FOR A SUSTAINABLE WORLD

TT Electronics plc
Annual Report and Accounts 2020

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OUR PURPOSE...

Our purpose

We solve electronic challenges for a sustainable world. TT engineers advanced electronics which benefit our planet and its people for future generations.

We focus on electronics that work reliably in challenging and performance-critical environments, helping our customers bring advances that benefit our planet and its people.

We apply our principles to ourselves, in the way we work and how we interact with our communities, and through the delivery of innovative products and services to our customers. The result is long-term sustainable value for our customers and suppliers, our people, communities, investors... and the planet.

We achieve this through the design, engineering and manufacture of our power, connectivity and sensing capabilities. These provide solutions that are cleaner, smarter and healthier. This is achieved through increased fuel efficiency of aircraft, smart city infrastructure for reduced energy usage and through the provision of healthcare solutions which support laboratory analysis, healthcare diagnostics and minimally invasive procedures.

Cautionary statement
This report contains forward-looking statements. These have been made by the Directors in good faith based on the information available to them up to the time of their approval of this report. The Directors can give no assurance that these expectations will prove to have been correct. Due to the inherent uncertainties, including both economic and business risk factors underlying such forward-looking information, actual results may differ materially from those expressed or implied by these forward-looking statements. The Directors undertake no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise

Cover photo
Our power, connectivity, and sensor technologies span the modern surgical suite and are used to help deliver therapy directly to patients. Learn more on pages 24 and 25.

… AND STRATEGY FRAMEWORK

Our strategy

We create sustainable value by:

Positioning ourselves in structural growth markets

Creating differentiated capabilities

Working with our customers to solve their toughest electronic challenges

We are exposed to megatrends which drive sustainable growth:

Cleaner
Climate change and resource scarcity

Smarter
Technological breakthrough and digital transformation

Healthier
Demographics and social change

TT designs and manufactures solutions which:

Improve energy efficiency
- Aircraft electrification
- Electric and hybrid electric vehicles
- Smart energy infrastructure

Ensure accuracy

Drive automation
- Smart city infrastructure
- Remote patient monitoring
- Factory automation and productivity

Improve patient outcomes
- Laboratory analysis
- Minimally invasive procedures
- Medical diagnostics

Our strategy is advanced through our five strategic priorities:

Strategic business development

R&D and value added product solutions

Operational excellence

Value-enhancing acquisitions

Building a sustainable business

Read more about our strategic priorities on pages 16 to 19

Our value creation is underpinned through engagement with our key stakeholders:

Customers and suppliers
We work with our customers and suppliers to turn ideas and design concepts into reality using our electronic engineering expertise and domain knowledge.

Employees
We reward our people financially, while enabling their personal development and protecting their health, safety and mental wellbeing.

Communities
We manage our activities to minimise our impact on the environment and we give back to the communities in which we work and live.

Shareholders
Our strategy is designed to enable us to create sustainable value over the long-term for our shareholders.

Read more about the value we create for stakeholders in our business model on pages 20 to 21 and also see the Board's relations with stakeholders on pages 54 to 57

We work with each other and our stakeholders according to our 'TT Way' values:

We do the right thing

We bring out the best in each other

We achieve more together

We champion expertise

We get the job done … well

DELIVERING SPECIALIST CAPABILITIES ACROSS THE GLOBE

Our divisions

Read more on pages 38 to 43

Power and Connectivity

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

Revenue

£125.1m **2019:** £138.2m

Change

(9)%

Adjusted operating profit[1]

£10.3m **2019:** £16.5m

Adjusted operating margin

8.2% **2019:** 11.9%

Global Manufacturing Solutions

The Global Manufacturing Solutions division provides manufacturing services and engineering solutions for our product divisions and to customers that often require a lower volume and higher mix of different products. We manufacture complex integrated product assemblies for our customers and provide engineering services including designing testing solutions and value-engineering.

Revenue

£197.5m **2019:** £213.2m

Change

(7)%

Adjusted operating profit[1,2]

£15.0m **2019:** £13.5m

Adjusted operating margin

7.6% **2019:** 6.3%

Sensors and Specialist Components

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

Revenue

£109.2m **2019:** £126.8m

Change

(14)%

Adjusted operating profit[1]

£9.4m **2019:** £15.3m

Adjusted operating margin

8.6% **2019:** 12.1%

1 See note 1c on page 129 for an explanation of alternative performance measures.

2The results for the year ended 31 December 2019 have been restated to reflect prior year adjustments. Further details are set out in note 1h on page 133.

Our markets

Read more on pages 30 to 37

Our target markets

25%

Healthcare

- Advanced surgical devices
- Imaging and direct patient care
- Laboratory automation and diagnostics

22%

Aerospace and defence

- Commercial and military aircraft
- Space and satellite
- Defence systems and vehicles

37%

Automation and electrification

- Automation and control
- Energy and smart devices
- Infrastructure

TT's other market is revenue through the distribution sales channel which accounts for 16 per cent of 2020 revenue.

You can visit us online at www.ttelectronics.com
You can also visit our Annual Report online at
www.ttelectronics/investors/investor-highlights/reports-presentations-videos/.com

Our global reach

38%
North and Central America
(% of Group revenue)

Employees
2,086

Primary locations
13

23%
United Kingdom
(% of Group revenue)

Employees
1,235

Primary locations
10

17%
Rest of Europe
(% of Group revenue)

Employees
20

Primary locations
1

22%
Asia and Rest of World
(% of Group revenue)

Employees
1,399

Primary locations
7

Total permanent headcount at 31 December 2020.
Revenue is by destination

Our capabilities

Read more on pages 24 to 29

Power
We design and manufacture customised, highly efficient power management devices

Target markets served
- Healthcare
- Aerospace and defence
- Automation and electrification

Connectivity
We help enable the Internet of Things

Target markets served
- Healthcare
- Automation and electrification

Sensing
We design and manufacture smart sensors

Target markets served
- Healthcare
- Aerospace and defence
- Automation and electrification

Manufacturing and engineering
We are a trusted global manufacturing partner

Since 2015 the Company has meaningfully improved operational execution, customer focus and re-shaped the portfolio. This strategy has increased the quality of the business and the focus on healthcare, aerospace & defence and automation & electrification markets. We believe our markets will remain highly relevant to customers going forward and some of the existing, favourable structural growth drivers we are seeing will accelerate.

Warren Tucker, Chairman

AS I COME TO THE END OF MY FIRST YEAR AS CHAIRMAN, I SEE MUCH TO BE OPTIMISTIC ABOUT ACROSS TT.

This is my first statement as Chairman of TT, having assumed the role on 6 May 2020, at the conclusion of the Annual General Meeting. This followed my joining the Board on 2 April 2020.

I am delighted to have the opportunity to be the Chairman of TT. It is an attractive business with really great prospects and excellent people and I am committed to its purpose-driven mission.

Being TT Chairman is a privilege, as TT is an attractive business with really great prospects and excellent people. It has differentiated technology in markets with structural growth drivers, and these have sustainability as a core theme. This is combined with deep domain knowledge and good, long-term customer relationships. I have been deeply impressed by the management team and the employees I have been fortunate to meet.

With all that said, my first year with the company has meant significant Board attention to address the unprecedented challenges presented by the COVID-19 outbreak. In particular, we have spent time considering how to mitigate the impacts of COVID-19, all the while prioritising the protection and wellbeing of our employees and communities, and supporting our customers. The Board has also overseen the Group's strong cost control and cash management activities, with a firm eye on enhancing TT's growth prospects.

I have also written to TT's largest shareholders and conducted introductory virtual meetings to suit their requirements. I look forward to meeting our shareholders face-to-face, when conditions allow.

Our COVID-19 response and trading
The Company has executed against its comprehensive plans to protect the safety and wellbeing, not just of our employees, but also our customers and partners, as well as our wider communities. Where necessary, and in compliance with local government requirements, vulnerable employees have been shielded.

Through the robust actions we have taken to keep employees safe, as well as our designated 'essential' business status across our businesses, we have remained largely operational through the year. All our sites are currently open. This has enabled us to continue delivering to customer requirements, thereby contributing to society's essential needs, including rapid-response work on various projects for COVID-19 solutions.

The Group has delivered a resilient performance in 2020, during a very challenging year for the global economy. This has had a significant impact on our results. As soon as the impact of COVID-19 on our markets was clear, we took decisive action to respond quickly and effectively to the COVID-19 outbreak. The impacts on the business have been mitigated, as a result of the swift actions taken to control costs and optimise cash. Increasing order intake from our sustainable markets, together with our increased production capacity as employees have returned to work, is driving an improving performance trend from the second half of 2020.

WHAT ATTRACTED ME TO TT

Sustainability driving growth

Attractive, expanding markets

Global customer and manufacturing footprint

Significant investment in technology differentiation

A culture of pride, high integrity and a can-do attitude

Experienced, high-performing management team

Employee safety first
Protecting our teams has remained our highest priority across all of our facilities. In Hartlepool, UK wall-mounted thermometers have been installed. A Red Cross flag flies high above the Mexicali, Mexico site, symbolising TT's dedication to safeguarding the health and safety of all employees through our robust COVID-19 prevention protocols.

Strategic progress

The Company has been pursuing its strategy since 2015 and this has been a key enabler of the performance in 2020. This strategy has increased the quality and resilience of the business, by divesting TT's more cyclical automotive business, and by increasing the focus on attractive healthcare, aerospace & defence and automation & electrification markets. Furthermore, we believe our focus markets will remain highly relevant to customers going forward and the existing, favourable market drivers will accelerate.

We have also further advanced our strategy during 2020. We have made two high quality acquisitions in the year, helping us move further up the value chain and they bring above Group average margins. These acquisitions have been rapidly integrated. We now have a growing market position and scale in the Power Solutions segment in North America and the opportunity to achieve the same in Europe. These acquisitions were funded with a combination of debt and new equity, consistent with our conservative approach to Group leverage. We have also delivered good progress against our self-help programme, which has the key aims of reducing TT's operational footprint and fixed cost base and ensuring products are manufactured in the right locations for optimal profitability and customer service. I make no apologies for saying once again: all this has been achieved in the context of the COVID-19 outbreak and the additional safety, access, travel and other constraints that this entailed.

The environment

The Board is aware just how important the environment is to all our stakeholders and it is mindful that we need to be a good custodian of the planet. TT's purpose, which was first set out in 2019, is to solve electronic challenges for a sustainable world. We have set out through this Annual Report and Accounts different examples of the ways in which we provide solutions and products for our customers that are cleaner, smarter and healthier.

The Board is also mindful that focusing on TT's own performance, as well as what it sells to customers, will also have a beneficial impact on the environment. Through 2020, the Board has overseen, both directly and through its People, Social, Environmental and Ethics Committee, a number of management initiatives to reduce our impact on the planet. For example, we now track carbon emissions (carbon dioxide tonnes equivalent) as a Group-level key performance indicator, including short-term carbon reduction targets, and we have a target of being a carbon neutral business (scope 1 and scope 2) by 2035. We are also targeting reductions in the amount of non-recycled plastic and waste we produce. Further details of TT's environmental initiatives and performance are set out on pages 64 to 69.

Building on this momentum, the Board intends to undertake a specific Climate Risk Assessment in 2021 and we will report the results as appropriate in next year's Annual Report.

The Board

There have been a number of changes to the Board in 2020. My predecessor, Neil Carson, stood down as Chairman on 6 May 2020 with Stephen King leaving the Board on 30 September 2020 after nine years' service.

Neil and Stephen served on the Board as Chairman and Senior Independent Director respectively through a period of great strategic and operational progress for TT Electronics. We are extremely grateful for the leadership, direction and

We solve electronic challenges for a sustainable world

Our focus on the design and manufacture of engineering electronics that perform reliably in challenging and performance critical environments helps our customers bring advances that benefit both our planet and its people, including offshore renewable energy projects.

20%

Reduction in carbon emissions (scope 1 & scope 2)

2035

Our target to be carbon neutral

Our employees have worked tirelessly and I have been greatly impressed with the overall culture of the organisation, which is consistent with the principles of the 'TT Way'.

insights provided through this time. They have left the Company a much stronger business and we thank them for their significant contributions.

In line with our succession planning, on 3 April 2020 Jack Boyer became Senior Independent Director with Anne Thorburn becoming Chair of the Audit Committee.

As a Board we take our governance responsibilities very seriously and believe these allow the Company to pursue its strategy with more pace and less risk. Our approach to our wide range of responsibilities is set out in the Chairman's introduction to governance on pages 72 to 75.

Dividend payment

Given the good recovery we are seeing and the positive outlook for 2021 and beyond, we are resuming dividends as planned, with the Board proposing a final dividend of 4.7 pence per share. The total cash cost of this dividend will be approximately £8.2 million. Payment of the dividend will be made on 21 May 2021, to shareholders on the register at 30 April 2021.

Our employees

As a Group, we could not achieve anything meaningful without the help and support of our employees. I have not been able to meet as many employees in person as I would have liked in my first year as Chairman, due to travel and other COVID-related constraints. However, I have made every use of technology to get to know as many as possible, as well as receiving employee feedback from the People, Social, Environmental and Ethics Committee. There is also a good level of Board engagement with employees overall, with further details of this on pages 54 to 55.

Despite the many COVID-related difficulties that this has entailed, our employees have continued to serve customer needs throughout the year. They have an abundance of technical expertise, deep domain knowledge and good customer relationships. More than this, however, they have shown themselves to be adaptable, working according to the new practices and controls we have introduced this year in response to COVID-19. Alongside this, they have also shown dedication, hard work and an ability to go beyond basic requirements in difficult conditions to get tasks done well and on-time.

TT has been an active participant in the fight against COVID-19, being involved in a range of projects through the year. These include vaccine refrigeration and ventilator products, and a COVID-19 screening device called Virolens®. We have funded technology investment during 2020 to provide the right products and services to support front-line staff and the broader community.

Our employees have worked tirelessly on these and other projects and I have been greatly impressed with the overall culture of the organisation, consistent with the principles of the 'TT Way'. Employees have also shown great commitment to our communities by voluntarily providing critical protective equipment to frontline staff. There is more detail on this on page 69. This can-do attitude has impressed the Board and we offer our appreciation and thanks for our employees' hard work and dedication through the year.

We achieve more together
Demonstrating excellent teamwork, 540 employees took just 80 minutes to piece together more than 50,000 stickers to create six pixel wall murals – each illustrating aspects of the TT culture during an annual team building event in Suzhou, China.

Looking forward

As I come towards the end of my first year as Chairman, I see much to be optimistic about across TT. The Group has successfully maintained and built on its traditional technical and domain strengths with investment in the business continuing. Solid strategic progress has been made and we can build on this for future success. The Group is positioned well to deliver on our growth priorities, based on strong technical, operational and customer foundations and we have significant bandwidth to do much more. When taken together, these provide the Board with great confidence in the Group's prospects.

Warren Tucker
Chairman
9 March 2021

CREATING SUSTAINABLE VALUE

Richard Tyson, Chief Executive Officer

Our purpose is to solve electronic challenges for a sustainable world. We design and manufacture solutions that enable a cleaner, smarter and healthier environment.

Throughout the year we have prioritised the protection and safety of our employees, our customers, our suppliers and our wider communities. We have greatly appreciated how our employees have responded to the challenges presented. Their skill, dedication and hard work, which they have constantly demonstrated in uniquely difficult conditions, have resulted in them going above-and-beyond to get things done well and on-time.

Introduction

Our purpose is to solve electronic challenges for a sustainable world. We design and manufacture solutions that enable a cleaner, smarter and healthier environment. We create value through supplying products and services that support sustainability in our target markets of healthcare, aerospace & defence and automation & electrification.

We bring out the best in each other
During uncertain times, TT's teams continued to support local communities. In Mexicali, Mexico the "Giving Something Back" programme provided two bags of food to each employee to be shared between family and neighbours to support the most vulnerable.

Environmental, social and governance ("ESG") matters are central to our purpose. We have received an improved rating of 'AA' in the MSCI ESG Ratings assessment, recognising our progress during the year. We have worked hard to reduce our scope 1 and scope 2 carbon emissions. These have decreased by 20% to 12,518 tonnes CO_2e in 2020 from 15,705 tonnes CO_2e in 2019. This improvement is due to our energy efficiency actions and increased use of green electricity as well as the lower production volumes in the year.

We started 2020 with good trading momentum prior to the COVID-19 outbreak. Although COVID-19 did impact trading, particularly in the second quarter, our performance has been on an improving trend in the second half and this has continued into early 2021. The improving trajectory is being driven by increasing order intake across all divisions, as well as our improved production capacity, as employees have returned to work. All sites are now open following a few temporary closures in the first half of 2020.

As a result of the longer-term impacts on society from the COVID-19 outbreak, we believe that many of the positive, structural trends already evident in our markets will accelerate. These include the digital transformation, increased automation, more demand for remote tracking of assets, a greater prevalence of connectivity and demand for improved healthcare. This gives us confidence in the strong prospects we see for TT.

Alongside a resilient trading performance, we have continued to execute our strategy. During the year we have invested £11.2 million in research and development ("R&D"), enhancing our pipeline of new products. We have also completed two acquisitions, Torotel, Inc and Covina, investing £48.7 million in total, including deferred consideration relating to a prior year acquisition. These acquisitions have advanced our power supply capabilities and market reach in the US. We are also on-track to deliver the £11-12 million of full run-rate benefits in 2023 from our investment in the self-help programme launched in the first half of the year. We are pleased with the progress made so far to deliver this significant programme which is an important component of our path to double-digit operating margins.

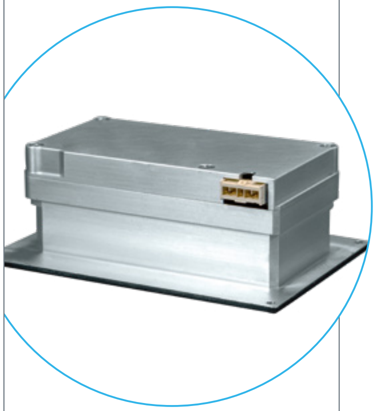
Throughout the year we have prioritised the protection and safety of our employees, our customers, our suppliers and our wider communities. We have greatly appreciated how our employees have responded to the challenges presented. Their skill, dedication and hard work, which they have constantly demonstrated in uniquely difficult conditions, have resulted in them going above-and-beyond to get things done well and on-time. Their flexibility, responsiveness and ability to deliver has strengthened and deepened many of our customer relationships. Together with our critical capabilities and balance sheet strength, this has positioned us well for future work and collaborations.

Results and operations

Group revenue for the year was £431.8 million, 9 per cent lower than the prior year at constant currency and 12 per cent lower on an organic basis. Organic revenue was 17 per cent lower in the second quarter against the comparable prior year period due to reduced demand as we shielded staff, reducing capacity. There were also temporary closures of a few sites. However, since then we have continued to see improving momentum across the business. Notably the recovery strengthened during the fourth quarter, when organic revenue was only 5 per cent lower than the prior year. We have seen further improvement at the start of 2021

DEVELOPING SUSTAINABLE PRODUCTS

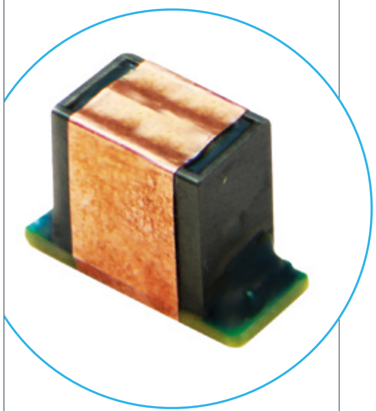
Cleaner



Smaller, lighter and more power efficient

Our smallest DC-DC power converter is lightweight, weighing less than 0.2kg. It is designed for use on unmanned aerial systems, where size, weight and power efficiency are critical considerations. Our design allowed our customer to reduce the overall volume and weight by around two-thirds in comparison to a standard sized transponder.

Healthier



Miniature product for implantable applications

Our high-voltage healthcare transformer has been redesigned to a customer's demanding requirements. We have successfully reduced the size of this tiny, implantable product to 6mm x 9mm x 10mm, and from six to two pieces while meeting enhanced performance expectations. Contained within an implantable cardioverter-defibrillator, the product can help patients with hereditary heart disease live for decades.

Cleaner and smarter

Low carbon and energy efficient technology

Our new S-2 CONNECT hub and sensor devices enable customers to deploy cost-effective smart home solutions, fast. It has achieved early success in a UK housing association's low-carbon and energy efficiency programme. It is helping to roll-out remote environmental monitoring and preventative maintenance solutions across thousands of new social homes in London.

"

We believe that many of the positive, structural trends in our markets will accelerate as a result of the longer-term impacts on society from COVID-19 and this give us confidence in an exciting future for TT Electronics.

This recovery trend has been underpinned by strong order intake across the Group through the fourth quarter of the year. This has continued into 2021 across all divisions. Order intake for full year 2020 was 99 per cent of revenue, and for the second half was 103 per cent of revenue. The order book at the end of February 2021 is at record levels.

TT has continued its focus on improved health through life-changing technology where demand for improved healthcare continues to be driven by increasing global incomes and ageing populations.

In recognition of the improving trends we have seen through the second half of the year and our strong cash generation, early in 2021 we repaid the UK Government Coronavirus Job Retention Scheme (furlough) payments to the UK Government. The £1.1 million cost of repayment has been provided for in these 2020 results.

Adjusted operating profit for the year was £27.5 million, 27 per cent lower than the prior year at constant currency. The second half adjusted operating margin was 6.5 per cent, including the accrued cost of the furlough repayment. After the impact of adjusting items, including restructuring and acquisition and disposal costs, the Group's full year statutory operating profit was £6.6 million.

During the year end close process, a 2019 non-cash timing adjustment was identified, associated with the timing of overhead recognition in one of our sites in Global Manufacturing Solutions. As a result of this adjustment the previously reported 2019 operating profit has been reduced by £1.9 million and 2020 operating profit is ahead of management's original expectations by a similar amount.

We are particularly pleased with our strong cash performance, delivering operating cash conversion of 130 per cent. This was driven by continuing tight control over costs and capital expenditure. In addition, there was a working capital inflow of £3.6 million, which included £4.2 million from a reduction in inventory. On a statutory basis, cash flow from operating activity was £28.2 million (2019: £35.9 million). Our strong operating cash performance helped us deliver increased free cash flow of £14.4 million (2019: £9.7 million), despite the impact of COVID-19 on our profits.

We ended the year with net debt of £83.9 million (2019: £69.1 million), including IFRS 16 lease liabilities of £15.9 million (2019: £17.6 million). We have a strong balance sheet, and this includes a defined benefit pension scheme fully funded on an actuarial basis. At 31 December 2020 leverage was 1.6 times (2019: 1.0 times), within the Board's target leverage range of 1-2 times.

Our return on invested capital has declined to 7.7 per cent in 2020 due to the volume driven profit reduction and this will recover as business momentum increases.

Our markets

We focus on creating value through our sustainable products in our target markets of healthcare, aerospace & defence and automation & electrification, where there are advanced technology requirements. We believe that many of the positive, structural trends already evident in our markets will accelerate as a result of the COVID-19 outbreak.

In healthcare (25 per cent of Group revenue) growth is driven by increasing global incomes leading to demand for improved healthcare, alongside ageing populations and new preventative care technologies. In 2020 the usual market trends have been impacted by the pandemic and we have supported new and existing customers to provide products to counter the virus. Pent-up demand for deferred elective surgery and for large installations for hospital or life science applications are expected to be supportive of growth over the next few years. COVID-19 has also reinforced the need for a number of TT specialisms, including interventional healthcare devices, patient monitoring and laboratory equipment.

In aerospace and defence (22 per cent of Group revenue) growth is driven by increasing demand for electrification of platforms, which supports fuel efficiency and safety as well as, over the longer term, increasing passenger numbers. Currently, with less passenger-driven demand due to COVID-19, commercial aerospace production has found a new, lower level. Rates are now largely re-set and we have proactively reduced our cost base to match. We anticipate a gradual recovery in aircraft production over several years, as long-term growth

Investment at the Minneapolis, Minnesota facility has enabled TT to remain at the very forefront of healthcare product development creating significant opportunity for the business moving forward.

resumes. The defence market has been seen by governments as an essential business activity through 2020. It has continued to show strong growth, with heightened global security tensions also remaining a driver behind spending. Our ability to design and manufacture smaller, lighter and more efficient products helps our customers improve efficiency and reduce carbon emissions, positioning us well in the market.

In automation and electrification markets (37 per cent of Group revenue), growth is being driven by factors including demand for sustainable solutions to improve energy efficiency, the use of robotics to improve productivity and the increasing use of remote asset tracking. There has been an improving demand trend in the second half of the year, with orders and visibility increasing. The positive long-term growth drivers in this market give us confidence that demand will increase for our power, sensing and connectivity solutions.

Read more on our markets on pages 30 to 37

Creating value through technology investment

R&D is one of our top capital allocation priorities, given its critical contribution to the ongoing health of the business. Our investment in R&D is focused on bringing higher growth, more sustainable products to market. These typically yield higher returns and development is often undertaken in partnership with our customers. Our investment strategy includes leveraging acquired complementary capabilities targeted through mergers and acquisitions (M&A).

During the year, we have continued to invest in line with our target of 5 per cent of product sales. Our R&D investment was £11.2 million (2019: £13.5 million), representing 4.8 per cent (2019: 5.1 per cent) of the aggregate revenue of our product businesses.

We continue to bring a pipeline of exciting new products to market, including in areas where we have extended our technical capabilities through acquisition. Examples include:

- Following two years of development, we received qualification orders at our Minneapolis, Minnesota site (Precision Inc, acquired in 2018) from a healthcare customer for a miniature high voltage transformer/inductor power assembly for an implantable defibrillator programme. Initial qualification examples are expected to be delivered in the second quarter of 2021. The product has been developed in close collaboration with the customer, with work undertaken at the customer's engineering laboratories;
- As a result of investment in a power supply for a ground-vehicle laser warning system, the product has been selected for a US military programme. This followed an initial approach from a long-standing customer. Deliveries will start in late 2021, as a result of successful live-fire demonstrations having been developed at our Covina, California site (acquired in January 2020). The product is based on an existing, proprietary TT design used across a number of airborne applications;
- We have launched a new range of metal foil sensor chips which offer improved surge tolerance and self-heating characteristics. These are intended to service the market for products that require control and monitoring of energy consumption, including healthcare, and automation and electrification applications.

During the year we were appointed exclusive manufacturing partner by iAbra for Virolens®, a rapid COVID-19 screening device. Evaluation trials of the product are continuing, and iAbra is making good progress with the regulatory approvals process. There continues to be a role for COVID-19 screening to complement the vaccination programme in the UK and elsewhere. Revenue to TT from the sale of Virolens® are dependent on potential end customers converting expressions of interest into firm orders and regulatory approvals in each relevant territory.

There continues to be a wide-range of potential commercial outcomes hence no certainty as to the financial impact on TT.

In addition, TT is part of the UK's Project High-T Hall, alongside Rolls-Royce, Paragraf and CSA Catapult. This project is intended to demonstrate how graphene-based Hall Effect sensors can operate reliably at high temperatures. This paves the way for more efficient electric engines for aerospace and other applications. The project, which started in July 2020, is expected to run for one year and is funded by UK Research and Innovation.

Read more on our capabilities on pages 24 to 29

Creating value through margin enhancement

The pursuit of higher margins through organic and inorganic growth remains core to the Group's strategy. Notwithstanding the short-term impact of COVID-19 on 2020 margins, we have a clear path to delivering double-digit operating margins with the improving trend expected to continue in 2021 and beyond. The actions we have taken this year bring the business closer to realising this, with key contributions expected from:

- Operational leverage from organic revenue growth;
- Reductions in overheads; and
- Inorganic expansion developing technology offerings and market positions.

Our significant self-help programme, which will reduce our footprint and fixed cost base, commenced in the first half of 2020. This has made very good progress. Initial programme benefits were £2 million in 2020, and these have helped to mitigate the slowdown in our end-markets. Incremental benefits of £5 million are expected in 2021, supporting margin improvement. There is a clear path to achieving the expected full run-rate benefits of £11-12 million in 2023.

The programme comprises a number of different activities. Given the COVID-19 related weakness in certain end-markets, we expanded the original programme to include additional headcount reductions across a number of sites. By the end of 2021 we will have also closed three primary operating sites, further improving efficiency.

The acquisition of the Torotel business broadens TT's power electronics capabilities and further expands the Company's presence in the US aerospace and defence market. The acquisition builds on the recently acquired Covina, California-based business unit.

In addition, we are taking certain products end-of-life in 2021, as well as relocating the manufacture of other products within our existing footprint. This will enable us to serve customers better, as well as achieve an improved level of profitability. Total net headcount reductions of around 500 employees are expected on completion of the programme. At the end of 2020 c.70% of the planned headcount reductions had been delivered.

We continue to anticipate total cash spend for the self-help programme of £18 million, of which £4.1 million was spent in 2020, including £2.5 million of capital expenditure. Restructuring spend of £1.6 million is net of the accelerated disposal for £3.0 million after costs, of our Lutterworth, UK freehold property. The total anticipated programme P&L expense remains at £24 million, with £12.9 million incurred in 2020. In addition to the cash costs, the P&L expense incorporates non-cash items, primarily asset and inventory write-downs and the impairment of intangibles.

Our acquisitions also contribute to higher margins. The acquisitions completed in the year, Torotel, Inc and Covina, the power supply business of Excelitas Technologies Corp. have brought with them operating margins above the TT Group average and we have reconfirmed our expectations for cost synergies.

Environmental, social and governance (ESG)

Not only do we develop, design, engineer and manufacture products that enable reduced environmental impacts, but we are also optimising our own operations to reduce our impact on the environment.

We have set ourselves a target to be carbon neutral by 2035 and we are undertaking a range of actions to deliver like-for-like reductions in our annual emissions. In 2020 we reduced our scope 1 and scope 2 carbon emissions by 20%. In addition, we are focusing on reducing single-use plastics within the business and on reducing the amount of waste we send to landfill. Our continuing progress on ESG matters has been recognised externally, having received an improved rating of 'AA' in the latest MSCI ESG Ratings assessment.

Read more on Our environment on pages 64 to 69

Inspiring the next generation of engineers

Science, Technology, Engineering and Mathematics (STEM) skills remain critical to the future of our company and the industry. As such, TT remains actively committed in helping develop these skills with employees encouraged to participate in charitable and community activities to engage and encourage more interest in STEM subjects.

Creating value from mergers & acquisitions

We use M&A to enhance TT's technology capabilities and market access, consolidating within the Group fragmented but valuable niche areas. We create value by realising revenue synergies, including leveraging customer access and by optimising operations and the supply chain. We invest in attractive, growing and higher margin segments that the Group knows well, and where we have competitive advantage.

This year we have bought two power supply businesses, the Covina (California) based power supply business of Excelitas Technologies Corp. (completed January 2020) and Torotel, Inc (completed November 2020), based in Olathe, Kansas. We have rapidly and effectively integrated these businesses and we are engaged in the robust pursuit of synergy opportunities.

Our most recent acquisition, Torotel, is another particularly strong fit with the Group's strategy. The acquisition has increased our scale and capabilities in the very large and attractive US defence market, and it has enhanced our US power electronics presence. Torotel has a track-record of strong revenue growth and brings opportunities to apply our proven operational improvement and integration capabilities to the business.

Following the successful integration of Covina earlier in the year, the integration of Torotel's systems and processes into TT's Power and Connectivity division has also been completed. Utilising our well-defined business integration model, this has integrated major business processes including operations, procurement, finance, legal, IT and human resources. This was completed against a backdrop of COVID-related travel restrictions and other constraints. We are proud of the team and our new Torotel colleagues for undertaking this complex task so quickly and in really difficult conditions.

> R&D is one of our top capital allocation priorities, given its critical contribution to the ongoing health of the business.

Our attention is now focused on creating value from improving operational performance and integrating the Torotel customer proposition more closely with our other businesses. This includes customer cross-selling, the integration of products from across the Group to provide higher-value customer offerings and leveraging our business development capabilities. Examples of the exciting opportunities we are seeing already are as follows:

- As a result of a Torotel customer introduction, TT is actively pursuing two significant new opportunities with a US defence prime;
- The newly combined TT and Torotel teams, are working with a customer on a specific opportunity to expand the power supply work currently undertaken by TT's recently acquired business based at Covina, California;
- Utilising it as a centre of excellence, Torotel has been introduced to an existing TT customer to expand the magnetics we currently provide.

The Precision business (acquired in 2018), based in Minneapolis, Minnesota, has also secured a thirty-month contract with a US defence prime for an alternator assembly. This order is the single largest in Precision's history, with production from October 2020. We continue to work on several other new and existing programmes with this customer.

We are continuing to look for opportunities to extend TT's technology capabilities and market reach.

Outlook

We started 2020 with good momentum prior to the COVID-19 outbreak which most impacted our trading performance in the second quarter. Since then our performance has been on a recovering trend, which has strengthened in the fourth quarter of the year. This trend has continued into 2021 on the back of increasing order intake across all divisions.

We believe that many of the positive, structural trends in our markets will accelerate as a result of the longer-term impacts on society from COVID-19. We see this in a number of areas, but especially in increasing demand for improved healthcare and an acceleration of digital transformation and connectivity. These factors, combined with the steps we have taken to enhance the quality of our businesses, our self-help programme and our record order book position us well for 2021 and give us confidence in an exciting future for TT.

Richard Tyson
Chief Executive Officer
9 March 2021

CHIEF EXECUTIVE'S Q&A

Richard Tyson, Chief Executive Officer

Q.

How much do you think TT has changed since you became Chief Executive Officer in 2014?

TT today is unrecognisable from the business I joined in 2014. We have significantly repositioned TT's portfolio of businesses. We sold the Transportation, Sensing and Control division in 2017 and we have re-invested the proceeds into high-quality acquisitions in aerospace and defence, healthcare and automation and electrification markets. We have increased the rate of investment in technology, with a focus on capabilities that help solve our customers' electronic challenges for a more sustainable world. We have established a Group culture of putting people first, of championing expertise and of getting the job done well. We have taken a more strategic approach to business development, encouraging collaboration and cross-selling. We have focused on our cost base and we have embarked on a self-help programme in 2020 which will reduce the number of operating locations in the Group, making us more efficient, as well as reducing our carbon footprint. While the COVID-19 outbreak has impacted our results in 2020, the result of our actions between 2015 to the end of 2019 has been to deliver good organic revenue growth, a doubling in the Group's operating margin and improved profits, all the while significantly enhancing the quality of the business. We are well-positioned to resume positive momentum.

TT works with some of the world's leading healthcare equipment developers and manufacturers where customers rely on an experience in high-precision and high reliability applications for the life-critical healthcare devices and equipment. Learn more on pages 24-25.

Q.

What are the drivers in your markets today that will underpin TT's future growth?

We have re-positioned the business in markets with attractive, sustainable, structural growth characteristics. For example, in healthcare markets our specialisms include telemedicine, device connectivity and remote patient monitoring capabilities. In automation and electrification markets these include robotics, factory automation, smart city infrastructure and remote tracking of assets.

Our technology is linked to sustainability and we create differentiated capabilities working with our customers to solve their toughest electronic challenges. In particular, we are all impacted by climate change and resource scarcity and TT can offer solutions which feed into global 'mega-trends'. In our aerospace and defence markets the proliferation of electronics is at the heart of fuel efficiency and safety. In our healthcare markets, we provide electronics for a healthier world and in our automation and electrification markets, we participate in the long-term trends towards lower power consumption, greater productivity and efficiency.

Q.

How important are environmental matters to TT?

We are passionate about ESG matters. We develop, design, engineer and manufacture products for our customers that help them reduce their environmental impacts and which also have significant, beneficial, social impacts for society – making our planet cleaner, smarter and healthier.

We are also optimising our own operations to reduce their impact on the environment. We have included carbon emissions within our Group KPIs for the first time in 2020 and we aim to be carbon neutral by 2035, with like-for-like reductions annually. In addition, we are focusing on reducing single-use plastics within the business and on reducing the amount of waste we send to landfill.

Q.

How would you summarise TT's performance in 2020?

We started 2020 with good momentum but there were COVID-19 related impacts in the first quarter at our Chinese operations and then, in the second quarter, at our other sites around the world. This had an immediate impact on our customers' operations as they faced restrictions and uncertainty, impacting and reducing our short-term order intake. However, our trading performance has been showing an improving trend through the second half of 2020 and into 2021, with the recovery strengthening in the fourth quarter of 2020. This has been driven by increasing order intake across all the divisions and good recovery in the market segments in which our customers operate.

We have also continued to implement our strategy and ensure we position the business for success as economies recover. We have invested £11.2 million during the year in R&D, in conjunction with our customers, which continues to enhance our new business pipeline of opportunity. We have also completed two acquisitions, investing a total of £48.2 million. We are also on-track to significantly improve our overhead efficiency and deliver in 2023 the full run-rate £11-12 million benefits from the self-help programme we launched in the first half of the year and we are really pleased with the progress made to execute this significant programme.

We provide value-added product solutions for our customers. We use our industry expertise and focused R&D to streamline supply chains, increase efficiency and bring newer smarter products to market. Learn more on pages 30-31.

At TT we understand the importance of our impact on the environment. Our sites are developing cleaner energy solutions to reduce CO_2 emissions, improving energy efficiency and minimising waste. Read more on pages 64-69.

Q.

What do you see as the main benefits to TT from the November 2020 Torotel, Inc acquisition?

Torotel is a business we have been following for a while, and the acquisition is consistent with our strategy. It increases our scale in the very large and attractive US defence and aerospace markets and enhances our position in US power electronics. Now that it is part of the TT family, I am even more enthused about what it brings us and what we can do to improve the business. Torotel comes with a track-record of strong revenue growth and we have built on this by cross-selling to our respective customers, as well as combining our product offerings to move up the value chain. We are already seeing new opportunities we can bring to Torotel, and we can also help improve its probability of winning work. Additionally, there are clear opportunities for us to apply our proven operational improvement capabilities to Torotel, increasing its margin and creating further value.

The acquisitions of Torotel and Covina extends TT's list of blue-chip US aerospace and defence customers, providing access to sole-sourced, multi-year positions on major platforms.

A

OUR STRATEGY

We create sustainable value through our:

Market focus
Positioning ourselves in structural growth markets

Product differentiation
Creating differentiated capabilities

Smarter solutions
Working with our customers to solve their toughest electronic challenges

We are delivering against this strategy by focusing on delivering against our five strategic priorities:

Priority	Why this is important
Strategic business development	We continue to see strategic business development as a key driver of future, sustainable revenue and profit growth. This involves cross-business and division collaboration and Group-wide targeting of key potential customers who have the 'right fit' for our business. Our business development strategy complements excellent delivery and customer service.
Research & Development	R&D is one of our top capital allocation priorities, given its critical contribution to the ongoing health of the business. Our investment is often undertaken in partnership with our customers, helping our customers address climate change and other sustainability issues by providing products that are cleaner, smarter and healthier. By investing in value-add products we are driving future revenue growth and enhancing our ability to move up the value chain, supporting an enhanced operating margin. Our investment strategy includes leveraging acquired complementary capabilities targeted through mergers and acquisitions.
Operational excellence	Aligned with our investment in innovation is the ability to conduct our operations efficiently, resulting in a reduced cost base and an enhanced operating margin. Operational excellence also enables us to deliver consistently to our customers, on time and on budget with appropriate levels of quality, meaning they will want to continue to place further orders with us.
Value-enhancing acquisitions	Targeted, complementary acquisitions help us to accelerate our strategy in terms of capability as well as market and customer exposure. Our disciplined financial approach and proven ability to integrate acquisitions enable us to create value, by exceeding our cost of capital. Our acquisitions also contribute to higher margins. bringing with them operating margins above the Group average.
Building a sustainable business	Sustainability is central to what we make for our customers – products that are cleaner, smarter and healthier. Sustainability is also central to the way we run our business. We seek to minimise our impact on the environment to the benefit of our stakeholders, including customers and suppliers, employees, communities and shareholders.

Highlights in the year	Future priorities	Link to KPIs
• We have navigated COVID-19 well with our performance on an improving trend through the second half of 2020, and this trend has continued into 2021 • A cross-Group Business Development Council has continued to ensure co-ordination between divisions to optimise our effort, including targeting the most promising customers • There has been continuing success from our cross-selling opportunities. The Global Manufacturing Solutions division has made customer introductions to other divisions, resulting in significant business wins. • The Covina based power supply acquisition, which was acquired in January 2020, has won a significant new contract. This is as a result of a TT customer introduction, and happened within a few months of acquisition	• Continuing focus on targeting the most attractive customer accounts • Develop our online and digital service delivery including technical support and virtual marketing of capabilities to customers • Continue to prioritise cross-selling opportunities between our divisions and businesses • In particular, we will seek optimise cross-selling opportunities from our recent acquisitions, including Torotel, Inc. with a pipeline of opportunities already being created	• Organic revenue growth • Adjusted operating profit margin • Adjusted EPS • Cash conversion • Return on invested capital
• We have continued to invest in line with our target of 5 per cent of product sales. Our R&D investment was 4.8 per cent (2019: 5.1 per cent) of the aggregate revenue of our product businesses • We have reassessed our investment in the context of those markets which remain most attractive in the shorter term, given demand pattern changes • We have supplemented our product design and development capability with the acquisitions of the Covina and Torotel businesses, helping us move up the value chain and enabling us to bring together our specialist capabilities from across the Group	• We will continue the focus around investment in our three capabilities of power solutions for aerospace and healthcare markets; connectivity for the Internet of Things; and specialist sensing capabilities • Our focus will continue to be on sustainability and market growth drivers, including electrification, digitisation, automation and connectivity • We will maintain a pipeline of new products focused on optimising our market potential in higher growth segments driven by a more sustainable world	• Organic revenue growth • Adjusted operating profit margin • Adjusted EPS • Cash conversion • Return on invested capital • R&D investment
• We quickly implemented COVID-19 specific safety protocols which, together with our essential business status, meant we remained largely open and operational through the year. There was only a limited impact on our capacity, in the face of COVID-19 and we continued delivering to customer requirements, while protecting the safety and wellbeing of our people and the wider community, as well as customers and suppliers • Our new, extended self-help programme commenced in the first half of 2020 and we are making good progress, with c. 70 per cent of planned headcount reductions completed and transfer activity on schedule to support the site closure timeline. The project is on schedule to deliver the expected £11-12 million of full run-rate benefits in 2023 • Our ongoing BE Lean activities continue and improve our efficiency around specific processes at site level	• We will continue our multi-year self-help programme and bring it to a successful conclusion • We will progress Torotel operational improvements, including investment in its operations • We will continue to progress our Group-wide Supply Chain Council activities • Our site level Lean Practitioners and BE Lean efficiency activities will continue in 2021	• Organic revenue growth • Adjusted operating profit margin • Adjusted EPS • Cash conversion • Return on invested capital • Safety performance • Engagement score • CO_2 equivalent (tonnes)
• We acquired the Covina (California) based power supply business of Excelitas Technologies Corp in January 2020 for a headline $17.7 million • We also acquired Torotel, Inc, based in Olathe, Kansas, in November 2020 for a headline $43.4 million • We continued to look for opportunities to extend our technology capabilities and market reach	• We will continue to drive superior returns from recent acquisitions • We will drive value creation opportunities, both revenue and cost synergies • We will drive cross-selling and other opportunities from all our acquisitions, which aids our efforts to beat the cost of capital • We will continue the further development and execution of our acquisition pipeline	• Organic revenue growth • Adjusted operating profit margin • Adjusted EPS • Cash conversion • Return on invested capital • CO_2 equivalent (tonnes)
• We have continued to invest in the business (see in particular R&D and operational excellence above) to design and manufacture value-add products that help customers provide more sustainable products and services • We have continued to drive our own sustainability strategy in the year, including setting targets for reduced CO_2 emissions, actions to improve our health and safety performance and enhanced safety procedures during the COVID-19 outbreak • We commenced a self-help programme which will result in the closure of three facilities, reducing our carbon footprint	• We will continue our multi-year self-help programme • We will continue with initiatives to reduce our carbon footprint in line with our pledge to be carbon neutral by 2035 • We will maintain investment in the business, consistent with our target, to develop new, sustainable products	• Organic revenue growth • Underlying operating profit margin • Underlying EPS • Cash conversion • Return on invested capital • Safety performance • Engagement score • R&D investment • CO_2 equivalent (tonnes)

OUR STRATEGY IN ACTION

Research & Development

Our investment is focused on sustainable markets with attractive growth characteristics, in line with our purpose which is to enable a cleaner, smarter and healthier world. During the year, we launched the new S-2 CONNECT (speed-to-connect) system, which has multiple applications including remote monitoring of energy, security, temperature and home healthcare. Our product has won its first contract which is to help a customer roll-out an energy-efficiency programme across a residential housing estate.

Strategic business development

We have continued to win new customers during the year, including:

- A contract for the provision of power supplies and other products, as well as manufacturing and fulfilment services, in the healthcare market. This contract support a new and novel imaging technology
- A multi-year contract with a new Asian customer to build assemblies for diagnostic healthcare equipment. The customer is seeing increased demand as a result of the COVID-19 outbreak.
- A multi-year contract for a range of electronics manufacturing services with a leading provider of renewable, wind-turbine energy products

Value-enhancing acquisitions

We acquired two power supply businesses in 2020, the Covina, California power supply business of Excelitas Technologies Corp. (completed January 2020) and Torotel, Inc (completed November 2020), based in Olathe, Kansas. We have rapidly and effectively integrated these businesses and we are pursuing cross-selling and other synergy opportunities with a good pipeline of potential opportunities already in place.

Our new Covina-based acquisition won, as a result of a cross-divisional team effort, a multi-year design and manufacture programme for a power converter on a US military aircraft. The work was won within a few months of TT gaining ownership.

Operational excellence

The Group's new self-help programme commenced in the first half of 2020. This multi-year programme further consolidates our production activities, optimises the location of manufacturing of certain product lines and is expected to deliver £11-12 million of full run-rate benefits in 2023.

Building a sustainable business

TT recognises that our activities have an environmental impact. As well as producing sustainable products for our customers we optimise our own operations to reduce their impact on the environment. Our goal is to be a carbon neutral business by 2035, with like-for-like annual reductions in our emissions. We are also committed to reducing our single-use plastics and the amount of waste we send to landfill.

HOW WE CREATE VALUE

What differentiates TT:

TT's differentiation arises from our deep domain knowledge and sustained investment in technology, allied with customer intimacy and an ability to deliver with flexibility

Our resources and relationships

Our people and culture

- Our people are at the heart of what we do
- They have deep experience of our chosen, specialist capabilities
- The 'TT Way' underpins the behaviours we encourage and by which we live every day, with the right culture being critical to our ability to deliver sustainably over time

See pages 58 to 63

Access to our customers

- We have excellent customer credibility, often working together with them over many years
- We have a model of working in partnership to solve electronic challenges
- We can provide differentiated capabilities to our customers

See page 11

Our business development organisation

- We have a Group-wide leadership approach through our Business Development Council that fosters inter-Group collaboration and promotes cross-selling
- We invest in training and tools to help increase our share of work with the most strategic customers, as well as bringing on board new customers by winning key contracts and programmes. This is through an enhanced approach to selling and partnering

See pages 16 to 17

Our engineering capability

- Through our customer intimacy, we can align our engineering resources to develop the right applications in the right markets - and at the right time
- We are aligned to structural growth trends and achieve advances in technology to bring into production sustainable products that will benefit the planet and its people
- We invest in our specialisms through product development, investment in our people and in our facilities

See pages 9 and 13

A global manufacturing footprint

- Our manufacturing footprint enables us to service a global customer base with a sustainable supply chain network
- It gives us flexibility to switch production between geographies, according to capacity, and customer requirements
- We are agile and flexible and focus on higher mix, lower volume work where there is a need for significant product customisation

See page 3

Our key resources and relationships

BUSINESS DEVELOPMENT AND CUSTOMER INTIMACY

- We seek out customers who value what we do and where we can add-value in markets that have long-term structural growth dynamics driven by sustainability. We seek revenue streams that are multi-year and recurring
- We develop a partnership approach with customers, working with them to solve their toughest electronic challenges
- We look for markets and customers where we can establish long term relationships. We seek to be being 'designed in', as it creates barriers to entry, as our components, products and engineering services are integral to customers' designs
- We foster collaboration internally, share opportunities and key customer account intelligence to enable improved probability of winning new business and securing future growth

MANUFACTURING AND DELIVERY

- We specialise in low volume and high mix products, that require multiple factory set-ups; this sets us apart from many competitors that specialise in higher volume, lower mix products
- We can serve a global customer base as we have facilities around the world that can cater for customers' needs in different geographic locations
- We are lowering our cost base through site consolidation, product optimisation and investment in operational excellence. This also reduces our carbon emissions over time, increasing the sustainability of the business

We leverage our attributes to unlock TT's potential and solve electronic challenges for a sustainable world by providing solutions for our customers that are cleaner, smarter and healthier. We contribute to lighter and more environmentally friendly aircraft, with increased fuel efficiency. Our products support smart city infrastructure, including smart metering technology which is driving reduced energy usage and we help improve health with a range of solutions, including laboratory analysis, minimally invasive surgical procedures, healthcare diagnostics and wearable devices.

RESEARCH & DEVELOPMENT

- We invest in R&D, often in partnership with customers, understanding this is critical to the health of our business as it brings new, advanced and sustainable products to market
- We look for single source and designed-in development opportunities where we can move up the value chain
- We operate in markets where our R&D investment makes a real difference, by bringing to market highly customised and complex products
- The critical nature of our markets often means obtaining complex regulatory approvals, requiring know-how and experience, resulting in barriers to entry
- We are known as being innovative and agile so we can bring new products to market quickly
- We have 11 R&D centres around the world that are the repository of our IP and specialist product development skills

ENGINEERING CAPABILITY

- We have deep domain knowledge in our markets: and years of experience solving electronic challenges
- We have a particular skill in our ability to package products, to make customers' end products smaller, lighter and less power consuming – which is key to our customers' fuel and energy saving products; this also aids the use of wearable and implantable devices in healthcare markets to improve health
- We invest in the business organically and inorganically so we can move up the value chain to engineer products, as well as components

Who are our stakeholders?

Customers and suppliers

We communicate regularly with customers and suppliers. For example, we undertake 'Voice of the Customer' feedback surveys to better understand our customers' views on what we do well and how we can improve.

We work closely with our key suppliers both at a site level and globally, to make sure they understand our needs and requirements and ensure our supply chain is as robust, efficient and sustainable as possible.

We engage with key suppliers, adopting a pragmatic approach so that we can achieve maximum benefit for both parties, within a clear framework of corporate responsibility.

Employees

We put in place a suite of comprehensive controls globally to protect our employees and their families from COVID-19, learning from our early experience at our Chinese facilities.

We have been benchmarked by Best Companies as a "2 Star" great place to work.

We have developed an Equality, Diversity and Inclusion strategy and Committee and ED&I business unit working groups to drive equality and diversity at a local level.

Our communities

We are contributing to improving the environment by reducing our carbon emissions by 20% in 2020. We have baselined our single-use plastic and waste to landfill in the year. We have actions in place to reduce all of these annually on a like-for-like basis.

Our global teams remain committed to giving back to their local communities, including participating in several COVID-19 support initiatives and STEM programmes through 2020.

Shareholders

Over the medium term the outcome of our business model has included organic revenue growth, an increasing underlying operating profit margin and good cash generation. This means we can invest organically and inorganically and generate an increasing EPS, which all helps to deliver an improving return on invested capital.

OUR KEY PERFORMANCE INDICATORS

KPI and description	Five-year performance chart	Why this KPI is important	2020 progress and medium-term target
Financial			
Organic revenue growth (%) The percentage change in revenue from continuing operations in the current year compared to the prior year, excluding the effects of currency movements, divestments and acquisitions. This measures the like-for-like growth or decline of the business.	**(12)%** **2019:** 4% **2020** (12)% 2019 4% 2018 6% 2017 5% 2016[1] 0%	Sustainable organic revenue growth is an important means by which value can be created. It reflects a combination of conditions in our markets and our success in gaining market share from serving our customers better.	Organic revenue was 12% lower reflecting the impact of the COVID-19 outbreak. There were lower volumes from commercial aerospace, automation and electrification and healthcare markets, although defence remained strong. Target: 3-5% organic revenue growth annually over the medium term.
Adjusted operating profit margin (%) Adjusted operating profit as a percentage of revenue.	**6.4%** **2019:** 8.0% **2020** 6.4% 2019 8.0% 2018 7.8% 2017 6.7% 2016[1] 5.5%	The adjusted operating profit margin is an indicator of our ability over the longer term to extract fair value from our products and services driven by a mixture of increasing revenue and an optimised cost base.	The adjusted operating margin was lower at 6.4% reflecting the impact of reduced sales volumes related to COVID-19 and associated operating constraints and inefficiencies. These were partlially offset by cost control and efficiency measures. Target: Double-digit margin by 2023.
Adjusted earnings per share (pence) The profit for the year attributable to shareholders excluding items not included within adjusted operating profit divided by the weighted average number of shares in issue during the year.	**11.7p** **2019:** 17.8p **2020** 11.7p 2019 17.8p 2018 16.2p 2017 10.9p 2016[1] 12.0p	Adjusted EPS is an important metric used by shareholders. It summarises the overall financial performance of the Group including revenue growth, operating margin, the cost of debt finance and the rate of underlying taxation.	Adjusted EPS was 11.7 pence, primarily reflecting the lower adjusted operating profit in the period. Target: Double digit adjusted EPS growth annually at constant currency over the medium term.
Cash conversion (%) Adjusted operating cash flow including capital expenditure, divided by adjusted operating profit.	**130%** **2019:** 103% **2020** 130% 2019 103% 2018 88% 2017 98% 2016[1] 87%	Cash conversion measures how effectively profit is converted into cash and, within this, reflects the management of working capital and capital expenditure. High levels of cash conversion aids investment in the business. It also enables the Group to provide increased returns for shareholders and supports a strong balance sheet.	Cash conversion increased to 130% as a result of the Group's proactive cash management with capital and development expenditure lower and a working capital inflow, including an inflow from inventory reduction. Target: 90%+ cash conversion annually over the medium term.
Return on invested capital Adjusted operating profit for the year divided by average invested capital for the year. Average invested capital excludes pensions, provisions, tax balances, derivative financial assets and liabilities, cash and borrowings. It is calculated at average rates taking into account monthly balances.	**7.7%** **2019:** 10.8% **2020** 7.7% 2019 10.8% 2018[*] 11.5% 2017[*] 10.6% 2016[1*] 10.3%	Return on invested capital is a measure of how efficiently the Group is utilising its assets, relative to profitability, in generating shareholder returns.	Return on Invested Capital declined to 7.7 per cent due to the volume driven profit reduction. Target: Exceed the cost of holding assets with year-on-year increases.

Our measures of success are aligned with our strategy and strategic priorities.

Alternative Performance Measure.
For further details see note 1c on page 129. The adjusted measures used are set out on pages 194 to 198.

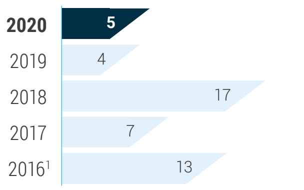
KPI and description	Five-year performance chart	Why this KPI is important	2020 progress and medium-term target

Non-Financial

Safety performance (number of three day lost-time incidents)

The number of work-place health and safety incidents that resulted in employees, contractors or visitors needing to be off work for three days or more.

5
2019: 4



Employee wellbeing lies at the heart of the "TT Way". A low number of Health and Safety incidents is one measure of how our safety performance, which potentially impacts employees, contractors and our communities generally, is succeeding relative to peers. It measures how well we are executing on our commitment to raise safety standards globally and is also linked to our operational performance.

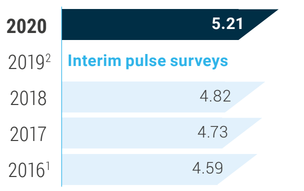
There was one more incident in 2020 compared to 2019 with the total in the year at five. This in part reflected COVID-related disruption to established processes and working practices through the year.

Target: Year-on-year reduction in incidents, ultimately leading to 'zero harm'.

Employee engagement score

Results from a third-party survey, Best Companies Ltd, which uses a scale of one (low) to seven (high) against eight success factors. Employee feedback is received anonymously.

5.21
2018: 4.82



Employee engagement lies at the centre of our strategy and is at the heart of the 'TT Way'. Having engaged employees is crucial to attracting and maintaining the talent we need to execute our strategy.

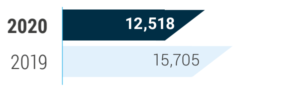
Our net employee engagement score has increased since 2018 to 5.21, with the company now being judged a "2 star" great place to work. This is an increase on the "1 star" received in the last survey.

Target: Survey-on-survey increase in the Group's engagement score over the medium term

Carbon dioxide equivalent (tonnes)[3]

The total amount emitted in tonnes for scope 1 and scope 2 (carbon dioxide equivalent), with further details on the calculation method set out on page 65.

20%
reduction since 2019



Data available from 2019 only.

We consider that the biggest impact we have on the environment from our operations is in respect of climate change. We have therefore included an emissions metric within our Group KPI's for the first time in 2020. This will be a measure of how we optimise our operations over time to reduce this impact.

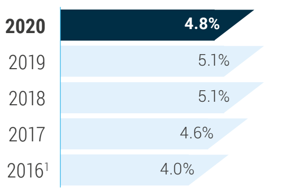
A decrease of 20 per cent in emissions (carbon dioxide equivalent – tonnes) in the year. This improvement is due to our energy efficiency actions and increased use of green electricity as well as lower production volumes in the year.

Target: Annual reductions, with the Group being carbon neutral by 2035.

R&D investment as a % of sales

R&D cash investment as a percentage of revenue. The metric excludes Global Manufacturing Solutions which is a manufacturing services business and which therefore has no R&D.

4.8%
2019: 5.1%



A sustainable level of R&D investment enables us to introduce new and innovative products that allow us to increase our revenue and deliver on our sustainability commitments to deliver cleaner, smarter and healthier products.

We have continued to invest in line with our target of 5 per cent of product sales. Our R&D investment, in the year, represented 4.8 per cent of the aggregate revenue of our product businesses. We continue to bring a pipeline of exciting new products to market, with further details on page 11.

Target: Maintain R&D investment at around 5 per cent of revenue annually over the medium term.

* Excluding IFRS16 impacts.
1 2016 not restated for disposal of the transportation business.
2 No employee engagement survey was undertaken in 2019.
3 New KPI, consistent with TT's 2019 Annual Report commitment to introduce sustainability targets within our Key Performance Indicators. Numbers only collected from 2019.

OUR CAPABILITIES IN ACTION

We design and manufacture products for high-reliability applications where the proliferation of electronics is driving demand for our power, connectivity and sensing capabilities.

Our products enable solutions that are cleaner, smarter and healthier – including in our target markets:

- Safer, more fuel-efficient aircraft operating in the most demanding conditions
- Smart city infrastructure and efficient factory automation
- Advanced healthcare devices and diagnostic innovations

Capabilities in action – Healthcare

HELPING SHAPE THE FUTURE OF HEALTHCARE

The world's leading healthcare equipment innovators rely on us for their therapy driven, safety-critical electronics. Our power, connectivity, and sensor technologies span the modern surgical suite; from patient monitoring and therapeutic devices to surgical navigation and diagnostic equipment.

Our electronic components and assemblies are used in surgical navigation systems to help deliver therapy directly to patients during minimally invasive procedures, as well as in implantable devices and other external applications that require high reliability power and sensor-enabled communication.

Advanced interventional and surgical devices

We design and manufacture custom electromagnetic components and subassemblies used in surgical navigation systems to help deliver therapy during minimally invasive procedures, as well as in implantable devices. Our products support:

- Surgical navigation equipment for resection and ablation
- Implantable pacemakers and defibrillators
- Neuromodulators
- Implant programmers and chargers
- Transcutaneous energy transfer systems
- Left ventricular assist and transcranial magnetic systems

Direct patient care and monitoring

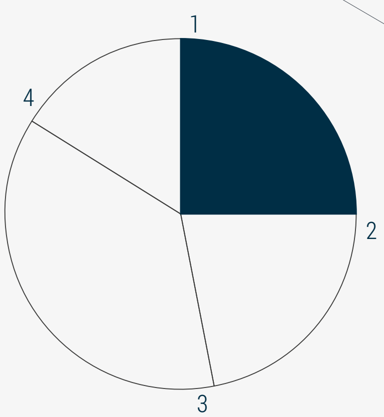
The increasing global population is driving demand for advanced preventative and life-saving healthcare treatment. Our sensor technologies, power supplies and electronic subsystems can be found across many critical healthcare devices supporting hospital patients including:

- Patient monitoring equipment
- Surgical lighting
- Cardiopulmonary perfusion equipment
- Ventilators

Innovative diagnostics and imaging

TT provides design and manufacturing solutions for a range of the most innovative diagnostic and imaging equipment, critical to the identification, treatment and prevention of disease. Our specialised components and electronic assemblies support:

- Ultrasound, x-ray and MRI machines
- Radiotherapy equipment for cancer treatment
- Sensor-enabled diagnostic devices



25%

of Group revenue

Our market breakdown

1– Healthcare	●
2– Aerospace & Defence	○
3– Automation & Electrification	○
4– Other	○

Capabilities in action – aerospace and defence

MISSION-CRITICAL SYSTEMS FOR SAFE FLIGHT

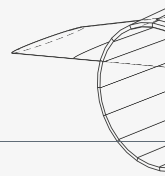
From cockpit displays to fuel pumps and defence systems, our aircraft solutions enable peak performance and reliability under the harshest and most demanding conditions.

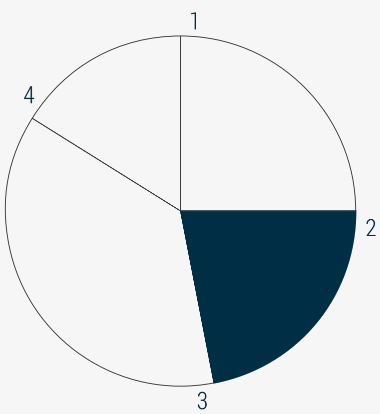
Our products provide performance, size, weight, and efficiency benefits for applications such as power conversion, actuation and control for mission-critical systems where our solutions support a broad range of military and commercial platforms globally.

Precision guidance and defensive aids systems

Precision guidance systems are designed to hit the intended target consistently thereby minimising collateral damage. Defensive aids protect military aircraft from attack by collecting and communicating information from a range of sensors to provide situational awareness and timely warning of threats. Our **power modules, magnetics, and electronic assemblies** are used in:

- Laser targeting and inertial navigation systems
- Precision guided weapon power supplies
- Radar jammers





22%

of Group revenue

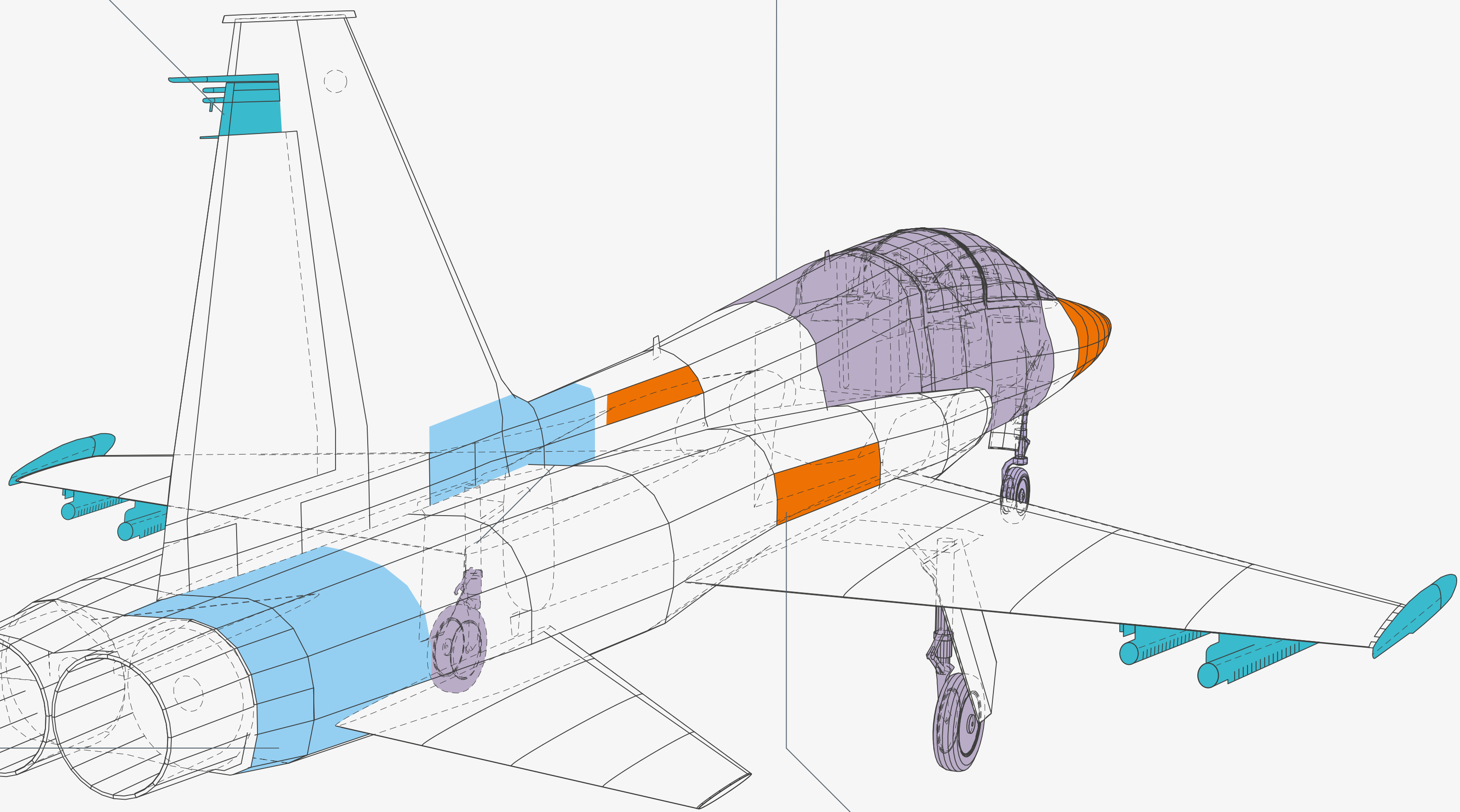
Our market breakdown

- 1– Healthcare
- 2– Aerospace & Defence
- 3– Automation & Electrification
- 4– Other

Engine controls and fuel systems

Engine controls and fuel systems rely on a range sensors, electromagnetics and high-power actuation technologies; these work together to optimise fuel management and engine performance throughout flight. We provide **power conversion, magnetics, sensors and electronic assemblies** for:

- Fuel systems
- Engine ice protection
- Auxiliary power units



Cockpit avionics and flight controls

Flight safety depends on command and control systems centred on the cockpit, from digital displays to flight controls and information management systems. We manufacture **complete electronic assemblies, custom power modules and electronic components** used in:

- Avionics display units
- Flight control power supplies
- Engine controls and landing gear

Communication, navigation and radar systems

Aircraft communication and navigation systems provide the foundation for safe flight and enable secure, tactical data transmission across multiple critical functions – ranging from weather radar to precision navigation and early warning systems. We provide **DC-DC power conversion, electromagnetics and components** found within:

- Global positioning systems (GPS)
- Radar systems
- Communications, navigation and identification

Capabilities in action – automation and electrification

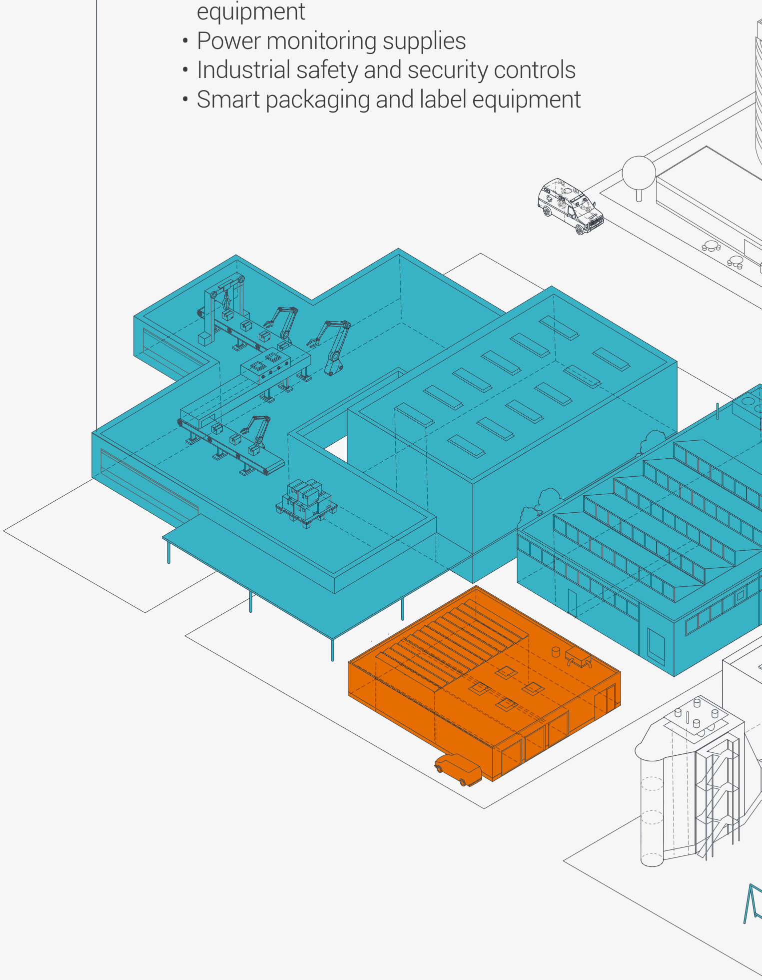
ENABLING SMARTER CITIES TO IMPROVE LIVES

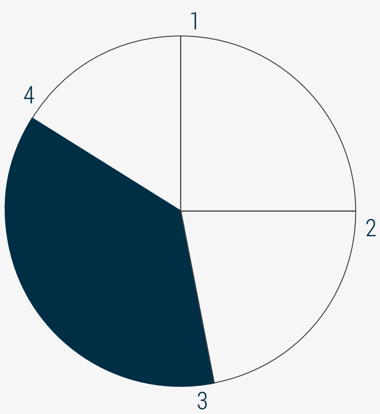
We design and manufacture electronics that support the increased demand for automation and electrification. From clean energy and smart home applications to more efficient factory equipment and connected asset tracking, our power, connectivity, and sensor technologies enable innovations that contribute to a smarter, cleaner, and healthier world

Factory automation and electrification

We manufacture a range of specialised electronic components and assemblies found in:

- Industrial robotics and automation equipment
- Power monitoring supplies
- Industrial safety and security controls
- Smart packaging and label equipment



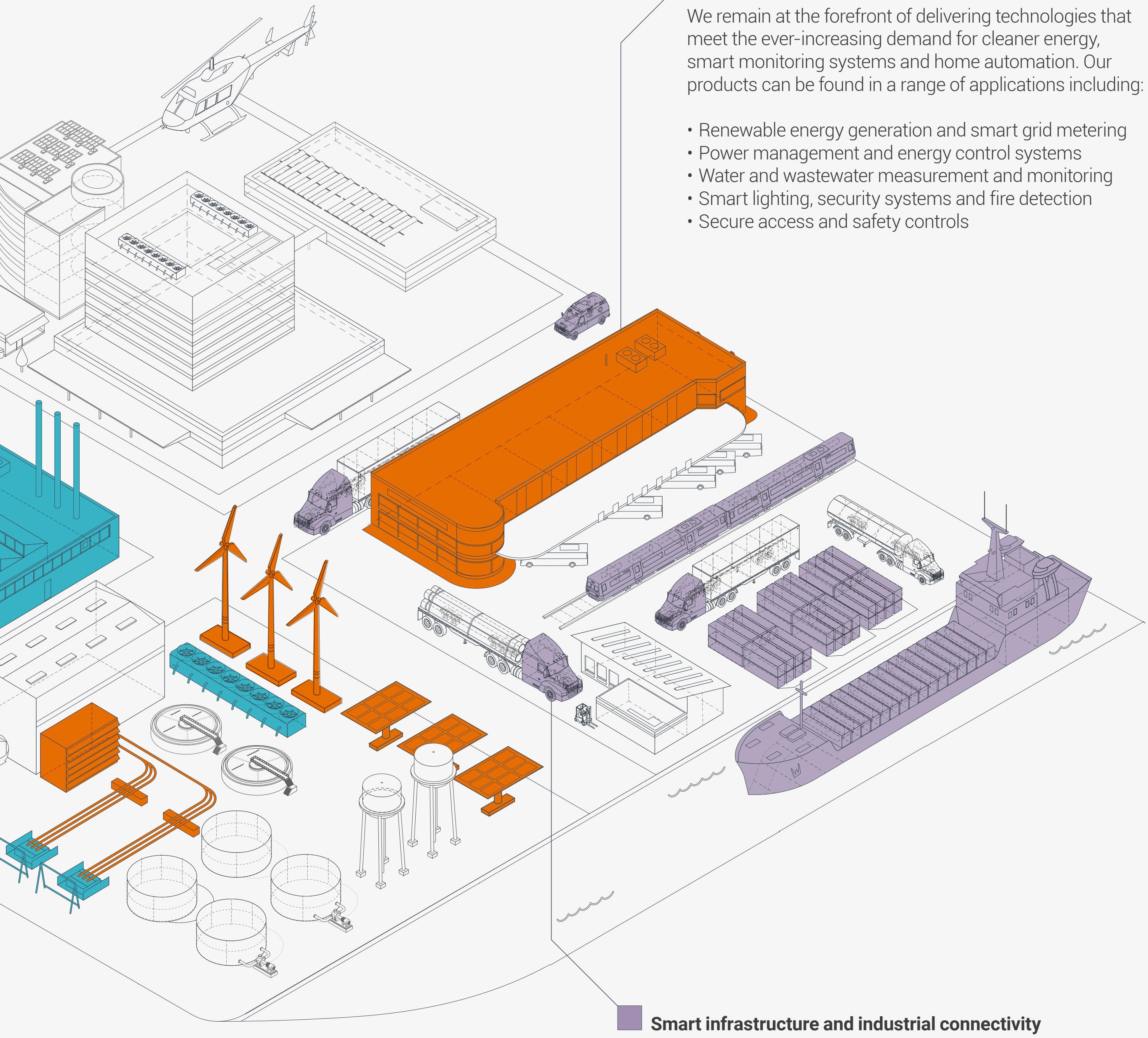


37%

of Group revenue

Our market breakdown

1– Healthcare	○
2– Aerospace & Defence	○
3– Automation & Electrification	●
4– Other	○



Clean energy and smart cities

We remain at the forefront of delivering technologies that meet the ever-increasing demand for cleaner energy, smart monitoring systems and home automation. Our products can be found in a range of applications including:

- Renewable energy generation and smart grid metering
- Power management and energy control systems
- Water and wastewater measurement and monitoring
- Smart lighting, security systems and fire detection
- Secure access and safety controls

Smart infrastructure and industrial connectivity

Some of the world's largest, and most advanced transportation systems are powered and connected by our electronic solutions. Our products support:

- Transportation communication systems
- Railway signalling systems and temperature control
- Asset tracking and inventory management systems
- Communication and cloud service connectivity

ATTRACTIVE GROWTH OPPORTUNITIES

Critical market | **Trend description**

Healthcare

Read more on pages 32 to 33

5-7% **Medium term market growth to 2024 (CAGR)**

2020 has proven the importance and critical need globally for better technology and more efficient ways to serve healthcare patients. The market for healthcare electronics is growing strongly, driven by an increasing global population, higher numbers of older people and therefore heightened demand for advanced treatments. The United Nations forecasts that the world's population is expected to increase to c.10 billion people by 2050, accompanied by a doubling of people over the age of 65[1] which will lead to increased demand for healthcare. In the shorter term, we believe that the focus on COVID-19 treatments has created pent up demand for deferred elective surgeries and equipment. In the longer term, the COVID-19 outbreak has demonstrated the potential of telemedicine and will drive the need to accelerate capabilities through device connectivity and remote patient monitoring. To become more efficient, healthcare device manufacturers have continued to outsource aspects of device manufacturing. This market is expected to reach $98 billion by 2027 and have a CAGR of c.11 per cent from 2020 to 2027.[2] Key areas of growth within the healthcare market include implantable devices and interventional devices for critical, non-elective close-to-the-patient procedures.

Aerospace and defence

Read more on pages 34 to 35

3-4% **Aerospace & defence market growth to 2024 (CAGR)**

The commercial aerospace sector has had an unprecedented reset in 2020, due in large part to travel restrictions that have been put in place around the world to slow the spread of COVID-19. World air travel demand remains low and there remains significant near-term challenges in commercial aerospace, with the market expected to remain flat in the short term with recovery to 2019 levels occurring around 2024-2025. Pre-existing market trends are expected to continue with demand for more efficient, safer and environmentally friendly aircraft meaning increased need for electronic systems and applications. Over the longer-term the sector outlook is positive, driven by a growing and global middle-class population and a greater propensity to travel.

The defence market is expected to continue to grow over the next few years with defence budgets driven by global instability and political uncertainty. The US defence budget, which is the largest in the world, is expected to grow to $768 billion by 2025.[1] The UK Government has also announced an increase in its budget with £16.5 billion of additional funding over four years. This is one of the largest increases in this budget since the Cold War era.

Within this market, there are significant opportunities for growth arising from technology improvements and innovation, including electrification, and more efficient systems. Certain parts of defence budgets are priority areas with exposure enabling faster growth. These priority areas include surveillance, radar, sonar, electronic warfare, missiles and other applications.

Automation and electrification

Read more on pages 36 to 37

4-6% **Medium term market growth to 2024 (CAGR)**

Automation and electrification markets cover different subsegments and had a range of outcomes in 2020, but overall these markets were significantly impacted by COVID-19. However, Gross Domestic Product trends in 2020 have gradually improved sequentially from the second quarter low point, providing a foundation for ongoing recovery in 2021. Global economic growth, which is a proxy for general automation and electrification activity, is expected to be 6.3 per cent in 2021, with the US growing at c.5 per cent, Europe at c.6 per cent, United Kingdom at c.7 per cent and China at c.8 per cent.[1] Government policies aim to sustain national economies and stimulate future growth. The economic recovery will be underpinned by a focus on infrastructure spending to improve the environment and drive sustainability.

Automation and electrification markets are expected to benefit from an acceleration of existing technological trends including moving from mechanical solutions to electrical solutions and these will provide numerous opportunities to deliver more and increasingly efficient electrical systems. Existing trends towards automation, remote asset tracking and monitoring will continue and may be accelerated as COVID-19 has proven the need for increased productivity, remote access to assets and automation for real-time remote monitoring and service capabilities. The global asset tracking, smart home and automotive telematics markets are all expected to grow between 13 -16 percent over the medium term.[3]

Well-positioned with accelerating positive market trends due to COVID-19

Headline statistics

$97.5bn

The healthcare device manufacturing market is expected to grow to $97.5bn by 2027.[2]

7%

The medical implants market is expected to grow at a c.7 per cent CAGR from 2020 to 2025.[3]

6.4%

The worldwide healthcare device manufacturing market is expected to grow at 6.4% CAGR to 2024.[4]

Our response

We have continued to work with our customers in the healthcare sector to provide highly-engineered solutions for their exacting needs. We remain focused on providing solutions for the patient monitoring, laboratory equipment and diagnostic segments of this market. The impact of COVID-19 has reinforced the need for interventional devices, patient monitoring and laboratory equipment, among others, and these are all TT specialisms.

We continue to invest in R&D to bring new and improved healthcare products to market. We also continue to look for inorganic opportunities to grow, following the acquisition of Power Partners in 2019, which specialises in providing power solutions for the healthcare market.

In the shorter term there has been a broad market focus on providing solutions to combat the COVID-19 outbreak.

During the peak of the outbreak we demonstrated our capabilities and agility by working with different cross-sector teams to provide urgently needed products. We have used this opportunity to showcase TT's capabilities, and this has resulted in further business opportunities.

Sources:

(1) United Nations World Population Prospects 2019 Highlights

(2) https://www.globenewswire.com/news-release/2020/10/15/2109290/0/en/Medical-Device-Contract-Manufacturing-Market-Size-to-Hit-US-97-52-Bn-by-2027.html

(3) https://www.mordorintelligence.com/industry-reports/medical-implants-market

(4) New Venture Research – NVR Worldwide EMS Market – 2020 Edition

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4%

The medium and long-term trend shows good growth in commercial aerospace. Passenger traffic globally is expected to double by 2039 from the highs of 2019 with an annual CAGR of 4 per cent.[2]

43,110

It is expected there will be 18,350 new aircraft deliveries by 2029, and 43,110 by 2039, with 75 per cent being single aisle aircraft. Modernisation and replacement of old aircraft is a focus accelerated by the increased need for fuel efficiency.[2],[3]

$768bn

The US defence budget is currently c.$705 billion in FY21 and is projected to grow to c.$768 billion by 2025.[1]

We continue to provide innovative solutions and systems with proven high reliability characteristics for critical customer products, who design and manufacture commercial and military aircraft, defence platforms and products, and space programmes. Our leading-edge capabilities have helped us win new work during the year on a range of current and future US and UK fighter platforms, as well on the Perseverance Mars 2020 Rover mission.

We continue to invest organically to develop new products for growing segments of the aerospace and defence markets, and we are able to switch our development resources between these end-markets as conditions dictate.

We have invested inorganically in aerospace and defence in the year, completing the acquisition of the power supply business of the Covina-based Excelitas Technologies Corp in January 2020 and Torotel, Inc in November 2020. These acquisitions expand our power supply solutions and electro-magnetic assembly capabilities for harsh environments and give us enhanced access to the large and attractive US market. They bring an existing blue-chip customer base and enhance our ability to cross-sell products and win new customers.

Sources:

(1) US National Defense Budget Green Book, April 2020

(2) http://www.boeing.com/commercial/market/commercial-market-outlook/index.page

(3) Boeing Commercial Market Outlook 2020 - 2039

6.3%

Economic growth is expected to rebound strongly in 2021 with an increase in Global GDP of 6.3 per cent.[1]

€1tr

The EU recovery plan has announced a Green Deal worth more than €1 trillion providing a favourable backdrop for green industrial activity.[2]

We focus our efforts on providing solutions for a diverse set of high-end industrial and connectivity markets, where we can provide differentiation and benefit from structural growth including the provision of highly accurate sensors used for robotics and automation. In addition, we provide products for remote asset tracking, smart city applications and energy saving applications among others.

Our R&D efforts are aligned to these markets, bringing to market during the year our innovative new S-2 CONNECT system which enables customers to deploy an 'Internet of Things' strategy quickly and cost effectively.

While market conditions across our diverse industrial markets has been mixed, as a result of the COVID-19 outbreak, we have continued to win new work from a variety of customers, including a producer of renewable energy for products to be delivered from 2021.

Sources:

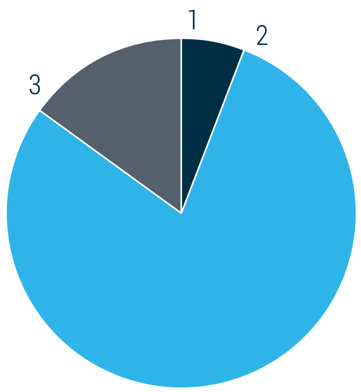
(1) Goldman Sachs Economic Outlook December 2020.

(2) The European Commission (https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en)

(3) https://www.businesswire.com/news/home/20201113005604/en/Global-Asset-Tracking-Market-2020-to-2028---Government-Initiatives-in-Favour-of-GPS-Tracking-Presents-Opportunities---ResearchAndMarkets.com; https://www.prnewswire.com/news-releases/smart-home-market-worth--207-88-billion-globally-by-2027-at-13-52-cagr-verified-market-research-301165666.html;

Healthcare

IMPROVING HEALTH



Healthcare (Group revenue %)

1– Power and Connectivity	●
2– Global Manufacturing Solutions	●
3– Sensors and Specialist Components	●

25%

of Group revenue

Healthcare technology is evolving at a rapid pace. Customers rely on us to help bring their products to market safely and quickly. Our technology expertise and partnership approach help customers innovate faster, optimise performance, and pave the way in medical and life sciences for healthier lives.

TT is a global provider of advanced electronic technologies, engineering and manufacturing solutions for high-reliability healthcare systems for many of the world's largest and most recognised healthcare device manufacturers.

TT has continued to expand its capabilities supporting "in-body" surgical devices including defibrillators, neuro-stimulation and pacemakers as well as surgical navigation devices

We provide design and manufacturing solutions for a range of diagnostic, surgical and direct patient care devices critical to the identification, treatment and prevention of disease. We manufacture laboratory and mass spectrometry products for leading life science customers that protect people and enable cleaner and safer environments.

Our global factories offer the highest quality, regulatory and traceability requirements that the industry demands.

During the peak of the COVID-19 outbreak in the first half of 2020, we worked with different cross-sector teams to provide urgently needed products for manufacturers of life saving healthcare and laboratory equipment. Despite market and operational challenges created by the outbreak, the need for more and better equipment and for improved efficiency remains a priority around the world. In the shorter term, we believe that the focus on COVID-19 treatments has created pent up demand for deferred elective surgeries and equipment. In the longer term COVID-19 also has the potential to rapidly accelerate the sustained need for telemedicine, device connectivity and remote patient monitoring capabilities. The need to free up hospital space and facilitate quicker post-surgical healing continues to drive demand for more robotic, less invasive surgical procedures. These are all areas of TT expertise.

Our powerful portfolio of healthcare devices contribute to the improved health of people today and in the future, creating products for technologies that improve outcomes.

Our 2018 acquisition of Precision Inc. has continued to expand our capabilities and customer base, with new product offerings that span the surgical suite including electrosurgical, interventional and surgical devices. Our components and assemblies are used in surgical navigation systems to help deliver therapy directly to patients during minimally invasive procedures, as well as in implantable devices and other external applications that require high reliability power and sensor-enabled communication.

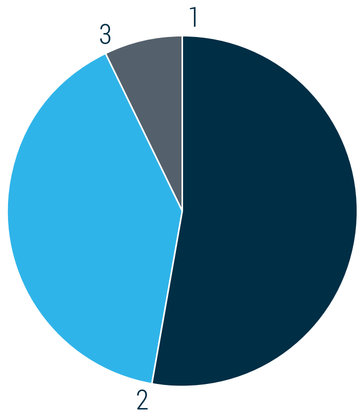
In 2020, we established new advanced electronics manufacturing capabilities in our Malaysia facility to help solve supply chain hurdles for key life science customers. This came in direct response to customer demand, and complements our existing operations in China, Europe and North America.

As the healthcare market continues to recover, TT is well positioned to continue serving as a preferred solutions partner to healthcare manufacturers with our global supply chain, proven technology and expertise, partnering approach and low-cost manufacturing options.

Aerospace and defence

DELIVERING CLEAN SKIES

Experience and expertise in design and manufacturing has led to long-term partnerships with customers where product demands continue to be driven by the need for smaller, lighter, less power consuming and cleaner solutions.



Aerospace and defence (Group revenue %)

1– Power and Connectivity	
2– Global Manufacturing Solutions	
3– Sensors and Specialist Components	

22%

of Group revenue

We specialise in designing and manufacturing high-reliability, advanced technologies for performance-critical applications. Our experience of partnering with industry leaders and developing mission-critical product solutions together has helped us evolve into what we are today: a world-class provider of engineered electronics – dedicated to serving the aerospace and defence market with solutions that are smaller, cleaner and more efficient.

We provide solutions for high-reliability applications within aerospace and defence, where the proliferation of electronics is driving increased demand for our custom power management and conversion systems.

Our products often provide performance, size, weight and efficiency benefits typically for applications such as power conversion, actuation and control for mission-critical systems. Here our solutions support a broad range of globally recognised platforms across air, land and sea. We have a presence on all major commercial aircraft platforms, and a strong position on major defence platforms, many of which are sole-sourced. Our long-term customer partnerships and platform exposure give us good visibility and access to long term programmes which include the Airbus A220 and A320, the Boeing 737 MAX and 787, the Lockheed Martin F-35 and the next generation BAE Systems Tempest aircraft.

While the commercial aerospace industry has been adversely impacted by the pandemic, growth will return in the medium term supported by structural trends of global travel and the need for greater aircraft electrification. In the longer term, there will be continued technological investments including those in advanced air mobility and electric propulsion. This should reduce carbon emissions and make flights quieter.

Many of our solutions are focused around managing power effectively and efficiently given the challenges customers are faced with within the restricted environment of an aircraft.

Military programmes remain critical to national defence around the world due to heightened geopolitical tensions, despite the impact of COVID-19. Global defence spending is expected to grow by about 2.8% in 2021, crossing the $2 trillion mark.[1] The defence market represents an exciting growth opportunity for TT as we continue to build and expand our military product and capability portfolio.

In November 2020, we acquired Torotel, a US-based designer and manufacturer of high-reliability power and electromagnetic assemblies and components for aerospace and defence markets. This has broadened our power electronics capabilities and further expanded our presence in the US market, building on the recently acquired Covina, California-based business unit bought from Excelitas Technologies earlier in the year.

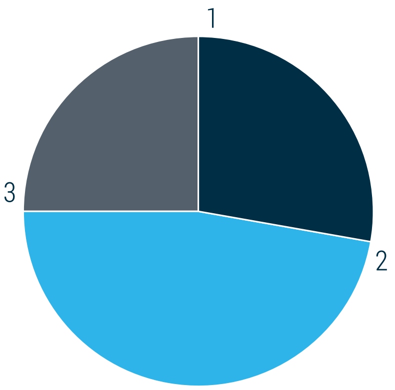
From cockpit displays to fuel pumps and defence systems, our aircraft solutions span nose to tail and enable peak performance and reliability under the harshest and most demanding conditions.

(1) 2021 Aerospace and Defense Industry Outlook, Deloitte, 2020.

Automation and electrification

EMPOWERING **SMARTER** SOLUTIONS

With an increased drive for automation and robotics TT's custom manufacturing solutions deliver improved efficiency, increased speed and greater positional control.



Automation & electrification (Group revenue %)	
1– Power and Connectivity	●
2– Global Manufacturing Solutions	●
3– Sensors and Specialist Components	●

37%

of Group revenue

A range of blue-chip customers rely on us to help solve their toughest automation and electrification challenges, streamlining their supply chains, increasing their efficiency and bringing new, smart products to market.

Extensive manufacturing expertise, engineering support and our global supply chain often make us a preferred systems solution partner for automation and electrification equipment manufacturers. Our solutions support applications requiring high-reliability and often customised technologies, with our notable expertise in automation and electrification, energy, smart devices and infrastructure solutions.

We help our automation and electrification customers maximise the value chain through product and services focused on our three core capabilities: power, connectivity and sensing. Additionally, our global manufacturing footprint provides them with risk mitigation benefits and supply chain flexibility for customers navigating dynamic trade challenges and other supply chain obstacles as they bring innovative new products to market.

Demand for our solutions is being driven by existing trends for increased factory automation, connectivity and smart products, with economies combating operational and global market challenges. We think the existing trends towards automation, remote asset tracking and monitoring will continue and may be accelerated as the COVID-19 outbreak has proven the need for increased productivity, remote access to assets and automation for real-time remote monitoring and service capabilities. The global market for asset tracking and inventory management solutions, estimated to be c.$13.3 billion in 2020, is projected to reach a revised size of c.$30 billion by 2027, growing at a CAGR of 12.3 per cent.[(1)] Our connectivity products can be used in asset tracking applications to enable factories that depend on just-in-time delivery of goods to adapt to new operational requirements.

Similarly, factory automation and robotics are being deployed at a rapid pace, and our high-reliability sensor technologies and manufacturing solutions enable those capabilities to perform efficiently and with precision.

TT Electronics delivers advanced solutions to meet the growing demand for smarter solutions within markets serving the Internet of Things (IoT), including remote asset tracking and preventative maintenance

(1) Asset Tracking and Inventory Management Solutions – Global Market Trajectory & Analytics, Global Industry Analysts, Inc. 2020.

OUR DIVISIONS

Power and Connectivity

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

Global Manufacturing Solutions

The Global Manufacturing Solutions division provides manufacturing services and engineering solutions for our product divisions and to customers that often require a lower volume and higher mix of different products. We manufacture complex integrated product assemblies for our customers and provide engineering services including designing testing solutions and value-engineering.

Sensors and Specialist Components

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

POWER AND CONNECTIVITY

Revenue decreased by £13.1 million to £125.1 million (2019: £138.2 million). This included a £11.1 million aggregate contribution from the Covina power supply business, Torotel, Inc and the full-year impact of the Power Partners acquisition.

Organic revenue was 17 per cent lower. Organic revenue was adversely impacted by lower commercial aerospace demand and disruption to the installation of connectivity products on customer sites due to COVID-related access constraints. Demand for defence-related products remained strong through the year.

In the first half there were also some operating constraints and inefficiencies driven by the COVID-19 outbreak, as well as the temporary COVID-related closure of the division's manufacturing sites in Kuantan, Malaysia and Tunis, Tunisia. There has been a modest recovery in the second half, despite some COVID-19 related inefficiencies remaining, including additional operating controls and social-distancing measures.

Speed to Connect from TT Electronics is an innovative system launched in 2020 that enables customers to deploy Internet of Things solutions fast and cost effectively. It is scalable, flexible, secure and ready to deploy quickly.

We make critical healthcare devices, having served global manufacturers in healthcare technologies for over 30 years.

Adjusted operating profit decreased by £6.2 million to £10.3 million (2019: £16.5 million). Included within this was a profit contribution of £1.3 million from acquisitions. The reduction in adjusted operating profit reflected the impact of lower sales volumes related to COVID-19 and associated operating constraints and inefficiencies, partly offset by cost control and efficiency measures. The adjusted operating margin was 8.2 per cent (2019: 11.9 per cent).

From engine controls to avionics, TT Electronics delivers high-reliability solutions to some of the most recognisable military aircraft in service. Pictured: DC/DC Power Converter

The closure of the division's Lutterworth, UK site is progressing to plan and is expected to be completed by the end of 2021. The closure consolidates the division's operations further within its existing operational footprint, with certain products going end-of-life during 2021. A headcount reduction programme, impacting sites where demand has fallen, was completed in the year.

There have been some significant awards during the year, including:

- A long-term contract with a major US defence prime for an alternator assembly supporting several military programme variants. Production began in October 2020 and is scheduled to complete in February 2023.
- Qualification orders from a leading healthcare device customer for a new miniature high voltage transformer/ inductor assembly for an implantable defibrillator platform. This award followed four years of product development, which has resulted in leading-edge performance, with production expected to start in the second half of 2021 and last for twenty years.
- Approved validation from a healthcare customer for a custom stator for use in a left ventricle assist device blood pumping system. An initial sample order has been shipped with full release expected in 2021, with production expected to continue for ten years.

Power and connectivity: In summary

Revenue

£125.1m

2019: £138.2m
Change: (9)% - (9)% at constant currency

Adjusted operating profit[1]

£10.3m

2019: £16.5m
Change: (38)% - (37)% at constant currency

Adjusted operating profit margin[1]

8.2%

2019: 11.9%
Change: (370)bps – (370)bps at constant currency

Percentage of Group revenue

29%

2019: 29%

Organic revenue growth

(17)%

2019: 2%

1,447

Employees (year average)

17

Primary locations

Target markets served

- Healthcare
- Aerospace and defence
- Automation and electrification

1 See note 1c on page 129 for an explanation of alternative performance measures. Adjusting items are not allocated to divisions for reporting purposes. For further discussion of these items please refer to note 8 on page 146.

GLOBAL MANUFACTURING SOLUTIONS

Revenue decreased by £15.7 million to £197.5 million (2019: £213.2 million) including an adverse currency effect of £1.1 million, with organic revenue 7 per cent lower.

The organic revenue performance was better than the Group average and reflected new business previously won in North America, exposure to more resilient Asian markets and a strong performance in defence markets.

There has been a strong recovery in the second half, despite some ongoing operating controls and social-distancing measures put in place in response to COVID-19.

Adjusted operating profit increased by £1.5 million to £15.0 million (2019: £13.5 million). The increase reflected cost control measures, factory efficiencies and initial benefits from our self-help programme. This is despite the adverse impact on profit from lower revenue. As a result, the adjusted operating profit margin improved to 7.6 per cent (2019: 6.3 per cent).

A restructure of customer accounts at the Cardiff, UK facility was completed early in 2021, bringing additional focus on blue-chip customers with more advanced technology requirements. Some key customer accounts and product lines have been transferred to facilities elsewhere in the division, where they can be better and more profitably served.

There have been a number of significant new customer awards during 2020 which will impact future years, as follows:

- Two new multi-year contracts to build assemblies for mass spectrometers in the life sciences market.
- A multi-year contract with a new Asian customer to build assemblies for diagnostic healthcare equipment, with increased demand due to the COVID-19 outbreak.
- Multi-year contracts with two different European defence primes to support the manufacture of secure military communications equipment.
- The manufacture of assemblies for a global renewable energy supplier. The units will be used in offshore electricity substations used to transfer renewable energy generated to land.

In response to customer demand for an additional manufacturing centre in Asia, the division has established box-build capabilities on the site of the Group's existing Kuantan facility. It is focused on supporting major healthcare customers by delivering complex assemblies. This new Malaysian manufacturing capability, which commenced production in the third quarter of 2020, has increased production through the remainder of the year and is expected to continue to grow in 2021.

In addition, additional manufacturing has commenced for the Power and Connectivity division as a result of ongoing close collaboration and an increasing ability to design and manufacture power products, as well as components. This development helps make efficient use of TT's global footprint.

Our global footprint and engineering capabilities provide customers with a consistent manufacturing experience that they can rely on, no matter what.

Global Manufacturing Solutions: In summary

Revenue
£197.5m
2019: £213.2m
Change: (7)% - (7)% at constant currency

Adjusted operating profit[1,2]
£15.0m
2019: £13.5m
Change: 11% - 11% at constant currency

Adjusted operating profit margin[1,2]
7.6%
2019: 6.3%
Change: 130ps – 120 bps at constant currency

Percentage of Group revenue
46%
2019: 45%

Organic revenue growth
(7)%
2019: 12%

1,475
Employees (year average)

6
Primary locations

Target markets served

- Healthcare
- Aerospace and defence
- Automation and electrification

1 See note 1c on page 129 for an explanation of alternative performance measures. Adjusting items are not allocated to divisions for reporting purposes. For further discussion of these items please refer to note 8 on page 146.

2 The results for the year ended 31 December 2019 have been restated to reflect prior year adjustments. Further details are set out in note 1h on page 133.

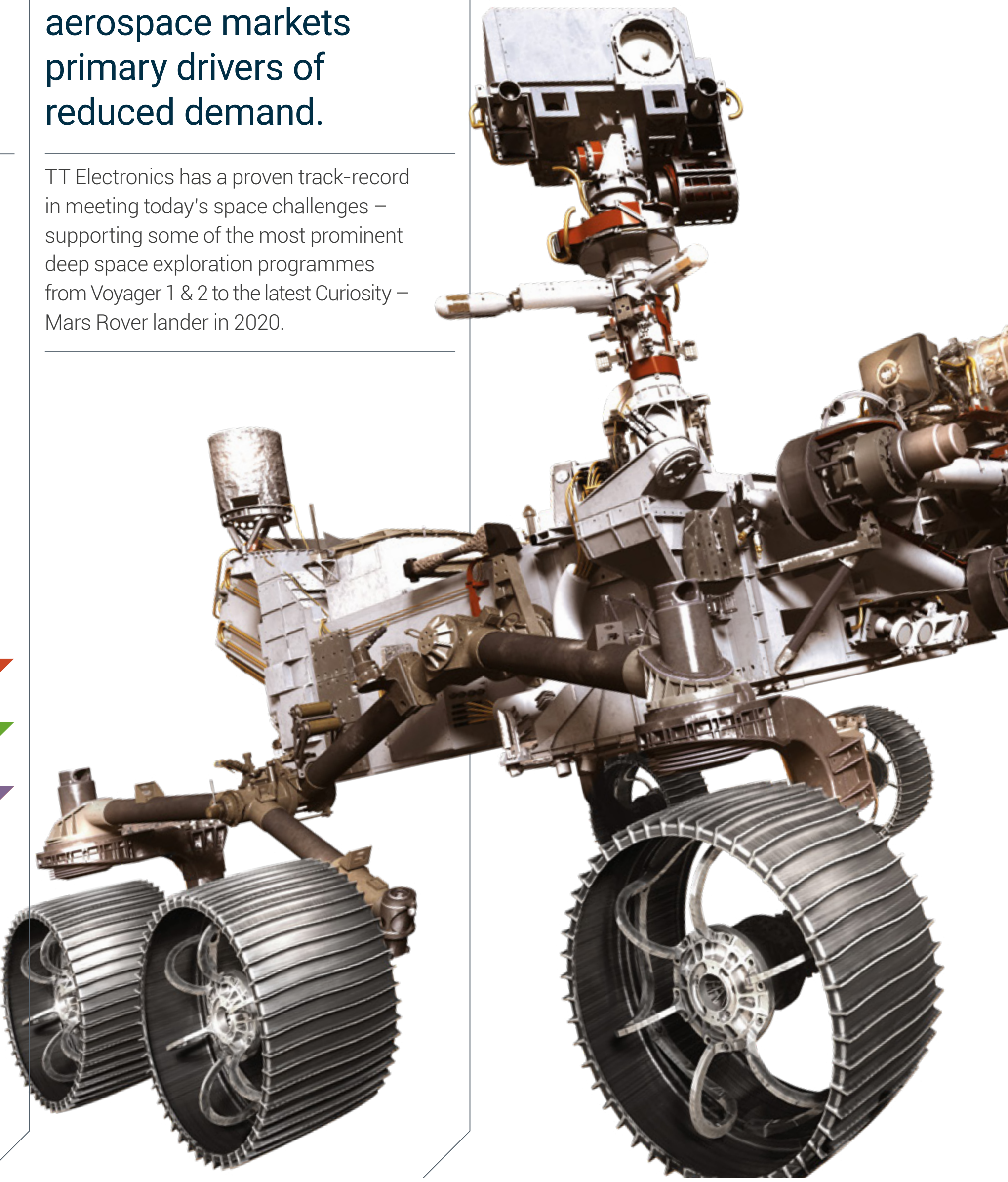
SENSORS AND SPECIALIST COMPONENTS

Revenue decreased by £17.6 million to £109.2 million (2019: £126.8 million). Organic revenue was 14 per cent lower, with the division's exposure to automation and electrification, the distribution sales channel and commercial aerospace markets primary drivers of reduced demand.

TT Electronics has a proven track-record in meeting today's space challenges – supporting some of the most prominent deep space exploration programmes from Voyager 1 & 2 to the latest Curiosity – Mars Rover lander in 2020.

However, there were increased resistor sales into healthcare markets in support of ventilators and defibrillators.

In the first half there were also some operating constraints and inefficiencies driven by the COVID-19 outbreak and the division was also impacted by the temporary closure of its manufacturing site in Barbados and two sites in Mexico due to COVID-related general lockdowns. There has been a recovery in the second half, despite some ongoing inefficiency due to COVID-related additional operating controls and social-distancing measures.



Adjusted operating profit decreased by £5.9 million to £9.4 million (2019: £15.3 million). Operating profit reflected lower sales volumes and operating inefficiencies, partially offset by cost actions taken and the impact of a headcount reduction carried out in late 2019. The adjusted operating profit margin was 8.6 per cent (2019: 12.1 per cent).

As part of the Group's ongoing self-help programme, the closure of its Barbados and Corpus Christi, Texas sites are on-track for completion in 2021. This reduction in footprint will result in some products going end-of-life. An additional targeted headcount reduction programme has been completed during the year.

There were a number of favourable developments during the year which will benefit the business, including:

- Space applications for the division's Hall effect sensors, including on NASA's Orion spacecraft, which will ultimately take manned space travel to Mars. In addition, the sensors are also being used in motors that control the speed and movement of robotic arms on the Perseverance Mars 2020 Rover mission.
- Contracts from three global car manufacturers for the power control unit current sense resistor on their hybrid-electric vehicle ranges. This new resistor has extremely fine tolerances, being the first on the market with the power levels needed to meet the required electrical load balance.
- Immediate orders for the new High Pulse Chip from a technology and innovation customer. The chip has been designed into a new consumer product, following a rapid build of samples after technical problems with a competitor product. Following initial orders in 2020, the customer has placed further orders for delivery in 2021.

Sensors and Specialist Components: In summary

Revenue
£109.2m
2019: £126.8m
Change: (14)% - (14)% at constant currency

Adjusted operating profit[1]
£9.4m
2019: £15.3m
Change: (39)% - (38)% at constant currency

Adjusted operating profit margin[1]
8.6%
2019: 12.1%
Change: (350)bps – (340)bps at constant currency

Percentage of Group revenue
25%
2019: 26%

Organic revenue growth
(14)%
2019: (7)%

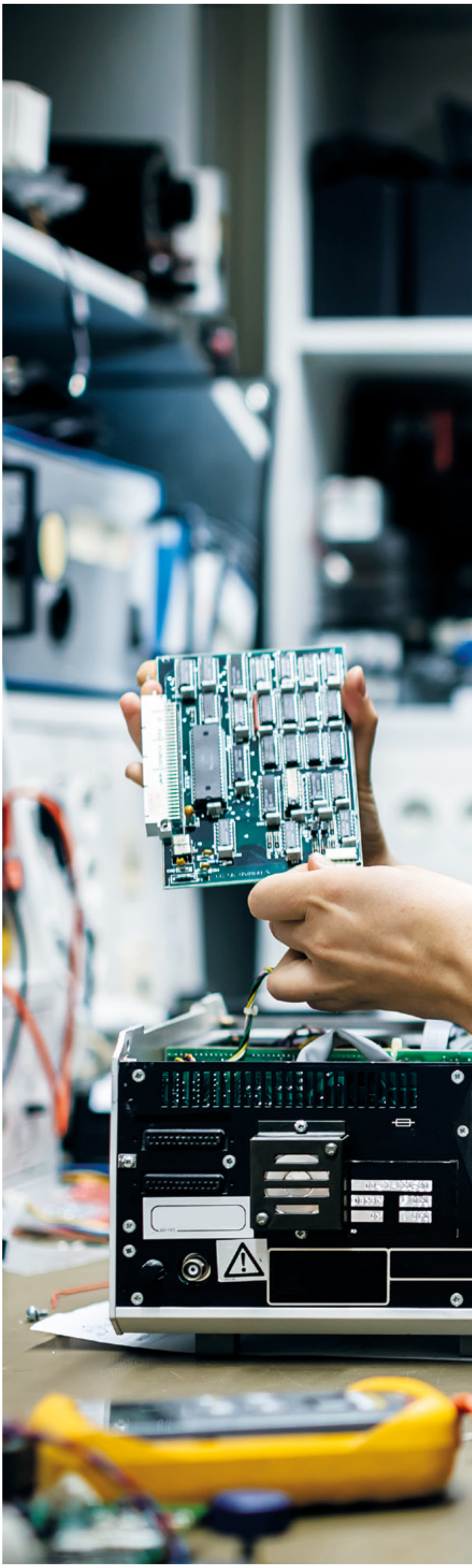
1,656
Employees (year average)

8
Primary locations

Target markets served

- Healthcare
- Aerospace and defence
- Automation and electrification

1 See note 1c on page 129 for an explanation of alternative performance measures. Adjusting items are not allocated to divisions for reporting purposes. For further discussion of these items please refer to note 8 on page 146.



RECOVERY WELL UNDERWAY WITH RECORD ORDER BOOK

TT has proven its resilience in the face of the COVID-19 outbreak, benefiting from the actions we have taken to improve the quality of the business, and we have delivered strong cash generation

Mark Hoad, Chief Financial Officer

Financial Headlines

Revenue
£431.8m
2019: £478.2m
(10%)

Adjusted operating profit
£27.5m
2019: £38.1m
(28)%

Operating profit
£6.6m
2019: £16.9m
(61)%

Adjusted EPS
11.7p
2019: 17.8p
(34)%

EPS
0.8p
2019: 7.6p

Free cash flow
£14.4m
2019: £9.7m

Operating cash flow
£28.2m
2019: £35.9m

Net debt
£83.9m
2019: £69.1m

Dividend
4.7p
2019: 2.1p

Results for the year ended 31 December 2020

	Adjusted[1]				Statutory	
£million (unless otherwise stated)	**2020**	2019 (restated)[2]	Change	Change constant fx	**2020**	2019 (restated)[2]
Revenue	**431.8**	478.2	(10)%	(9)%	**431.8**	478.2
Operating profit	**27.5**	38.1	(28)%	(27)%	**6.6**	16.9
Operating profit margin	**6.4%**	8.0%	(160)bps	(150)bps	**1.5%**	3.5%
Profit before taxation	**23.8**	34.4	(31)%	(30)%	**2.9**	13.2
Earnings per share	**11.7p**	17.8p	(34)%	(34)%	**0.8p**	7.6p
Dividend per share					**4.7p**	2.1p
Return on invested capital	**7.7%**	10.8%				
Cash conversion	**130%**	103%				

	2020	2019
Free cash flow[1]	**14.4**	9.7
Net debt[1]	**83.9**	69.1
Leverage[1]	**1.6x**	1.0x

1 Throughout the Annual Report we refer to a number of alternative performance measures which provide additional useful information. The Directors have adopted these measures to additional information on the underlying trends, performance and position of the Group with further details set out on page 129. The adjusted measures used are set out in note 8 on page 146.
2 The results for the year end 31 December 2019 have been restated to reflect prior year adjustments. Further details are set out in note 1h on page 133.

Overview of the year

TT has proven its resilience in the face of the COVID-19 outbreak benefiting from the actions we have taken to improve the quality of the business, and we have delivered strong cash generation.

Group revenue was £431.8 million, 9 per cent lower than the prior year at constant currency and 12 per cent lower on an organic basis. We have seen a steady organic improvement trend from the second half of the year with organic revenue only 4 per cent lower than the prior year in the last two months of 2020.

This recovery trend has been underpinned by strong order intake across the Group through the fourth quarter of the year. This has continued into 2021 across all divisions. Order intake for full year 2020 was 99 per cent of revenue, and for the second half of 2020 was 103 per cent of revenue. The order book at the end of February 2021 is at record levels.

In recognition of the improving trends we have seen through the second half of the year and our strong cash generation, early in 2021 we repaid the Coronavirus Job Retention Scheme (furlough) payments to the UK Government. The £1.1 million cost of repayment has been provided for in these 2020 results.

Adjusted operating profit for the year was £27.5 million, 27 per cent lower than the prior year at constant currency. The second half adjusted operating margin was 6.5 per cent, including the accrued cost of the furlough repayment. After the impact of adjusting items, including restructuring and acquisition and disposal costs, the Group's full year statutory operating profit was £6.6 million.

During the year end close process, a prior period non-cash timing adjustment was identified, associated with the timing of overhead recognition in one of our sites in Global Manufacturing Solutions. As a result of this adjustment, the previously reported 2019 operating profits have been reduced by £1.9 million and the reported operating profits for 2020 are ahead of management's original expectations by a similar amount. The reported operating profits for 2020 represent the actual performance of the business for the year and no "one-off" benefit has been derived from this adjustment when comparing against restated 2019 results.

We are particularly pleased with our strong cash performance, delivering operating cash conversion of 130 per cent. This was driven by continuing tight control over costs and capital expenditure. In addition, there was a working capital inflow of £3.6 million, which included £4.2 million from a reduction in inventory. On a statutory basis, cash flow from operating activity was £28.2 million (2019: £35.9 million). Our strong operating cash performance helped us deliver increased free cash flow of £14.4 million (2019: £9.7 million), despite the impact of COVID-19 on our profits

We have ended the year with net debt of £83.9 million (2019: £69.1 million), including IFRS 16 lease liabilities of £15.9 million (2019: £17.6 million). We have a strong balance sheet, and this includes a defined benefit pension scheme fully funded on an actuarial basis. At 31 December 2020 leverage was 1.6 times, within the Board's target leverage range of 1-2 times.

Our return on invested capital has declined to 7.7 per cent in 2020 due to the volume driven profit reduction and this will recover as business momentum increases.

Revenue

Group revenue was £431.8 million (2019: £478.2 million). This included an £11.1 million contribution from acquisitions and adverse currency translation of £1.4 million. Group revenue was 9 per cent lower than the prior year at constant currency and 12 per cent lower on an organic basis. Organic revenue was 17 per cent lower in the second quarter against the comparable prior year period due to reduced demand and as we shielded staff, reducing capacity. There were also temporary closures of a few sites. However, since then we have continued to see improving momentum across the business. Notably the recovery strengthened during the fourth quarter, when organic revenue was only 5 per cent lower than the prior year. We have seen further improvement at the start of 2021.

Operating profit

The Group's statutory operating profit was £6.6 million after a charge for items excluded from adjusted operating profit of £20.9 million (2019: £21.2 million) including:

- Restructuring costs of £14.5 million (2019: £13.2 million) primarily related to the Group's self-help programme of £14.8 million within which £6.3 million related to severance costs and provisions; £3.4 million to intangible asset write downs; £2.0 million of right of use asset and plant, property and equipment write downs; £1.6 million relating to stock write downs and £1.5 million of other costs, including prior year projects completed in 2020. Also included was a property disposal profit of £1.2 million (2019: £nil) and pension costs of £0.9 million (2019: £1.0 million, with £0.4 million relating to past service charge and £0.6 million relating to other pension service costs) primarily relating to UK pensions schemes having to equalise male and female members' benefits in respect of guaranteed minimum pensions.
- Acquisition and disposal costs totalled £6.4 million (2019: £8.0 million) and included amortisation of intangible assets arising on business combinations of £4.2 million (2019: £4.5 million), a £1.0 million credit (2019: £nil) due to the release of the warranty and claims provision relating to the Transportation business divestment and other acquisition and integration related costs of £3.2 million (2019: £3.5 million).

Adjusted operating profit was £27.5 million (2019: £38.1 million) with the reduction a result of the COVID-19 outbreak, with an operating margin of 6.4 per cent (2019: 8.0 per cent). The second half adjusted operating margin was 6.5 per cent, including the accrued cost of the furlough repayment.

For a reconciliation between adjusted profit and statutory profit see note 8 on page 146 in the Consolidated Financial Statements.

Net finance cost

The net finance cost was £3.7 million (2019: £3.7 million).

Tax

The Group's overall tax charge was £1.6 million (2019: £0.8 million), including a £2.7 million credit (2019: £4.6 million credit) on items excluded from adjusted profit. The adjusted tax charge was £4.3 million (2019: £5.4 million), resulting in an effective adjusted tax rate of 18.1 per cent (2019: 15.7 per cent).

Earnings per share

Basic earnings per share ("EPS") was 0.8 pence (2019: 7.6 pence) being impacted by the reduction in operating profit and the adjusting items set out . Adjusted EPS decreased to 11.7 pence (2019: 17.8 pence), reflecting the lower adjusted operating profit in the period.

Cash generation

£million	**2020**	2019
Adjusted operating profit	**27.5**	38.1
Depreciation and amortisation	**17.0**	18.0
Impairment of intangibles	**0.2**	–
Net capital expenditure	**(9.9)**	(14.3)
Capitalised development expenditure	**(3.3)**	(3.9)
Working capital	**3.6**	(1.2)
Other	**0.7**	2.5
Adjusted operating cash flow after capex.	**35.8**	39.2
Adjusted operating cash conversion	**130%**	103%
Net interest and tax	**(3.8)**	(7.7)
Lease payments	**(4.1)**	(4.0)
Restructuring, acquisition and disposal related costs[1,2]	**(11.9)**	(9.2)
Retirement benefit schemes	**(5.4)**	(8.6)
Free cash flow	**14.4**	9.7
Dividends	**–**	(10.9)
Lease payments	**4.1**	4.0
Equity issued	**20.2**	0.9
Acquisitions & disposals[2]	**(45.7)**	(2.3)
Other	**(1.8)**	(4.6)
Increase in net debt	**(8.8)**	(4.4)
Opening net debt	**(69.1)**	(63.0)
New, acquired, modified and surrendered leases	**(2.6)**	(0.5)
Borrowings acquired	**(3.0)**	–
FX and other	**(0.4)**	(1.2)
Closing net debt	**(83.9)**	(69.1)

1 'Restructuring, acquisition and disposal related costs' comprises £3.6 million of restructuring costs and £4.5 milllion of acquisition and disposal related costs.

2 'Restructuring, acquisition and disposal related costs' excludes a £3.8 million payment for debt-like items which crystallised upon acquisition of Torotel and which has been presented within 'Acquisitions & disposals'. This £3.8 million is an acquisition related cost but is not included within the acquisitions paid in the Consolidated statement of cash flows on page 128.

Adjusted operating cash flow was £49.0 million (2019: £57.4 million). This was impacted by lower profitability, although this was largely mitigated by the Group's proactive cash management, including capital and development expenditure lower at £13.2 million (2019: £18.2 million). In addition, the Group generated a working capital inflow of £3.6 million (2019: £1.2 million outflow), including a £4.2 inflow from inventory reduction. This resulted in very strong adjusted operating cash conversion of 130 per cent (2019: 103 per cent). On a statutory basis, cash flow from operating activity was £28.2 million (2019: £35.9 million).

There was increased free cash flow of £14.4 million (2019: £9.7 million), net of £8.1 million of restructuring and acquisition related costs (2019: £9.2 million), relating to the new self-help programme and acquisition costs associated with the Covina and Torotel acquisitions. Pension contribution payments in the period were lower at £5.4 million (2019: £8.6 million), with the prior year including a one-off payment of £3.4 million relating to the merger of the Stadium Group Retirement Benefits Plan (1974) pension scheme into the TT Group scheme.

Investments in acquisitions totalled £48.7 million (2019: £2.3 million), reflecting the acquisition of Covina, the power supply business of Excelitas Technologies Corp., the acquisition of Torotel, Inc including, £3.0 million of debt acquired with Torotel, Inc and £3.8 million of debt like items, as well as £0.5 million of deferred consideration relating to a prior year acquisition. Partially offsetting this was £20.2 million (2019: £0.9 million) of equity issuance, which primarily related to the Torotel acquisition placing. There was no dividend payment in the year (2019: £10.9 million).

Dividend policy and dividend

The Board has a progressive dividend policy, which primarily takes into account adjusted earnings cover, but also sees beyond this to take into account other factors such as the expected underlying growth of the business, its capital and other investment requirements and its pension obligations. The Group's balance sheet position and its ability to generate cash are also considered.

The Board considers these factors in the context of the Group's Principal Risks, which are set out on pages 52 to 53, and the overall risk profile of the Group.

The Group's ability to pay a dividend is impacted by the distributable reserves available in the parent Company, which operates as a holding company, primarily deriving its net income from dividends paid by its subsidiary companies. At 31 December 2020, TT Electronics plc had sufficient distributable reserves to pay dividends for the foreseeable future. The parent Company Balance Sheet is set out on page 182.

Given the good recovery and the positive outlook for 2021 and beyond, dividends are being resumed as planned, with the Board proposing a final dividend of 4.7 pence per share. Payment of the dividend will be made on 21 May 2021, to shareholders on the register at 30 April 2021.

Pensions

The Group has one significant defined benefit scheme in the UK and some much smaller defined benefit schemes in the US. All the Group's defined benefit schemes are closed to new members and to future accrual.

The total net accounting surplus under the Group's defined benefit pension schemes was £30.5 million (31 December 2019: £16.6 million). The main driver of this was an increase in the fair value of assets due to investment performance, part of which relates to interest rate hedges. This offset an increase in the Scheme's benefit obligation, mainly due to a fall in corporate bond yields. The surplus also increased due to company contributions paid of £5.4 million, as the deficit contribution plan continued, targeting self-sufficiency and further de-risking.

Net accounting pension surplus

The Group has increased the net accounting surplus under its defined benefit schemes to:

£30.5m

2019: £16.6m

"

We are particularly pleased with our strong cash performance, delivering a full year operating cash conversion of 130 per cent.

The Group has developed a strategy to manage the financial risk associated with these schemes as follows:

- Maintaining a long-term working partnership with Trustees to ensure strong governance of risks within the TT Group Scheme, which is a long-term undertaking and is managed accordingly to provide security for members and value for money to the Group.
- A prudent investment strategy is pursued by seeking risk-rewarded, long-term returns while removing the majority of liability mismatching unrewarded risks. As such, the Group has in place financial hedging that aims to remove the majority of interest rate and inflation-related risk. At the current level there is no significant impact on the reported accounting deficit of a 10bps fall in interest rates (which would be otherwise a c. £10 million increase if the hedging were not in place) thereby reducing volatility. This strategy has been in place for a number of years protecting the TT Group scheme's position since December 2013 when yields commenced a prolonged decline.
- The Group recognises that seeking risk rewarded returns in its investment strategy could lead to short-term funding fluctuations, dependent on market conditions. The Group considers that by maintaining a good relationship with the Trustee, it will be able to utilise flexibility in the funding regime to even out the impact of short-term market underperformance to enhance predictability of Group pension contributions. This creates a suitable balance between the needs of the TT Group Scheme, the Group and its members.

The assets and liabilities of the Group's UK defined benefit schemes are summarised below, together with the Group pension surplus:

£million	**2020**	2019
Fair value of assets	**641.2**	575.5
Liabilities	**605.8**	(554.3)
UK scheme (surplus)	**35.4**	21.2
Overseas schemes (deficit)	**(4.9)**	(4.6)
Total Group surplus	**30.5**	16.6

Following the triennial valuation of the TT Group scheme as at April 2019, an actuarial valuation of the US defined benefit schemes was carried out by independent qualified actuaries in 2020 using the projected unit credit method.

Further details of the Group's defined benefit schemes are in note 23 on page 170 of the Consolidated Financial Statements.

Treasury

The Group's Treasury activities are managed centrally by the Group Treasury Function, which reports to the Chief Financial Officer. The Treasury Function operates within written policies and delegation levels that have been approved by the Board.

Financial risk management and treasury policies

The Group's main financial risks relate to funding and liquidity, interest rate fluctuations and currency exposures. The overall policy objective is to use financial instruments to manage financial risks arising from underlying business activities and therefore the Group does not undertake speculative transactions for which there is no underlying financial exposure. More details of the Group's Treasury operations are set out in note 22 on page 161 of the Consolidated Financial Statements.

Funding and liquidity

The Group's operations are funded through a combination of retained profits, equity and borrowings. Borrowings are generally raised at Group-level from a group of relationship banks and lent to operating subsidiaries. The Group maintains sufficient available committed borrowings to meet any forecasted funding requirements.

During the year the Group undertook an equity placing, raising £20 million, which partly funded the acquisition of Torotel, Inc.

Net debt and gearing

At 31 December 2020 the Group's net debt was £83.9 million (31 December 2019: £69.1 million), including £15.9 million of lease liabilities (31 December 2019: £17.6 million).

At 31 December 2020 the Group had available undrawn committed and uncommitted facilities of £237.3 million. The Group's borrowings are in the form of a multi-currency Revolving Credit Facility (RCF). The RCF matures in November 2023, with no short-term re-financing risk for the Group.

The Group's leverage is usually expressed in terms of its net debt/adjusted EBITDA ratio. The Group's main financial covenants in its bank facilities states that net debt must be below 3.0 times adjusted EBITDA, and adjusted EBITDA is required to cover interest charges, excluding interest on pension schemes, by at least 4.0 times.

Leverage ratio

The Group's year end leverage ratio of 1.6 times is within the Group's target range of 1-2 times.

1.6x

Under the Group's borrowing agreements, the figure for net debt used in the calculation of the net debt/adjusted EBITDA gearing ratio calculation is translated at an average foreign exchange rate, with IFRS 16 lease liabilities and other IFRS 16 impacts excluded. In addition, there are other adjustments including the exclusion of certain specified items from EBITDA. A full year pro-forma contribution from acquisitions is included within EBITDA.

On this basis, net debt/adjusted EBITDA was 1.6 times at 31 December 2020 (31 December 2019: 1.0 times). Interest cover at 31 December 2020 was 12.6 times (31 December 2019: 15.0 times).

TT's capital allocation policy is set within the framework of a target Group net debt/EBITDA gearing ratio that lies within a range of 1-2 times in current market conditions.

A further summary of the Group's borrowings and maturities are set out in note 21 on page 160 of the Consolidated Financial Statements.

Foreign currency transaction

The Group's policy is to reduce or eliminate, whenever practical foreign currency transaction risk. The Group hedges expected foreign currency cash flows to a minimum of at least 75 per cent of its exposure up to twelve months and hedges a further 50 per cent of expected cash flows within 12-24 months.

Further details of the Group's hedging strategy and exposure at 31 December 2020 are set out in note 22 on page 161 of the Consolidated Financial Statements.

Foreign currency translation

The following are the average and closing rates of the foreign currencies that have the most impact on the translation into sterling of the Group's Income Statement and Balance Sheet:

£million	**2020**	2019
Income Statement	**Average rate**	
$/£	**1.28**	1.27
RMB/£	**8.87**	8.79
Balance Sheet	**Closing Rate**	
$/£	**1.37**	1.32
RMB/£	**8.94**	9.23

Foreign exchange translation exposure arises on the earnings of operating companies based in the US and China, with additional lesser exposures elsewhere in the world.

Interest rates

The Group monitors its exposure to interest rates to bring greater stability and certainty to its borrowing costs. The policy is to have between 25 per cent and 75 per cent of the Group's debt subject to a fixed interest rate.

Going concern

See page 82 for the Going Concern statement.

Mark Hoad
Chief Financial Officer
9 March 2021

RISK MANAGEMENT FOR THE SUCCESSFUL DELIVERY OF OUR STRATEGY

Risk management

The Board of Directors is responsible for risk management and internal controls, supported by the Audit Committee and informed by the executive Risk Committee. The Board defines risk appetite and monitors the management of significant risks to ensure that the nature and extent of significant risks taken by the Group are aligned with overall goals and strategic objectives. The Risk Committee supports the Board and the Audit Committee in monitoring the exposure through regular reviews, including reviewing the effectiveness of risk management processes and controls. The Internal Audit function is operated under a directed outsource arrangement to enhance the levels of resource and expertise available to the Group in specific areas, with its activities under the direction of the Executive Leadership Team ("ELT"). The Internal Audit function assists the Risk Committee by advising management on improvements to the overall risk management framework, facilitating the risk review process and providing independent experience and input to the process.

Risk management processes and internal control procedures are established within business practices across all levels of the organisation. Risk identification, assessment and mitigation are performed both "bottom-up" with more detailed assessment at operational level, as well as through "top-down" assessment of strategic and market risk at the Executive management and Board level.

Risk management and internal controls provide reasonable but not absolute protection against risk. The Board acknowledges and recognises that in the normal course of business the Group is exposed to risk and that it is willing to accept a level of risk in managing the business to achieve its strategic priorities. Risk appetite is not static and as part of its risk management processes, the Board regularly considers its risk appetite in terms of the tolerance it is willing to accept in relation to each principal risk based on key risk indicators to ensure it continues to be aligned with the Group's goals and strategy.

Risk profile

At the direction of the Board, Executive management has performed a robust assessment of the principal risks facing the Group, taking into account those that would threaten the business model, future performance, solvency or liquidity, as well as the Group's strategic objectives. This process includes a "bottom-up" analysis of key risks at a divisional level. All principal risks identified by this process may have an impact on the Group's strategic objectives within the next six to twelve months. Executive management and the Risk Committee perform further analysis to prioritise these risks, with a focus on those principal elements posing the highest current risk to the achievement of the Group's objectives or the ongoing viability of the business.

Risks assessed as higher priority are consolidated into a Group Risk Register. Risks included on the register are monitored closely by the Board, in terms of both prioritisation and mitigation strategies. It is recognised that, whilst these "top risks" represent a significant proportion of the Group's risk profile, Executive management and the Risk Committee continue to monitor the entire universe of potential risks to identify new or emerging threats as well as changes in risk exposure.

The assessment of principal risks during the year has identified that while there have been some significant changes in the external environment, the Group has remained robust and resilient with mitigating activities undertaken. This is reflected in the table of principal risks. The Group has long been conscious of our ESG agenda which has been reported to the Board through our People, Social, Environment and Ethics Committee (PSEE) which is attended by the Senior Independent Director. Last year it was identified that there is an increasing risk that a negative perception of our ESG profile could impact on our ability to attract new talent to the business, build relationships with our customers, positively impact the communities in

Our risk management framework

Corporate level steering
"Top-down" oversight; set risk appetite; monitor significant risks; alignment with strategic objectives at corporate level

Board of Directors
Primary responsibility for risk oversight; setting strategic objectives and defining risk appetite

Audit Committee
Oversees risk management and internal control processes

Risk Committee
Provides framework for managing risks; regular reviews of principal risks and risk management processes

Risk and Assurance function

Divisional level steering and reporting
Risk identification assessment and implementation of risk management action plans and actions

Business units/site level steering and reporting
Implement and embed risk management at operational level

Operational steering and implementation
"Bottom-up" identification, assessment and mitigation of risk at operational level

which we operate, and attract investment from potential shareholders. In response we added a new principal risk with the description "Sustainability, Environment, Health and Safety" to recognise the increasing risk that a negative perception of our ESG profile could negatively impact the business and reflect the focus on mitigating actions we have taken. Because of its continued importance we have taken the further step of splitting Sustainability and Environment into a separate risk from Health and Safety, to better reflect the different impact of each and how the Group is responding to this. We have set out those areas in which we have made progress during the year in the Our environment section on pages 64 to 69, in particular relating to carbon emissions and the recycling of waste.

Macroeconomic environment
While there is an acknowledgement of continued uncertainty around geopolitical and macroeconomic risk during 2020 and into 2021, the Group continues to take appropriate mitigating actions to address this. The changes in strategic direction and market focus have significantly improved the Group's overall resilience to these external factors.

Executive management and the Board do not currently anticipate any significant impact on the Group's trading following the UK/EU Brexit trading deal, given that trade between the UK and the EU accounts for a small proportion of Group revenue and material purchases. We have however planned for potential disruption in the event of border related issues.

No significant direct impact from increased tariffs between the US and China is anticipated. The businesses continue to talk to their customers to see how TT's global footprint can offer opportunities to mitigate customers' own risks in relation to increased tariffs.

Impact of COVID-19
The COVID-19 outbreak has impacted every site across the world during the course of 2020. However, because of the swift action taken by the Group, the overall impact at a site level has been minimised. A set of COVID-secure working practices has been put in place at each site and TT has been designated a critical supplier by customers and governments in each territory in which the Group operates. The duration and impact of COVID-19 on the business continues to be uncertain, however the Group is well equipped to deal with this going into 2021.

Viability statement and prospects
In accordance with the UK Corporate Governance Code, the Directors have assessed the viability and long-term prospects of the Group over the period to December 2023, taking into account the Group's current position and the potential impact of the principal risks and uncertainties set out on pages 52 to 53 of the Strategic report. Based on this assessment, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to December 2023.

TT operates in markets with structural growth dynamics. We engineer and manufacture power, sensing and connectivity solutions to address our customers' challenges in the healthcare, aerospace and defence and automation and electrification markets. These benefit from the trends for improved healthcare, for increased aircraft fuel efficiency and safety, and demand for sustainable solutions to improve energy efficiency. By positioning ourselves in the right markets, by creating differentiated capabilities through our R&D investment, and by attracting and developing the right talent we have a strategy to create sustainable value over the long-term.

The Directors have determined that the period to December 2023 represents an appropriate period over which to provide the viability statement as this aligns with the business cycle including product development and order intake trends.

The Directors have taken the view that it is reasonable to assume (based on indications of interest received from the Group's existing relationship banks and the wider banking and debt financing community) that the Group will be able to refinance its existing facility agreements to at least the existing or better level of debt on materially equivalent terms in advance of the maturity date of November 2023.

While the Directors have no reason to believe the Group will not be viable over a longer period, the period over which the Directors considers it possible to form a reasonable expectation as to the Group's longer-term viability, is the three-year period to 31 December 2023. This also aligns with the duration of the business plan prepared annually and reviewed by the Board. The Directors believe that this presents investors and other key stakeholders with a reasonable degree of confidence while still providing a longer-term perspective.

In making this statement, the Directors have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, the underlying mitigation planning, the assessment of future performance, solvency and liquidity, and the Group's internal controls environment. The Group's modelling assumes a full recovery from the impact of the pandemic during the course of the viability review period.

In performing the assessment, the Directors have further stress tested the Group's financial projections for the period covered by the viability statement, testing it for "business as usual" risks (such as profit growth and working capital variances), the combined impact of severe but plausible events, as well as a "reverse" stress-test to understand the conditions which could jeopardise the future viability of the Group. This work included assessing against financial covenants and facility headroom.

This severe but plausible events stress testing included consideration of the potential impact of the Group's principal risks and uncertainties outlined on pages 52 to 53. This stress testing specifically included the impact of the following principal risks: general revenue reductions, contractual risks, people and capability, supplier resilience and health and safety. Principal risks which were not specifically modelled were either considered not likely to have an impact within the viability period or their financial effect was covered within the overall downside economic risks implicit within the stress testing.

The Group's wide geographical and sector diversification helps minimise the risk of serious business interruption or catastrophic reputational damage. Furthermore, the business model is structured so that the Group is not overly reliant on any single customer, market or geography.

While this review does not consider all of the risks that the Group may face, the Directors consider that this stress-testing based assessment of the Group's prospects is reasonable in the circumstances of the inherent uncertainty involved.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk description	Potential impact	Mitigating action	Change in the year
General			
General revenue reduction Reduction in demand and orders due to economic downturn, geopolitical instability or disruption to operations (pandemic or other business interruption event)	• Decelerating sales growth affecting operating profit	• Monitor the wider economic conditions of our markets • Timely financial reporting to monitor performance and provide a basis for corrective action when required • Ongoing optimisation of our cost base and strategic moves creating a more resilient portfolio • Business continuity and crisis management planning • Management structures in place to enable a rapid response to changing circumstances • Divisional assessment of the impact of Brexit and mitigation plans put in place	Increased risk – market volatility and political uncertainty continue primarily due to the COVID-19 outbreak, as well as to a lesser extent the impact of Brexit and ongoing global political discord. However, the mitigating actions taken by the Group are proving to be robust.
Commercial			
Contractual risks Potential liabilities from defects in performance-critical products that often operate in extreme environments	• Reputational impact • Deterioration in customer relationships • Liability claims • Reduction in revenue, profitability and cash generation	• Quality control procedures and systems in place and appropriate levels of insurance carried for key risk • Group guidelines on acceptable levels of contractual liability are reinforced	No change
Research and development Delay in new product development which is intended to support revenue growth	• Increased cost in product development • Delay in achieving projected revenue • Inability to meet the latest requirements due to a step change in technology	• Close collaboration with key customers • Active monitoring of costs and milestones • Target R&D more effectively • Implementation of standard project management disciplines	No change
Operational			
People and capability Ability to attract and retain high-quality and capable people	• Loss of key personnel • Potential business disruption • Breakdown of communication and misalignment	• Remuneration structure designed to support retention • Succession planning processes embedded within the businesses • Campaigns to increase performance and development of communication between managers and employees to ensure alignment to objectives • Using a feedback loop utilising surveys, with further detail in Our people section on pages 58 to 63, to encourage regular objectives and performance discussions	No change
Supplier resilience Potential failure of critical suppliers; product delivery delays; inability to meet customer commitments	• Reduction in revenue, profitability and cash generation	• Regular review of key supplier financial health and product quality • Monitoring of relevant commodity and precious metals pricing • Review of spend patterns to identify opportunities	Increased risk – continued impact of COVID-19 on the economic stability of suppliers and security of supply lines, combined with additional risk of disruption due to Brexit.

Operational continued

Risk description	Potential impact	Mitigating action	Change in the year
IT systems and information IT security breaches or disruption, unauthorised access or mistaken disclosure of information	• Reputational impact, business disruption and potential deterioration in customer relationships	• Regular analysis of cyber security and data management • IT strategy reviewed by management and the Board • Information security policies updated recently • Investment through recruitment of additional IT security and ERP specialists • Processes and tools put in place to support cyber security certifications	Reduced risk – investment and improvements made in this area, demonstrated through successful remote working due to COVID-19 restrictions, have reduced the net risk to the Group
M&A and integration Realisation of financial benefit of acquisitions	• Failure to realise the expected benefits of an acquisition or post-acquisition performance of the acquired business not meeting the expected financial performance at the time acquisition terms were agreed could adversely affect the strategic development, future financial results and prospects of the Group	• Full financial and other due diligence is conducted to the extent achievable in the context of each M&A opportunity • A detailed business case including forecasts is reviewed by the Board for each opportunity • Integration risk and planning is reviewed and undertaken as part of every acquisition	Reduced risk - recent acquisitions have been integrated successfully and lessons learned activities built into future plans
Sustainability, climate change and the environment Our manufactured products or other activities or decisions of the Group may not be judged by our customers, employees, communities and investors as being sustainable	• Failure to appropriately manage the environmental impact of our operations and products. • Reputational impact and potential deterioration in our relationships with our stakeholders	• Health, Safety and Environmental Council responsible for Company-wide best practice sharing, monitoring and improvements and strategy setting • PSEE Committee responsible for reporting Group progress against the development and monitoring of our strategy and associated KPIs • Continued investment in M&A, business development and new product introduction in areas where the solutions contribute to a more sustainable world (see further detail on page 11)	No change – see pages 64 to 69 for more details on the work done across the Group
Health and safety The manufacturing industry is inherently dangerous. Managing the impact on our employees, sites and the environment of these risks	• Incidents occurring due to unsafe manufacturing processes. Failure to manage the impact of these risks could negatively impact our employees, lead to regulatory fines, reputational damage and lost production.	• Health, Safety and Environmental Council responsible for Company-wide best practice sharing, monitoring and improvements and strategy setting • Regional best practice teams established • Processes and roadmaps in place to minimise the risk of incidents	Increased risk – whilst the overall Health and Safety risk faced by the Group has increased due to the impact of COVID-19 on working practices, this has been mitigated with a strong framework of processes and controls at all our sites. Underlying health and safety incidents remain very low

Legal

Risk description	Potential impact	Mitigating action	Change in the year
Legal and regulatory compliance Intentional or inadvertent non-compliance with legislation including laws and regulations covering export control, anti-bribery and competition	• Reputational impact • Civil or criminal liabilities leading to significant fines and penalties or restrictions being placed on the ability to trade • Reduction in revenue, profitability and cash generation	• Cross-divisional export compliance group established and anti-bribery programme in place • Approach involves risk assessment, policy, training, review and monitoring • Whistleblower process in place to ensure issues can be raised, investigated and managed	No change

HOW AND WHY WE ENGAGE

Our stakeholders are key to the long-term sustainability of our business. The importance of open and meaningful engagement with all our stakeholders is fully embraced by our Board members and is encouraged through all levels of the Company. The Board has completed its stakeholder mapping exercise to identify the Company's key stakeholders, to determine the Board's engagement activities during the year and to review the information flow from senior management and other commercial teams up to the Board, and back down the organisational structure.

2020 has been a challenging year where engagement with our stakeholders took on a new importance to help all of us respond and collaborate quickly and effectively in the face of the unprecedented challenges our working environments. At the same time, many of the usual methods of engagement became more and more constrained as the pandemic took hold. As travel and social contact was restricted throughout the year, we were challenged with finding innovative and effective ways of dealing with our stakeholders; from finding new ways of gauging customer feedback, to securing investor commitments in respect of the equity placing to fund the Torotel acquisition.

s172 statement

Under Section 172 of the Companies Act 2006, Directors are required to promote the success of the Company for the benefit of our shareholders and, in doing so, to have regard to the interests of all of our other stakeholders. We have outlined here the key engagement activities carried out by the Board and the Company during the year.

Where to find out more

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CUSTOMERS AND SUPPLIERS

Our activities that affect them:

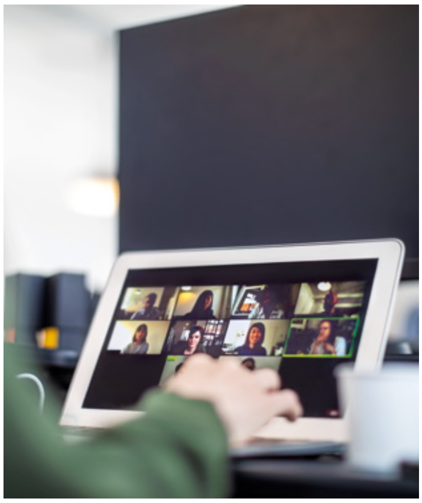
- Research and development ("R&D")
- Operations and production pipeline
- Safety, environmental quality control and reliability
- Legal and regulatory compliance
- Payment practices
- Responsible business, sustainability and ethics

How we have engaged:

- Attendance at customer/supplier meetings, trade events and conferences.
- Sales and engineering teams engage with lead customers to inform new product development.
- CEO and Board regularly receive reports from internal lead councils on key customer and supplier initiatives.
- Internal reporting processes flow information and KPIs on health and safety, environmental, sustainability, strategy, production and financial performance from site level through the ELT to the Board.
- "Voice of the Customer" feedback informs our business development, R&D and operations approaches.
- Payment practices, and the effects on our suppliers, are reviewed and considered by the Board.
- Our global cyber security and IT delivery strategies to reduce the risk of hacking events and ensure the protection of customers' confidential, technical information is regularly reviewed and developed.
- The Board reviewed and approved the Group's Modern Slavery Policy and Statement for 2020.
- The Board's engagement with our sites gives insight into customer and supplier responses to key programmes and integration activities.

Adapting in 2020:

- Our supply chain and business unit leaders across the Group increased their virtual activity to underpin and support one another to successfully manage issues caused by the COVID-19 outbreak.
- Further development of our Risk in the Supply Chain analytics tool led to quick identification of key risk areas in our supply chains to ensure our businesses and our employees remained protected.
- Face to face engagements with our supply chain partners and customers were moved to virtual platforms to ensure we maintained strong relationships and communications links.
- Online New Product Introduction webinars were set up to deal with the launch of new products and product roadmaps with online feedback questionnaires to help us gauge if these approaches met customers' needs.
- Customer engineers attended TT-run online training sessions.



EMPLOYEES

Our activities that affect them:

- Protecting our People/Health and Safety/Sustainability
- Employment, training and apprenticeships
- Group employment policies
- Investment in our sites
- Diversity/Inclusion
- Group strategy

How we have engaged:

- The Board typically holds at least one of its meetings each year at one of our manufacturing sites to enable the Directors to gain a greater understanding of the operations at our facilities and to engage directly with the workforce. Outside of the scheduled Board meetings, Directors visited (either physically or virtually) four sites during 2020.
- The Employee Engagement Survey was circulated worldwide and the results were fed back to the Board for consideration and discussion, for more information see page 62. Sites across the Group are working on actions plans to identify areas to further improve our engagement across a variety of key topics.
- Our health and safety record at our sites is of critical importance to the Board and the Directors understand that the health and safety tone must be set from the top.
- During the year employees worldwide have regularly received communications regarding the Company's operations, challenges and successes through both weekly email updates and our quarterly "BE TT News" magazine.
- Site employee forums were held at a number of sites across our global locations in 2020 with key items fed back to the PSEE Committee where our nominated Non-executive Director ("NED"), Jack Boyer, ensures that the "Voice of the Employee" is considered in Board decision-making.
- The Board has continued to work closely with the EVP HR to develop and progress initiatives to address diversity and inclusion within the current employee base and the future pipeline. We continued our programme of "Women in Business" forums, and our Equality, Diversity & Inclusion Policy roadmap was approved by the Board and circulated to all employees.

Adapting in 2020:

- TT's COVID-19 response plan facilitated a fast-paced, two-way flow of information from site/divisional management to the ELT and the Board to ensure that Health and Safety policies and processes were quickly communicated to our sites to keep our employees safe.
- Dedicated COVID-response committees on each site around the globe, were responsible for regular updates to local employees on changes to working practices, new H&S processes and any other COVID-related changes. The Committees shared information on a regular basis with the HR and H&S functions.

NEDs virtual site visits

During 2020, the Board was not able to plan site visits to our international sites outside of the UK due to travel restrictions. Instead, two "virtual overseas site visits" were organised by our Board members using video conferencing. The aim of the site visits was to speak directly with members of the senior management team as well as other employees to assess the culture at these sites and to give an opportunity for employees to raise any questions or concerns to the NEDs. This is the first time that site visits have been conducted virtually and, while some limitations were identified, the NEDs felt this was a worthy exercise which enabled them to connect meaningfully with employees at the sites and gain valuable insights into the successes and challenges faced by our teams. Following these site "visits", the nominated NED for employee engagement shared the discussions and outcomes with the PSEE Committee and subsequently the Board. These discussions revolved around the feedback from employees and improvements that could be made on the "virtual" engagement process to ensure a wide spectrum of employees is involved and that there are more opportunities for open and frank conversations to be had with the NEDs away from the site management team.

INVESTORS

Our activities that affect them:
- Financial performance
- Governance and transparency
- Leadership
- Reputation
- Sustainability

How we have engaged:
- The CEO and CFO meet with institutional investors immediately after publication of the full year and half year results, and at other times through the year.
- The Chairman wrote to our largest shareholders and also had introductory virtual meetings with some of them, more information can be found on page 5. See page 94 for information about the consultation activities carried out by the Chair of the Remuneration Committee.
- Feedback on investor relations issues is reported to the Board so that all Directors develop an understanding of major shareholders' views on the Company.
- The Company's brokers provide briefings to the Board on shareholder opinions and compile independent feedback from investor meetings.
- Company presentations used at analyst and investor meetings, together with financial press releases, and other useful shareholder information, are made available on the Group's website (www.ttelectronics/investors.com)
- The Directors use the Annual General Meeting ("AGM") to communicate with institutional and private investors. Full details of the 2021 AGM are given on page 199.
- We have increased our disclosure of a number of sustainability related issues in the Annual Report and Accounts, collecting data for the first time and setting short term and longer term targets for environmental improvement.
- We participated in the annual Carbon Disclosure Project ("CDP") annual survey, with CDP awarding a 'C' rating, denoting 'awareness', an improved score on the prior year.
- Prior to the non pre-emptive placing of shares in September 2020 and in advance of the Torotel acquisition, the Directors consulted directly with a significant number of our shareholders to gauge their feedback on both activities.

Adapting in 2020:
- The Board ensured that investors were kept informed via extra trading updates of the impact of the pandemic on operations and national restrictions on our trading and financial performance.
- Since the first UK lockdown commenced, all investor engagement has been 'virtual', with live video calls the usual means of communication. This has been supplemented with recorded video messages by the CEO and CFO.
- Due to the national restrictions imposed in the UK during the first half of 2020, the Company's AGM could not be held in the usual manner where shareholders would be invited to meet directly with our Board. Instead our AGM was held as a 'closed meeting' to respect the national lockdown safety measures in place and shareholders were encouraged to vote in advance of the meeting and submit questions to the Board using a dedicated email address.

Torotel case study

In November 2020, TT acquired the entire issued and outstanding share capital of Torotel, Inc, an SEC listed company, for a value of $43.4 million (£32.9 million) as part of a competitive tender process. The acquisition was structured as a merger between Torotel and a specially incorporated TT subsidiary company, with the approval of Torotel's shareholders being required under Missouri law as a condition precedent to completion. The transaction was part funded by an equity placing, which raised £20 million of the consideration proceeds. Given the deal structure, the Board and transaction team prioritised engagement with a wide variety of stakeholder groups in order to secure an exclusive position for TT as the preferred bidder for Torotel. Key stakeholders included (i) the Torotel board and senior management team, which ultimately recommended the terms of the transaction to shareholders, (ii) Torotel shareholders, who gave their approval for the transaction to proceed, and (iii) TT's investor base, as part of the equity placing process. In the latter case, the Executive Directors had direct engagement with over twenty current and prospective investors on the terms of the transaction and the equity placing arrangements. As part of the overall transaction process, TT liaised with a number of UK and US regulatory bodies to ensure that all necessary approvals were secured in the context of Torotel being a US-based supplier to a wide range of customers in the Aerospace and Defence sector and also as part of the process of raising acquisition funding through a UK placing.

Corporate Social Responsibility day – Kuantan, Malaysia
September 2002's Corporate Social Responsibility day was dedicated to creating awareness of environmental issues with the day's activities focused on cleaning an area of local beach. Despite the gloomy weather and rain around 400 employees and their families took part raising over $600 for several local environmental charities to help in supporting their efforts.

A key focus of the transaction was to secure Torotel's product portfolio and technical capability in order to enhance TT's customer offering in the Power Solutions sector, thereby deepening relationships with existing customers and allowing the Group to penetrate new customer platforms; this customer engagement element was a key component of the post-closing integration process. Another important consideration was to ensure that all existing Torotel employees were made to feel part of the expanded TT "family" post-completion, which was achieved by moving Torotel employees into TT-wide compensation schemes at an early stage of the integration programme. The Board played an active part in the transaction process, having carefully considered Torotel's position in the US Aerospace and Defence market, the availability of US Government funded programmes and opportunities to enhance existing TT capabilities/customer initiatives through the Torotel platform. The Torotel transaction was discussed on a total of seven occasions by the Board in 2020, with three such meetings being dedicated entirely to the Torotel acquisition process and/or the equity placing arrangements.

SOCIETY

Our activities that affect them:
- Employment, training and apprenticeships
- Sustainability KPIs
- Pollution, waste, environmental policies
- Local operational impact
- Helping local communities
- Footprint optimisation

How we have engaged:
- Member of the Confederation of British Industry ("CBI") and the Responsible Business Alliance. TT is committed to working in an ethically responsible way towards creating a more prosperous and equal society. TT participated in research to form part of the CBI's new Goal 13 Impact Platform designed to accelerate climate transition by sharing companies' progress from across the UK and beyond, inspiring further climate commitments and action, and facilitating collaboration between companies.
- Regular updates to the Board from the HSE Council, the designated NED sitting on our PSEE Committee and the EVP HR on social, environmental and employee engagement themes.
- The HSE Council engages on our environmental impact directly with regulatory bodies and across all our TT sites to share reports with the Board on the Group's progress against its KPI targets in relation to the environment, see more on page 23.
- Our PSEE objectives remained focused on supporting our local communities and charitable activities which 'Build Expertise' in science, technology, engineering and maths (STEM). Further details on the way we work with the communities in which we operate and employees' environmental initiatives can be found on page 69.
- Diversity within our industry is an important theme for the Board and gender balance is often considered in terms of our senior management pipeline, our extended workforce, the wider automation and electrification sector and educational institutions around the country.

Adapting in 2020:
- Many of our sites around the world engaged with local healthcare institutions and their local communities to provide much needed PPE, safety equipment and food and hygiene kits where they were needed most.
- STEM activities within our local communities and schools continued in 2020 but were adapted to virtual platforms where possible.
- The Board has closely monitored the Virolens® project which aims to provide a unique and highly-engineered testing product to help in the fight against the global threat of COVID-19 to societies around the world.

OUR PEOPLE ARE THE FOUNDATION OF OUR BUSINESS

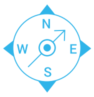
Our people

Our culture and Purpose (see inside front cover for more details) are at the heart of what makes TT Electronics a great place to work and great to work with. People are at the heart of our Purpose and this includes not only our employees, but also other stakeholders including customers and suppliers and our wider communities. We continually strive to ensure everyone who works for TT can be themselves and has the opportunity to do their best every day at work. Our people really are our greatest asset and it is through training and developing them and working together effectively we unlock the potential of TT.

Purpose and meaning

In 2019 we reviewed and updated our Purpose, and this has enabled us to engage with our senior management during 2020 and explore what it means to them and their teams. This enables us to draw on and focus our employees' energy into their ways of working. Our local teams have long been committed to creating social value in their communities and our Purpose also enables us to connect with this and focus our activity in the same areas where we help our customers support a more sustainable world, providing cleaner, smarter solutions and improving health. "Cleaner" therefore includes our sustainability goals such as reducing our energy usage and waste to landfill,

The "TT Way"



We do the right thing

We bring out the best in each other

We achieve more together

We champion expertise

We get the job done… well

"smarter", encompasses our STEM activities, as well as providing improved health for our employees, which in this context includes diversity and inclusion, psychological and physical safety, as well as providing the appropriate tools and support systems that underpin health. In this way, we have linked our Purpose statement to the development of our internal culture and to what we do for our customers.

Our environment section on pages 64 to 69 gives more details on how we are seeking to reduce our impact on the environment as well as our community engagement activities.

Culture and values

We believe that embedding the right culture in the business is critical to our ability to deliver sustainably over time. We also continue to be committed to the "TT Way" which underpins the behaviours we encourage, by which we live every day. All of our employees are measured through regular performance reviews on what they deliver and how they deliver it, with the "TT Way" underpinning the 'how'.

We believe that investments we make in people help them improve, also building loyalty and trust. Our people can do remarkable things, not only because they have a sense of belonging but a purpose that helps them think big, underpinned by our 'TT Way' culture and behaviours.

Health and safety

Health and safety is extremely important to us and one of our Group KPIs is a key health and safety metric (see page 23).

As a result of COVID-19 it has been a challenging year, but this has resulted in an extraordinary response from our people. By learning from the experiences of our Chinese colleagues, who were impacted by the COVID-19 outbreak first, and by implementing COVID-19 secure working practices early on elsewhere, we were able to ensure all our employees remain safe and well at work. Being primarily considered a manufacturer of essential products, our employees' commitment and safe working practices enabled us to continue manufacturing around the world with only limited, short-term exceptions. We constantly review these safe working practices and we have been sharing our experiences weekly to help everyone stay safe.

We have also run reinforcing campaigns such as 'Hands, Space, Face … because I care,' focused on embedding social distancing and other behavioural changes.

We actively promote our health and safety culture that is embedded in our "TT Way" behaviours. We work together to identify, remove or reduce hazards and risks to ensure everyone returns home safe and healthy, with a focus on preventative actions. In 2020, we recorded 4,155 (2019: 1,460) total hazards, monitoring this important 'leading' safety indicator within our employee engagement metrics. This increase is a result of our focused, preventative safety culture programme aimed at raising awareness of hazards, education and recognising employees that demonstrate our 'TT Way' behaviours.

We are committed to achieving a 'zero harm' workplace and, as part of our continuous improvement culture, we have invested in the development of an analytical safety reporting tool. From 2021 this will provide us with additional transparency through the reporting of hazards and near misses by causation type. We will utilise this data to help focus our resources and further develop our safety programme.

26

2019: 23
Sites with zero three day lost-time incidents

We invest significant resources in attracting, motivating and retaining the talented engineers, designers, administrators and technicians of tomorrow

Our 'zero harm' roadmaps are used to set annual improvement plans at each location to ensure continuous improvement. These are regularly reviewed by each site General Manager as well as the divisional EVP. Twenty-six locations had zero lost time incidents in 2020. Each one received a 'zero harm' certificate from the CEO in recognition of their commitment to safety management and continuous improvement. This is an increase on 2019 when 23 sites achieved a 'zero harm' performance.

Providing PPE for the front line

Our "TT Way" principles

Demonstrating our principles
In a demonstration of our 'TT Way' principles, a number of sites across the Group have been doing the right thing by helping local communities during the year in the fight against COVID-19.

Employees from our Mexicali, Mexico facility, among others around the Group, have been active in this regard.

The Mexicali facility has been making and delivering facemasks to protect healthcare staff who have been in the front-line in the fight against COVID-19. Staff are pictured above towards the end of 2020 outside the local general hospital with a consignment of donated face masks.

Mexicali Human Resources Manager Ivonne Rodriguez commented:

"We are excited to partner with the hospital and to help support front-line health personnel in their mission to combat COVID-19. Caring for our people and the welfare of the Mexicali community is what our TT values are all about."

For further examples of how our employees have helped local communities in the year, see the Our environment section on pages 64 to 69.

"

We are excited to partner with the hospital and to help support front-line health personnel in their mission to combat COVID-19. Caring for our people and the welfare of the Mexicali community is what our TT values are all about.

In 2020, three-day lost time incidents, our primary 'lagging' health and safety indicator, and Group KPI, increased slightly to five incidents (2019: four). This in part reflected COVID-related disruption to established processes and working practices through the year. To further support our values we developed, along with employee representatives and operations management, a global safety behavioural standard, which we will develop further during 2021.

We have continued to invest in mental wellbeing during 2020. As well as running workshops to train line managers about mental health, we have also continued to train mental health first aiders at a number of our facilities globally. Ensuring employees are able to express personal anxiety and concern during these challenging times has been crucial.

In the mid-year performance review cycle, we introduced Wellness Action Plans. This tool empowers individuals and managers to talk about how to get the best out of one another at work, how they respond under stress and what support and workplace adjustments they might need. Workshops on using the tool were also run.

Our wellbeing scores in our recent engagement survey (set out in the section on 'Engagement' below) were very strong and addressing wellbeing continues to be a key priority.

Our online, voluntary 'Mindfulness Monday' sessions have been very popular, creating space for our employees to learn mindfulness practices in support of wellbeing. Health and safety is at the heart of our culture and we are totally committed to continuously embedding and improving safe working practices everywhere.

BE Inspired awards
Our BE Inspired awards recognise and internally publicise every quarter those employees who have demonstrated "TT Way" principles, with nominations encouraged from across the Group. From these nominations a number of awards are made celebrating the most outstanding employee achievements.

Engagement
Our employees have been identified as a key stakeholder group with the Board's 2020 interaction with employees set out in the s172 statement on pages 54 to 57 of this Annual Report and in the Chairman's Statement on pages 4 to 7.

We measure our employee engagement using the independent 'Best Companies' survey and methodology. We undertook our employee survey in October 2020, achieving an 85 per cent response rate. We are delighted to have made significant progress in all areas since the late-2018 survey and received an overall '2 Star' rating, benchmarking TT Electronics alongside the very best global corporations in terms of employee engagement. A number of TT sites were also individually recognised as the very best, achieving a '3 Star' rating. Given the impact of COVID-19 and the general market uncertainty, together with the fact that three contributing TT sites are in the process of closing, the results are a powerful demonstration of how employees perceive our commitment to engagement and how they feel about working at TT.

In 2020 we also worked with 'Best Companies' to deliver a more robust reporting and analysis of the survey results. Line managers received a personalised employee engagement score that enables them to undertake a more targeted action plan, aiding continued improvement in engagement levels.

Equality, diversity and inclusion
We are committed to ensuring all our employees, everywhere, get to be themselves at work every day. Ensuring our leaders and managers are inclusive and that everyone is treated fairly at work is core to our culture and strategy.

Building a diverse senior leadership team
We recognise our leaders' critical role in promoting and monitoring equality, diversity and inclusion (ED&I) in TT. This includes regularly reviewing ED&I metrics and investing in supporting our minority employee populations.

Some examples of what we have achieved in the year include:

- more inclusive hiring practices including balanced shortlists and diverse interview panels;
- ongoing commitment to an enhanced Women's Leadership Programme which enables internal sponsorship as a support to promotion;
- a flexible working policy catering for diverse working practices ;
- a significantly enhanced maternity leave policy.

We are also undertaking a project to look at our talent acquisition practices, including how we remove bias from our descriptions and job advertisements.

53%

Female employees

Employee attraction, retention and development
Attracting, retaining and developing our employees is crucial to the achievement of our strategic objectives.

Personal development and growth are important at TT. As well as running training programmes for leaders and managers, we also focus on maintaining robust personal development plans with regular, quality feedback to accelerate personal growth and build succession plans.

We also invest heavily in functional development, such as building sales capability, including coaching and development programmes.

Employees - full-time equivalents (average in year)	Male	Female
Main Board of Directors	4	2
Executive Leadership Team (ELT)	5	1
Other senior managers (ex-ELT)	29	6
UK and Europe	773	474
USA	420	426
Mexico and Caribbean	518	711
Asia	468	884
Other	28	38
Total	**2,207**	**2,533**

Driving ED&I across the organisation
We have developed an ED&I strategy, Committee and business unit working groups to drive equality and diversity. In 2020, we started inclusive leadership training among the Senior Leadership Team and piloted ED&I training at our facilities. Training will be provided during 2021 for all our employees.

We have continued our Women's Business Forum and we will look to run our Women's Leadership Programme before the end of 2021. We have also developed revised global ED&I policies.

We are excited by how passionate many of our employees are about ED&I and there is a real opportunity to build in 2021 on the progress we have made to date.

At 31 December 2020 we had 4,740 employees Group-wide, of which 47 per cent are men and 53 per cent are women. This gender diversity split by geography and seniority is set out above:

Our Gender Pay Gap report is also available for viewing at https://www.ttelectronics.com/TTElectronics/media/SiteFiles/Legal%20Documents/TTE_Gender-pay-gap-report.

We ran a series of Leadership Development sessions in 2020, including on developing a winning mindset and leading high performing teams. We have also run a series of management workshops with sessions including change, loss and recovery; compassionate leadership; leading change; dealing with adversity; and making better decisions. We run a performance review process including regular personal interaction with line managers, so employees know what is expected of them and receive feedback on their performance. We recognise exceptional contributions from all employees through our Be Inspired awards and we publicise monthly recognition, as well as annual awards, which are aligned to the "TT Way".

Despite the many COVID-related challenges during 2020, we have made good progress on our journey to be a truly great place to work.

Business ethics
We hold ethical standards in high regard, operating with integrity to a common standard worldwide. We do not tolerate corruption or bribery in any form. We operate systems and processes which counter corrupt practices, including an anonymous and multi-lingual 'whistleblower' portal through which individuals can report concerns. Significant issues arising are reported to the Audit Committee, with cases investigated in detail and appropriate action taken.

Our Statement of Values and Business Ethics Code sets out the operating principles to which we adhere. Day-to-day oversight of ethics and compliance related matters are undertaken by the PSEE Committee, which is chaired by the Group CEO and which includes the Senior Independent Director as a member. For any matters of particular concern, an Ethics Committee is convened to investigate, and this is constituted by members of the ELT.

All relevant employees are required to complete mandatory online training annually across different aspects of ethics including anti-bribery and corruption, IT and cyber security, export controls and information management.

Human rights and modern slavery
We are committed to upholding the human rights of our workers and treating them with dignity and respect as understood by the international community. Our Human Rights Code is contained within the Responsible Business Alliance Code of Conduct and covers permanent, temporary, migrant, student, contract, direct and indirect workers.

We do not tolerate practices which contravene international standards. Regulatory demands vary considerably around the world; however, we have established a core structure to ensure that Group companies fully comply with legislative and regulatory requirements while permitting them to tailor their approach to local needs.

Everyone in TT is responsible for having due regard for human rights. Managers and supervisors must provide leadership that promotes human rights as an equal priority to other business issues. All employees are responsible for ensuring that their own actions do not impair the human rights of others and are encouraged to bring forward, in confidence, any concerns they may have about human rights.

TT is committed to acting ethically and with integrity in our business dealings. As part of this commitment, TT has adopted a zero-tolerance approach to modern slavery, whether in the form of servitude; forced, bonded, or indentured labour; slavery; human trafficking or any other activity that amounts to an unreasonable restriction on the free movement of workers.

The Board has adopted a policy on modern slavery, setting out the standards we expect from all our employees, contractors, suppliers, distributors and other business partners. A copy of our modern slavery statement can be found on www.ttelectronics.com.

Supply chain
It is important that not only does TT adhere to high social standards, but we seek to do business only with a like-minded supply chain. Therefore, in 2020 we updated TT's Corporate and Social Responsibilities – Supplier Expectations policy, which sets out TT's required standards of our global supplier base with respect to social and environmental practices. In addition to supplier environmental standards (see page 69), the policy addresses a number of social and ethical aspects including health and safety, modern slavery, child labour, discrimination, harsh or inhumane treatment, equality, diversity and inclusion, anti-bribery, cyber security, living wages and working hours. We carry out assessments of our suppliers regularly to ensure compliance and we will not do business with suppliers who violate these standards. The policy can be found on www.ttelectronics.com.

85%

Reponse rate to employee survey

2 Star

Employee engagement rating

OUR ENVIRONMENT

We help solve electronic challenges by providing solutions that are cleaner, smarter and healthier, which help our customers reduce their environmental impacts. At the same time, we also seek to optimise our own operations to reduce our impact on the environment.

TT recognises that our activities and those of our customers have an environmental impact. Our response is two-fold:

- develop, design, engineer and manufacture products for our customers that help them reduce their environmental impacts and which also have significant, beneficial, social impacts for society; and
- optimise our own operations to reduce this impact on the environment.

For more information on our products and how they impact society please see Our Markets on pages 30 to 37.

Governance

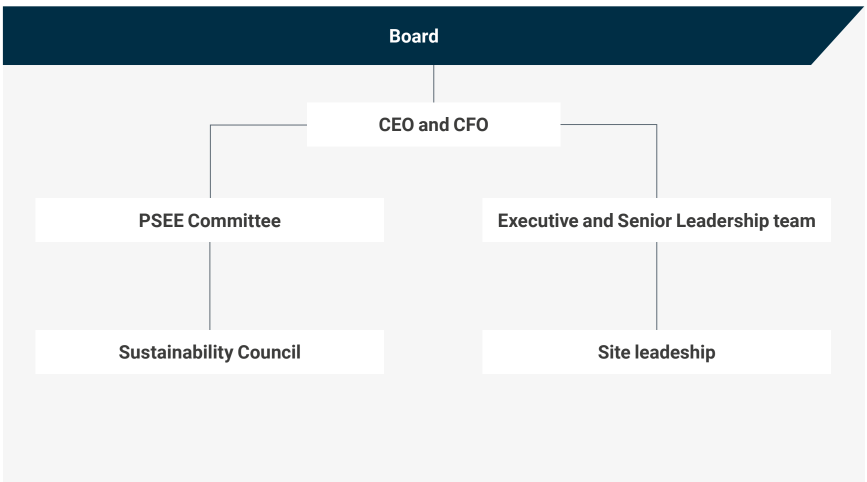
We are committed to driving our sustainability agenda and we are organised in the following way:

- Our Health, Safety and Environmental Policy statement defines our goals and objectives
- The Board considers climate change and environmental risks as part of its overall assessment of the risks facing the Group
- The Board is supported according to the organisation chart below, and this sets out our Governance structure

Oversight of our environmental performance is provided by the PSEE Committee and which is chaired by the CEO and attended by the Senior Independent Director. The Committee drives TT's sustainability strategy for our employee, community, customer and investor stakeholders. The Committee Chair reports back to the Board on the activities of the Committee, including the progress made on environmental matters.

From 2021 we have set up a Sustainability Council that comprises a mix of senior corporate managers and representatives from each division. The purpose of the Council is to advise the PSEE Committee, providing a conduit to and insights from, the global business leadership team. The Council also provides technical and other specialist advice with respect to driving further sustainable improvements within the Group.

The ELT is chaired by the CEO and comprises the CFO, the divisional EVP's and other senior managers. This body meets on a quarterly basis and is responsible for delivering against sustainability targets and other objectives by working with our global site leadership.



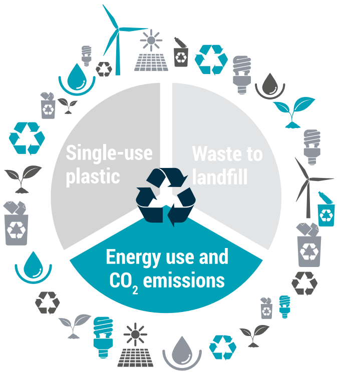
Our environmental priority areas

We recognise that our business activities have significant relevance to the UN Sustainability Goals (UN SDG). Accordingly, in 2019 we completed a strategic workshop. This was chaired by the EVP HR, and included Board representation, as well as senior managers from within the businesses. The workshop identified those areas where there was greatest alignment with the UN SDG and where we had the opportunity to make the most difference. From an environmental perspective, we believe we are most closely aligned to Climate Change (UN SDG #13), as this is the single biggest impact we have on the environment. In recognition of this, we have included this metric within our Group KPIs for the first time in 2020 (see page 23) with our ultimate target being to become carbon neutral on scope 1 and scope 2 emissions by 2035, with like-for-like reductions in our emissions annually.

Following further consideration of our environmental exposures, and in addition to reducing our carbon emissions, we are also focusing on reducing our use of single use plastics and on reducing the amount of waste we send to landfill every year.

Our overall progress has been recognised, as we received a rating of 'AA' in the 2020 MSCI ESG Ratings assessment, placing TT in the leading companies in its sector group. MSCI ESG Research provides in-depth research, ratings and analysis of the environmental, social and governance-related business practices of thousands of companies worldwide.

In addition, we participated in the 2020 CDP annual climate change survey. CDP is a not-for-profit charity that runs a global disclosure system for companies and other organisations to manage their environmental impacts. It awarded us an improved 'C' rating, denoting awareness of climate change issues.



20% CO_2 reduction

Scope 1 & scope 2

Energy use and carbon dioxide emissions

We are focused on reducing our carbon dioxide impact from energy use. We have set out the actions we are taking below in 'Reducing our energy use and carbon emissions'.

In 2020 we implemented a carbon dioxide reporting tool consistent with the Greenhouse Gas (GHG) Protocol Corporate Standard and with the Streamlined Energy and Carbon Reporting (SECR) guidelines. This Group-wide tool is in use at all sites and is important in helping us better measure and manage our carbon dioxide emissions.

We report using an intensity ratio of carbon dioxide emissions per £1 million of revenue for our global scope 1 and 2 GHG emissions (expressed in tonnes of carbon dioxide equivalent).

In 2021 we intend to identify our scope 3 boundaries for business activities. We will baseline our carbon dioxide equivalent emissions from these activities and disclose them annually after this.

By far the largest component of our energy usage is electricity. We use this in our facilities around the world for our development, design, engineering and production activities, as well as in our sales, support and management activities, with total emissions as follows:

Carbon dioxide equivalent (tonnes)

	2020	2019*
Emissions from activities which the company owns or controls including the combustion of fuel and operation of facilities (Scope 1)/tCO_2e	**1,259**	770
Emissions from the purchase of electricity, heat, steam and cooling for own use (Scope 2, location based)/tCO_2e	**11,259**	14,935
Total gross Scope 1 & 2 emissions/tCO_2e	**12,518**	15,705
Revenue (£million)	**431.8**	478.2
Intensity ratio: tCO_2e (gross Scope 1 & 2)/£1 million revenue	**29.0**	32.8

* The Group's 2019 carbon dioxide equivalent (tonnes) GHG have been restated. The restatement includes the impacts of a change from a decentralised to a centralised GHG methodology in 2020. The change is expected to improve the consistency and reliability of data.

Carbon emission factors for grid electricity are calculated according to the 'market-based method.' We have adopted the UK Government GHG emission conversion factors by relevant year for our centralised emission factor calculation for GHG equivalent carbon dioxide. Other greenhouse gases emitted as a result of the manufacturing process are not included within this figure as they are a negligible proportion of overall emissions. We are using an operational control boundary for direct GHG emissions. We have adopted a cross-sector calculation method in line with the GHG Protocol Corporate Standard, restating our 2019 disclosure to be consistent.

For scope 1 emissions, we include our total owned and leased vehicle direct emission impact.

The Covina, California acquisition was completed in January 2020 and its emissions have been included in the 2020 carbon dioxide numbers. The acquisition of Torotel, Inc, which completed in November 2020, will be included from 2021.

The Group's total scope 1 & 2 carbon emissions have in 2020 reduced by 20% to 12,518 tonnes (2019: 15,705 tonnes).

SUZHOU, CHINA

Our Suzhou, China site held 30 training sessions during its 2020 employee sustainability event and received 173 energy-saving ideas from its employees. The site implemented eight projects, which were selected from the employee suggestions received. The implementation of these projects has had a significant impact on energy usage, with an estimated 15 per cent reduction in energy use at the site as a result.

The primary drivers of this improvement are:

- Eight UK sites moving to a green electric energy, UK Government backed scheme in October 2020.
- Capital investment projects including, energy efficient lighting and controls and installation of energy efficient heating/cooling systems.
- Local site energy saving projects with each site participating in a global sustainability event to identify and implement energy saving actions (see Suzhou, China case study).
- The impact of COVID-19 on our operations including lower production volumes, reduced business travel and increased home working for office-based employees.

The Group's intensity ratio of carbon dioxide emissions for 2020 (as defined above) were 29.0 tonnes (2019: 32.8 tonnes) of carbon dioxide equivalent per £1 million of revenue. The intensity ratio declined largely due to the impact of the efficiency measures set out above.

Reducing our energy use and carbon emissions

Our strategy is to improve our efficiency and productivity, and this is set out in more detail on pages 16 to 19. The actions being taken include a reduction in our operating footprint, in part comprising the closure of three operating sites. These closures are expected to occur before the end of 2021. This, together with other actions we are taking, are expected to contribute to a reduction in our carbon emissions over the coming years.

We are committed to moving to sustainable energy in each country where there is an accessible source available. Eight UK sites switched to Renewable Energy Guarantees of Origin (REGO) contracts from October 2020 to take advantage of a wind generated electricity source. This switch to REGO and other green energy provision will be a key contributor towards our journey to becoming carbon neutral.

As well as a top-down approach to managing our carbon emissions, we also use a bottom-up approach. All our sites participated in a company-wide sustainability event in 2020 themed as 'our road to a safe and a sustainable world.' The event was focused on raising employee awareness of sustainability issues and channeling their enthusiasm and ideas into action. Accordingly,

Scope 1 and 2 emissions by geography, carbon dioxide equivalent (tonnes) – 2020

Geographic Region	United Kingdom	Rest of Europe	North America	Asia	Rest of World	Total
Natural gas (MWh)	2,736	–	2,827	–	–	5,563
Fuel in company owned/leased vehicles (MWh)	660	2	28	296	–	986
Electricity (non-renewable) (MWh)	10,905	–	28,273	9,037	59	48,274
Electricity (renewable) (MWh)	2,908	16	–	–	–	2,924
Total energy (MWh)	**17,209**	**18**	**31,128**	**9,333**	**59**	**57,747**
Total scope 1 emissions (tonnes CO_2e)	660	–	527	72	–	1,259
Total scope 2 emissions (tonnes CO_2e)	2,547	-	6,591	2,107	14	11,259
Revenue (£million)	100.2	74.8	164.9	88.8	3.1	431.8
Tonnes of carbon dioxide equivalent per £1 million of revenue	**32.0**	**0**	**43.2**	**24.5**	**4.5**	**29.0**

The MWh figures shown are sourced from site supplier energy invoices.

The following facts are relevant when considering the geographic emissions split:

- The bulk of our UK sites transitioned to green electricity in October 2020, reducing our electricity emissions. The full year impact of this will also reduce our 2021 emissions;
- Our European operations, comprising one operating site and sales offices, are already almost exclusively using green energy sources;
- Our North American, Asian and Rest of the World sites do not currently use green energy. Where this is available, we will transition to green energy. We are also assessing opportunities to implement green energy infrastructure projects;
- We have fewer, larger sites in Asia, with more, smaller sites in North America. As part of our footprint consolidation, two sites in North America are expected to close before the end of 2021.

Carbon dioxide data breakdown by division (scope 1 and 2) - 2020

	Power and Connectivity	Global Manufacturing Solutions	Sensors and Specialist Components	Corporate	Total
Natural gas (MWh)	3,675	149	1,739	-	5,563
Fuel in company owned/leased vehicles (MWh)	133	338	387	128	986
Electricity (non- renewable) (MWh)	11,022	10,313	26,939	-	48,274
Electricity (renewable) (MWh)	833	659	1,432	-	2,924
Total energy (MWh)	**15,663**	**11,459**	**30,497**	**128**	**57,747**
Total scope 1 emissions (tonnes CO_2e)	703	106	419	31	1,259
Total scope 2 emissions (tonnes CO_2e)	2,570	2,404	6,285	-	11,259
Revenue (£million)	125.1	197.5	109.2	-	431.8
Tonnes of carbon dioxide equivalent per £1 million of revenue	**26.2**	**12.7**	**61.4**	**n/a**	**29.0**

- Sensors and Specialist Components has the highest energy intensity, having the lowest proportion of sites using green electricity (see availability of green energy above);
- Global Manufacturing Solutions – has the lowest energy intensity having the fewest sites, of which half transitioned to green energy in October 2020.

this event had a particular emphasis on identifying energy reduction opportunities, as well as enhancing employee engagement. We have set out in a case study on page 65 the work done at our Suzhou, China facility to reduce its emissions.

Each TT site has developed its own energy action plan using a Group-wide Energy and Greenhouse gas emission (scope 1 and 2) Conservation Roadmap (EC/GhGR). This aids focus on decreasing the quantity of energy used and implementing energy efficiency initiatives. The EC/GhGR has resulted in a number of local initiatives including installing LED lighting, implementing light sensors in work areas and the implementation of optimised power controls for air conditioning.

Carbon disclosure reporting

Our new global carbon tracking tool provides additional disclosure and transparency in support of our target of becoming a carbon neutral business by 2035, with like-for-like emission reductions annually. Consequently, from 2020 we are able to provide more detailed disclosure of our emissions impacts, as shown in the following table:

Global GHG emissions and energy use data – 2020

	2020
Natural gas (MWh)	5,563
Fuel in company vehicles (MWh)	986
Electricity (non-renewable) (MWh)	48,274
Electricity (renewable) (MWH)	2,924
Total energy (MWh)	**57,747**
Total scope 1 emissions (tonnes CO_2e)	1,259
Total scope 2 emissions (tonnes CO_2e)	11,259

With the 2019 data set analysis incomplete, comparative numbers will be provided from financial year 2021, together with explanations of variances and our overall progress.

Carbon data by geographic location (scope 1 and 2)

Our new carbon reporting tool has also enabled us to provide scope 1 and 2 emissions carbon dioxide equivalent, by division and geographic region for the first time. This is set out in the tables on page 66. Comparative numbers will be provided from financial year 2021 onwards.

In late 2020, we undertook a full site energy assessment at one of our larger manufacturing sites in the UK. This was conducted by independent experts. The objective was to examine the full range of ways in which we could reduce site carbon emissions. This included all possible energy efficiency measures as well as site potential to generate renewable energy in an economic way. The site assessment report, which has become available in the first quarter of 2021, is intended to set out a financial business case and a potential implementation programme for suitable solutions meeting our requirements. We intend to use this report as a template for other site assessments and energy reduction measures, which could be carried out within the context of our green energy strategy.

Task Force on Climate-related Financial Disclosures

We endorse the Task Force on Climate-related Financial Disclosures (TCFD) and we are currently making preparations to meet the detailed disclosures in line with its recommendations. To achieve this we intend to complete a gap analysis during 2021, which will identify necessary actions needed and ensure the governance of climate-related issues are incorporated in employee roles and responsibilities.

The gap analysis will include an assessment of our climate change risk management process, so we can broaden our understanding of the actual and potential impacts of climate change on our business.

We identify our environmental risk and impacts at an operational site level and this forms part of our site operational risk assessment and review. This risk assessment is reviewed at Group level and consolidated. Significant identified risks are placed on the Group environmental risk register. The Group register is reviewed by the Risk Committee and the Board on a regular basis.

Climate and environmental risks are already considered as part of our risk management processes and we consider our disclosures on governance, strategy, risk management, metrics and targets to be broadly in line with most of the TCFD recommendations. In 2021 the Board will review the materiality assessment of climate-related risks and opportunities and this will take account of the different long-term climate-related scenarios.

Where any climate and environmental matters have been identified as principal risks for TT, these have been set out in the section on risk on pages 52 to 53. Further, our non-financial KPIs are set out on page 23.

A description of our initial response to TCFD recommendations are set out below under the four sub-headings set out in the TCFD, as follows.

Governance

The PSEE Committee (see the Governance section on page 64) drives our response to all environmental matters, including our response to TCFD.

Strategy

Our strategy is focused around the areas where we have the greatest environmental impact, primarily energy use, with additional focus on single use plastics and waste management. Energy use, in particular electricity use, has been identified as one of the largest contributors to our emissions. Our target is to become carbon neutral on scope 1 and 2 emissions by 2035, with like-for-like reductions annually. As part of this, we are switching our sites to green electricity tariffs - in geographies, where renewable tariffs are available - as existing energy contracts come up for renewal. In 2020 eight of our sites have switched to REGO schemes.

One of our strategic priorities is to reduce the carbon dioxide impact of our operational facilities with a focus being on taking sensible actions to optimise our operational performance and supply chain.

We have updated our Purpose statement, which is to solve electronic challenges for a sustainable world, to align it with our ambition to be a carbon neutral business for scope 1 and 2 emissions by 2035.

We have developed a Group-wide Environmental Sustainability and Energy Management roadmap to decrease our impact on the environment through implementing energy and environmental initiatives. Each site conducts a detailed annual review to identify its priorities for the year ahead. This is reviewed regularly by the local management team with a quarterly review with the EVP of the Division. Environmental risks arising from these reviews are added to the site operational risk register.

Risk management

The assessment of environmental and sustainability risks form part of the wider Group risk management process as set out on page 50 to 51. The Risk Register is reviewed quarterly at divisional level with any new environmental risks added. The register is considered by the Board and the Risk Committee. For more details, see Risk Management on page 50 to 51.

FAIRFORD, UK

Our Fairford, UK team decided to respond to a UK National Health Service appeal for the provision of protective visors and masks for their staff in the frontline of the fight against COVID. TT contributed the special materials needed to make this equipment and, using the site's 3D printer, our employees produced much-needed face shields. These were donated to local critical care nurses and doctors, a local primary school and a funeral care home.

During the pandemic, employees from around the Group have also offered much needed support to the hungry and homeless. Our sites donated food parcels, clothing and hygiene kits to local charities for people in need.

Despite the focus on COVID, other sites around the Group have continued to raise cash and help out in their local communities for a range of good causes.

Metrics
We have set-out our reporting metrics in the section above on carbon disclosure reporting.

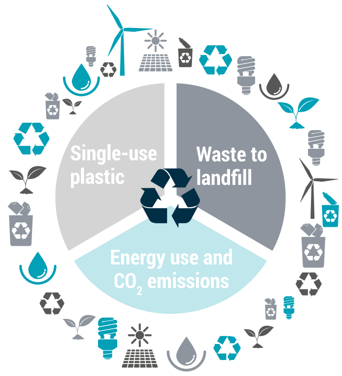
61% plastic

purchased is recyclable

Single-use plastics
A primary waste management focus is to reduce our reliance on (direct and indirect) single-use plastics. In 2019, TT sites signed a "pledge on plastic" to reduce single-use plastics, which was endorsed by the Group's Executive leaders. As part of this pledge, stakeholder meetings have taken place and educational programmes launched to raise awareness of the detrimental effect of single-use plastics on our environment.

In 2020, for the first time we measured the amount of single-use plastics purchased Group-wide. Total plastic purchased in the year was 234 tonnes. In part, as a result of the stakeholder work done during 2019 and 2020, 143 tonnes (61 per cent of the total) of the plastic we purchased in 2020 was recyclable. A baseline of 91 tonnes (39 per cent of the total) of single-use plastics has been established. In support of our reduction efforts, we have commenced programmes at our sites to replace this single-use plastics over time with more sustainable products. The bulk of our single-use plastics is used in packaging products for shipment to customers. Sites are switching over time to recyclable bubble wrap, pallet wrap and other packaging materials.

We will reduce the like-for-like weight of our single-use plastic annually and will encourage sites to seek supply alternatives to single-use packaging. We also intend to commence engagement with our customers in 2021 to seek support for use of alternatives to plastic wherever possible, so we can transition to more sustainable, alternative packaging.



88% of waste

diverted from landfill

Waste to landfill
Our other primary waste management focus is to reduce the amount of waste we send to landfill. To aid our overall waste reduction efforts, we have baselined the amount of waste we send to landfill for the first time. In 2020 we generated 1,513 tonnes of waste Group-wide. Of this, 1,333 tonnes (88 per cent of the total) is diverted away from landfill with a baseline of 180 tonnes (12 per cent of the total) sent to landfill. Within this, three of our operational sites, through ongoing waste reduction, efficiency and recycling efforts, already send zero waste to landfill.

Our sites are increasingly segregating their waste streams to increase the amount of recyclable waste including cardboard, paper, metal, hazardous waste, wood and plastic. For example, in our Cardiff, UK facility we have implemented a green waste recycling area where waste was previously coming led and sent to landfill.

Consistent with our culture of continuous improvement we are sharing best practices undertaken across the Group to drive our waste-reduction efforts. We are targeting like-for-like reductions in the tonnage of waste we send to landfill annually.

Water usage
While water usage is not considered our biggest impact on the environment, following a 2020 environmental impact review, we are conscious that water is a precious global resource and needs to be managed. We monitor the amount of water used for production and we seek

to minimise this wherever possible. We optimise water use by recycling wastewater for irrigation, including establishing green areas where appropriate.

Our water usage in 2020 was 130,760 cubic metres and we will report our water usage annually going forward.

Supply chain

We understand that not only do we have to be mindful of our impact on the environment and strive to improve our own performance year-on-year, but we must also work with like-minded suppliers.

As part of this, we have published our Corporate and Social Responsibilities – Supplier Expectations Policy in 2020, to help embed sustainability in the supply chain. The document is available on our website, is at the foot of emails to suppliers and, starting in 2021, will be on supplier purchase orders.

The document covers a range of social and ethical issues, which we discuss in more detail on page 63. The document also covers our environmental procurement practices including the requirement for suppliers to have an Environmental Policy and Management System, comply with all relevant environmental legislation and have environmental improvement plans in place. As an affiliate member of the Responsible Business Alliance, we carry out assessments of our suppliers regularly to ensure compliance and we will not do business with suppliers who violate these standards. The Policy can be found on our website www.ttelectronics.com/global-sourcing.

Our community

We believe community issues are best addressed locally, wherever possible. Each site is encouraged to manage its operations and activities with due consideration for the wellbeing of our communities, whom we regard as key stakeholders. It is TT's policy not to make political donations.

We encourage and support our employees to take part in charitable and community activities which benefit the locations in which they live and work. Our 'Hours for Giving' programme encourages each employee to take five hours paid work leave per year to donate to local causes. This year staff donated just under 4,000 hours (2019: over 5,000 hours), with the time we were able to give in 2020 impacted by COVID-related constraints.

We also fund our employees' local STEM activities – with employees making school visits, supporting science projects and organising activities to encourage young people to take up a career in science- or technology-related fields. We supported school curriculums with engineering-related competitions and designed fun ways to demonstrate the importance of electronics in everyday life. Our STEM ambassadors in Lutterworth, UK continued offering their virtual support by taking part in mock interviews to help students prepare for the world of work.

Despite COVID-19 restrictions across many of our locations during the year, our teams found innovative ways to make a difference. Fundraising activities included a lockdown photo competition, sponsored head shaving, chilli cook-off, sponsored cycle rides and face mask making contests - all to raise funds for local good causes. In 2020 we raised just under £31,000 (2019: over £50,000) for local good causes through our fundraising initiatives. This includes money raised by employees and donations from the company.

TT has been an active participant in the fight against COVID-19. We have been involved in a range of healthcare projects through the year from vaccine refrigeration, products for ventilators, to Virolens®, a COVID-19 screening device, where we are the exclusive global manufacturing partner, as well as a supplier of a number of different products for the device. We have funded technology investment during 2020 to provide the right products and services to support front-line staff and the broader community.

In addition, employees in many of our sites focused on directly supporting the fight against COVID-19. Employees in Bedlington, Fairford and Barnstaple in the UK used TT's 3D printers to produce protective visors for frontline health workers. Lutterworth and Hartlepool in the UK and Cleveland in the US donated 'home-made' mask extenders to hospitals and care homes, while the Cardiff, UK team produced touch-free door openers. In Juarez, Mexico the team donated protective screens to the local general hospital with all our community donations gratefully received.

MINNEAPOLIS, MINNESOTA

Our Minneapolis, Minnesota site raised more than $2,000 to support its local Community Emergency Assistance Programme. This gives aid to families in need over the Christmas period. The money raised was a combination of personal donations by employees and a lump-sum donation from the company.

NON-FINANCIAL INFORMATION STATEMENT

Reporting requirement	Key stakeholder group impacted	Our approach and key policies	Outcomes in 2020	Further information
Environmental matters	Employees, customers and suppliers, community, investors	We help solve our customers electronic challenges for a sustainable world by providing them with solutions that are cleaner, smarter and healthier. We optimise our own operations to reduce our impact on the environment. We have linked our Purpose statement to the development of our internal culture and to what we do for our customers. **Key policies:** Statement of Values and Business Ethics Code.[1] Health, Safety and Environmental Policy.	Carbon dioxide equivalent (tonnes) emissions reduced by 20% to 12,518 (2019: 15,705)[2]. 61 per cent of total plastic was used more than once. 88 per cent of waste generated was diverted from landfill. Investment in R&D at 4.8 per cent of revenue in our product businesses[2] bringing new and improved products to market.	See Our environment on pages 64 to 69 See Principal risks on pages 52 to 53
Employees	Employees	Our employees deliver our leading expertise in electronics and they are the foundation on which TT is built. Promoting the health and wellbeing of our employees lies at the heart of the "TT Way". **Key policies:** The "TT Way" principles. Statement of Values and Business Ethics Code.[1] Health, Safety and Environmental Policy. ED&I strategy document Employee Grievance and Disciplinary Policy. Whistleblower Policy.[1] Gender Pay Gap Report published annually[1].	Five three-day lost-time health and safety incidents.[2] Rated a '2 Star' great place to work by Best Companies Limited in its 2020 survey.[2] A gender balanced permanent workforce with 53 per cent women and 47 per cent men at 31 December 2020. Our new ED&I strategy is being rolled out with Inclusive Leadership training for the senior leadership team and piloted ED&I training at our facilities. Our BE Inspired recognition scheme had 2,754 nominations and presented 366 awards. Our site based Works Council and employee forums discuss issues relevant to employees.	See Our people on pages 58 to 63 See Principal risks on pages 52 to 53

Our non-financial information statement is set out below in compliance with Sections 414CA and 414CB of the Companies Act 2006. It is intended to guide our stakeholders to where relevant non-financial information is included within the Strategic report. Further non-financial information can be found in the Our environment section of the Strategic report.

Reporting requirement	Key stakeholder group impacted	Our approach and key policies	Outcomes in 2020	Further information
Social matters	Employees, community	As a responsible, global organisation we are committed to making a sustainable, positive impact on the local communities in which we operate. **Key policies:** Statement of Values and Business Ethics Code.[1] Community and Charity Support, Our Guiding Principles. Health, Safety and Environmental Policy.	Our sites donated just under £31,000 to local causes through our programme called "Giving the TT Way" In recognition of the improving trends through the second half of the year and our strong cash generation, we repaid the £1.1 million Coronavirus Job Retention Scheme (furlough) payments to the UK Government. Our employees donated just under 4,000 hours of their time in TT's scheme called 'hours for giving'. The time is given to good causes.	See Our environment on pages 64 to 69 See Principal risks on pages 52 to 53
Respect for Human Rights	Employees, customers and suppliers, community	We are committed to upholding the human rights of our workers and treating them with dignity and respect. **Key policies:** Statement of Values and Business Ethics Code.[1] Human Rights Code.[1] Modern Slavery Statement.[1]	No human rights violations have been identified during 2020. We reaffirm our commitment annually to opposing slavery through the publication of our Modern Slavery statement.	See Our environment on pages 64 to 69
Anti-corruption and anti-bribery	Employees, customers and suppliers, community, investors	We hold ethical standards in high regard, with one TT standard worldwide. We do not tolerate corruption or bribery in any form. **Key policies:** Statement of Values and Business Ethics Code.[1] Whistleblower Policy.[1]	Employees are required to undertake ethics training annually. There is an anonymous Whistleblower Helpline and significant complaints are reported to the Board and investigated.	See Our people on pages 58 to 63 See Principal risks on pages 52 to 53

1 Document is on the TT Electronics website (www.ttelectronics.com).
2 Group KPI – see pages 22 to 23 for more information.

The table above corresponds to our key stakeholder groups set out on pages 54 to 57. These stakeholder groups are key to the long-term sustainability of our business and inform the Board's engagement activities.

The Strategic report also includes a description of our business model (see pages 20 to 21), our principal risks and how we manage them (see pages 50 to 53) and on our KPIs, including our non-financial KPIs (see pages 22 to 23) and the reasons why they are important.

The 2020 Strategic report, from pages 1 to 71, has been reviewed and was approved by the Board of Directors on 9 March 2021.

Richard Tyson
Chief Executive Officer

Mark Hoad
Chief Financial Officer

Warren Tucker, Chairman

CHAIRMAN'S INTRODUCTION TO GOVERNANCE

KEY HIGHLIGHTS

Strong focus in 2020 on the following priorities:

- Business resilience in the face of the COVID-19 outbreak.
- Maintaining strategic direction (including targeted M&A); positioning the Group in markets where key drivers support demand and long-term growth.
- Strong focus on sustainability and the needs of our employees; evidenced by 2 star "Best Companies – Great Place to Work" Employee Engagement rating.
- Moving the Group forward in other key areas including: customer mix, investment in site footprint/R&D, effective cash management and balance sheet strength, in each case whilst navigating a path through the COVID-19 outbreak.

My appointment to the Board in April 2020 coincided with a period of unprecedented turmoil across the world, as the COVID-19 outbreak took hold. As with most companies, the outbreak has put a significant strain on TT's operations worldwide, with our business continuity plans and HR processes having been tested as never before.

However, despite the uncertainty created by these global events, we have shown tremendous resilience as a business and have withstood the crisis in a way which puts the Group on a firmer footing for the years ahead. This is shown by the continuing strength of both our core operations and the Group balance sheet (as described in more detail in the Strategic report). In addition, we have continued to prioritise the delivery of growth through targeted M&A (including the acquisitions of the Covina Power Solutions business and Torotel, Inc) as well as assisting in the development of the Virolens® COVID-19 pathogen testing product within an accelerated timescale. These achievements are testament to the strength of our corporate governance regime, through which the Board has been able to navigate a path of maintaining stability whilst remaining focused on delivering on our growth potential, for the benefit of all of our stakeholders. Further details of how our governance structures have responded in the face of the COVID-19 outbreak are set out in this section of the Annual Report.

COVID-19 – our response

The COVID-19 outbreak has had an impact (to a greater or lesser degree) on all of our operations around the world, starting in China and other parts of Asia in early 2020, before quickly spreading to our UK, European and North American business locations. Naturally the responsibility for managing the day-to-day response to the outbreak (including the introduction of site-specific Health and Safety processes, remote working practices and modified customer/supply chain activities) rested with local site management, supported by our functional teams. However, right from the start of the outbreak, a dedicated reporting structure was established that allowed a fast-paced, two-way flow of information from site, Divisional and HR teams, via a specially constituted COVID Steering Committee, into the ELT and ultimately the Board. Members of the Board met on a number of occasions, outside the regular cycle of Board meetings, to track key operational and financial metrics, including those relating to Health and Safety performance, site operability and cash management. It is to the credit of our staff worldwide that all but five of our manufacturing sites have remained operational throughout the pandemic, with periods of closure required to comply with local regulatory requirements being kept to a minimum in each instance. Perhaps the best indicator of how TT has responded to these unprecedented events is provided by our workforce, who were universally positive in our 2020 Employee Engagement Survey about TT's prioritisation of health & safety, staff communication and maintaining salary levels, whilst minimising site closures. The Board is truly indebted to the professionalism and responsible approach shown by staff throughout the past year, in difficult circumstances.

"

Notwithstanding the challenges presented by the COVID-19 outbreak in 2020, I am pleased to report that the Board has maintained a strong focus on its wider governance responsibilities throughout the past year.

The Board
As indicated above, I joined the Board in April 2020 and became Chairman a month later following our AGM. Whilst the recruitment process that preceded my appointment followed a relatively conventional path, my induction programme (coupled with the initial period of engagement with the Board) was rather more unusual, with all initial meetings being held via videoconference and the Board unable to meet in person until October 2020. Likewise, the pandemic (and the resulting UK Government "Stay at Home Measures") meant that shareholders were unable to attend our 2020 AGM in person. Nevertheless, I am pleased to confirm that I have now completed an extensive induction programme, which has allowed me to engage with a number of shareholders, advisers and members of the senior management team within TT and other key stakeholders. I am particularly indebted to my predecessor, Neil Carson, for the significant efforts he made to ensure that I was as fully prepared as possible to take over his responsibilities as Chairman. On behalf of the Board, I would like to thank Neil for his leadership, direction and insights throughout his tenure as Chairman, which represented a period of great strategic and operational progress for TT.

In April, we also announced that Stephen King would be stepping down from the Board in September 2020, having served for nine years as a Non-executive Director, the majority as Chair of the Audit Committee, but also as Senior Independent Director for the last four years. As with Neil, it was sad to see Stephen leave the Board given his significant contribution during his time as a Non-Executive Director. We wish him well for the future. As indicated in April, Jack Boyer was appointed as Stephen's replacement as Senior Independent Director with effect from the close of the 2020 AGM and Anne Thorburn took over as Chair of the Audit Committee at the same time. Given the period of transition we have experienced in 2020, and also the significant progress we have made on gender diversity in recent years, I can confirm that we do not intend to recruit any new members to the Board at the present time. Similarly, having now been in post for almost a year, a key priority for me as the incoming Chairman is to maintain the culture of openness and transparency that has been engendered over the past few years, which allows the Board to maintain a keen focus on TT's key strategic priorities in an environment of trust and freedom of expression.

Engaging with our Employees
As with most companies, the COVID-19 outbreak has had a significant impact on the Board's ability to visit TT facilities during 2020, although I was able to participate in a tour of the Rogerstone site in October, accompanied by the CEO, whilst the entire Board visited the Fairford site over the Autumn period. Both visits were particularly useful in terms of getting a sense of how the business had responded to meeting customer requirements and adhering to new health and safety standards during the pandemic. As part of this process, Non-executives attended "employee voice" sessions at both facilities, together with additional events organised via teleconference with Suzhou and Covina team members, which allowed the Board to take the pulse of key engagement issues. The outputs of these exercises were fed into the Board via our People, Social, Environmental and Ethics (PSEE) Committee meetings, of which our Senior Independent Director is a member, utilising the framework first applied in 2019 for promoting NED engagement on "employee voice" issues. The Executive Directors also held regular review sessions with site leadership throughout the pandemic, both virtually and in-person (wherever possible at UK sites), to ensure that employee feedback was built into TT's response planning for the initial (and potentially future) COVID-19 outbreaks. Further information on our employee engagement framework is set out on page 62. I am immensely proud that in these challenging times, the Board was able to continue to the process of ensuring effective engagement with employees and senior management.

Governance Responsibilities
Notwithstanding the challenges presented by the COVID-19 outbreak in 2020, I am pleased to report that the Board has maintained a strong focus on its wider governance responsibilities throughout the past year, which includes monitoring the delivery of the Group's strategic priorities, driving our sustainability agenda and performance in key areas of TT's operations, including: Health & Safety, talent management, site rationalisation, improved business development capability and operational efficiency, M&A execution and overseeing key elements of the Virolens® manufacturing opportunity. A review of strategic priorities is scheduled on every Board agenda and TT's governance arrangements allow current activities to be assessed at each meeting to ensure alignment with Group strategy. The Board's activities during the year are set out on page 78 and demonstrate how the strategic direction of the Group and the long-term success of the Company have remained at the forefront of the Board's decision-making processes (see also the Group's Section 172 statement on page 75). Whilst we have taken the decision not to undertake an external evaluation of Board performance in 2020, there has been a continuous focus throughout the last financial year on how the Board can better support the business as it strives to meet its growth agenda, which culminated in an in-depth Board evaluation exercise at the end of the year. The outputs of this exercise are summarised on pages 84 to 85 of this Annual Report. The Board has paid particular attention in 2020 to the requirements of the UK Corporate Governance Code (the Code) in scoping its future activities; our Code compliance statement can be found on page 74.

UK Corporate Governance Code

Compliance statement

TT is committed to achieving and maintaining the highest standards of corporate governance. As at 31 December 2020, the Group was compliant with all of the relevant provisions set out in the UK Corporate Governance Code 2018 ("the Code"), other than provision 38 in aligning our Executive Directors' pension payments with the wider workforce. The current Remuneration Policy commits to aligning the retirement provision of newly appointed Executive Directors to those available to the wider UK workforce and it has been agreed that the pensions of the existing Executive Directors will also be aligned by the end of 2022. The Code is available to view at the website of the Financial Reporting Council, www.frc.org.uk. Details and explanations of the application of the principles of corporate governance can be found as follows:.

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The Board attaches a high degree of importance to diversity at all levels across the Group and is committed to recruiting the best talent available, based on merit, and assessed against objective criteria of skills, knowledge, independence and experience; however, we do not advocate a forced approach to diversity at any level of the organisation. This process was reinforced by a strong focus on diversity and inclusion initiatives across the Group as part of the Talent Review exercise in 2020 (as described in more detail on page 87), which will continue to be a key priority for the Board in 2021. Furthermore, the governance structures which underpin key operational priorities including environment/sustainability and stakeholder engagement are set out on pages 64 and 54 respectively; in addition, we have included a detailed summary of the methodology by which we have discharged our duty to promote the success of the Company under section 172 of the Companies Act 2006 on page 75, which focuses in particular on the Board's response to the COVID-19 outbreak.

Given the challenging economic environment experienced globally in 2020, driven in large part by the COVID-19 outbreak, I am truly humbled by the response provided by our employees across the business in 2020, which represents another year of delivery on the Group's strategic priorities. TT has proved itself to be resilient in the face of significant operational and customer challenges during 2020 and I believe strongly that the effectiveness of the Board's governance processes has assisted significantly in putting the business on a firmer footing moving into 2021. I see it as a key priority for me as Chairman to ensure that the Board continues to focus on the strategic priorities for the Group, with a view to positioning TT for future growth.

S172 STATEMENT

Under Section 172 of the Companies Act 2006, Directors are required to promote the success of the Company for the benefit of our shareholders, but also for all of our other stakeholders. The Board has identified who its key stakeholders are and has considered how it engages with these groups (see pages 54 to 57). Throughout the year, the Board considered how stakeholders are affected by key strategic decisions; two key priorities for the Board in 2020 which highlight clearly how stakeholder views are considered in Board decision-making were the COVID-19 response and the acquisition of Torotel, Inc. The engagement activities and considerations made by the Board relating to the acquisition of Torotel, Inc are explained in more detail in the stakeholder engagement section on pages 56 to 57.

S172 - COVID-19 Response

The Board ensured the business had a dedicated, Group-wide COVID-19 response plan in place in early March 2020, following an initial assessment of the impact of the outbreak on TT's operations in Asia. This involved the creation of a dedicated COVID-19 Steering Committee, which allowed key financial, operational, supply chain, HR, Health & Safety and regulatory data to be tracked, on a day-by-day basis, through functional work-streams and close interaction with individual sites. An example of how this worked in practice involved TT's China facilities which, under local government approval, were allowed to open to enable delivery of critical products to support the pandemic response. These protocols were turned into standard operational procedures and implemented across Europe and North America. Another example involved TT's procurement team, which used its international networks to source personal protection equipment at a time of key shortages, allowing rapid deployment to those parts of the business with the greatest need, in order to maintain staff safety and continuity of operations. TT's COVID-19 response plan facilitated a fast-paced, two-way flow of information - both down into site/divisional management teams and up to the ELT and the Board – with the objective of expediting decision-making. The key outputs of this approach included the rapid introduction of site-specific Health and Safety policies and processes (including the early transfer of learnings from our China facilities), the introduction of home working practices (wherever possible), continuity of supply to customers in the vast majority of TT's manufacturing facilities and real-time monitoring of supply chain activities in response to fast-changing customer requirements (particularly in managing lead times and demand profiles). Members of the Board took an active role in driving this process forward, with TT's response to the COVID-19 outbreak being discussed at every scheduled Board meeting from March 2020 onwards. In addition, the CEO/CFO provided regular "pulse" reports and several extra Board meetings were convened to monitor progress and review scenario planning, to assess the potential impact on the Group and ensure confidence in our ability to continue to operate and to meet our banking covenants. In each case these meetings were held outside the regular reporting cycle.

The reaction of the employee base to the way TT managed the COVID-19 outbreak is clearly demonstrated by the feedback from the 2020 Employee Engagement Survey, which highlighted in particular the effective health and safety plans that were put in place across the business, as well as TT's approach of maintaining salary levels, minimising redundancies (except where absolutely necessary) and providing timely communication on key initiatives. The Board received similar feedback first-hand as part of the "employee voice" initiative conducted in Q4, when the views of staff in Suzhou, Covina, Cardiff and Fairford on TT's COVID-19 response were fed directly into the NEDs. The Group provided an additional day's holiday to all staff in 2020 to demonstrate the Board's appreciation for keeping TT's sites operational following the COVID-19 outbreak and employees were encouraged to take up their full holiday entitlement during the year as part of the Group's wider wellbeing initiatives. Likewise, the need for management to conduct regular "check-ins" with individual employees was prioritised, rather than just simply relying on online engagement tools for those working from home.

The Board has also taken active steps to share its COVID-19 response strategy with investors, by providing dedicated trading updates in April and June (in addition to the usual half-year results and November trading updates), which were supplemented by a number of virtual calls with individual investors throughout the year. On each such occasion, TT's COVID response strategy was a key topic of discussion with investors. Beyond that, TT was approached to work with the UK Government on the ventilator manufacturing initiative during the early stages of the outbreak, with TT being identified as a key manufacturing partner as part of a wider consortium of companies. Likewise, TT has partnered with i-Abra to assist in the development of the Virolens® COVID-19 testing product in an accelerated timeframe, which involved a series of close interactions with Government officials and regulatory bodies to move the programme from the development phase through to post-prototype manufacture, in support of COVID testing worldwide. The Board has committed significant staff, operational and financial resources to the Virolens® project, with the objective of providing a unique, innovative, highly engineered solution to the global threat to society arising from the COVID-19 outbreak, in support of getting economies back to work and protecting jobs and local supply chains in areas of high unemployment. See also page 69 of the Our environment section for further details of our contribution to society and the wider community during 2020.

Warren Tucker
Chairman
9 March 2021

A BLEND OF SKILLS AND EXPERIENCE

Warren Tucker
Chairman

Joined: April 2020

Current external appointments:
- Non-executive director and chair of the audit committee of Tate & Lyle plc (UK Listed)
- Trustee on the board of Magna Learning Partnership

Relevant skills and experience:
- Strategy/Growth
- M&A/Financing
- Financial Management
- International Business
- Manufacturing/Engineering
- Operations/Supply Chain
- Aerospace & Defence Sector
- Investor Relations

Past appointments:
- Non-executive director of Reckitt Benckiser Group plc and the Foreign, Commonwealth and Development Office
- Chief financial officer of Cobham plc

Richard Tyson
Chief Executive Officer

Joined: 2014

Current external appointments:
- Non-executive director of the Vitec Group plc (UK Listed)
- Governor of St Swithuns' Independent School for Girls in Hampshire

Relevant skills and experience:
- Leadership/Management
- M&A/Integration
- Strategy/Growth
- Operational Excellence
- Supply Chain
- Manufacturing/Engineering
- International Business
- Product Technology
- Risk Management
- Aerospace & Defence Sector
- Investor Relations

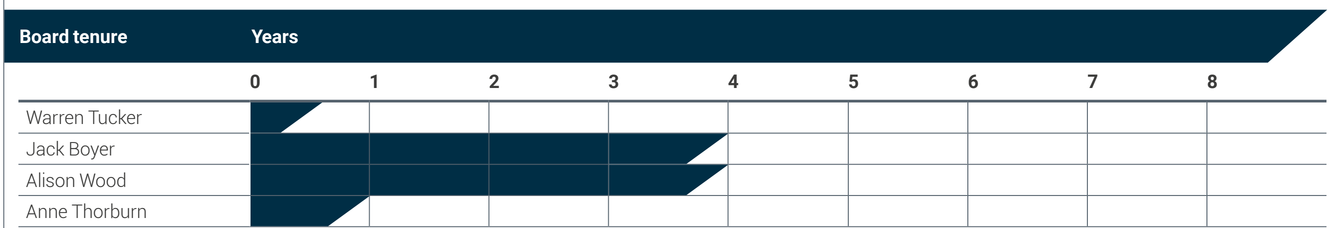
Past appointments:
- Member of the Executive Committee and President of the Aerospace & Security division of Cobham plc

Mark Hoad
Chief Financial Officer

Joined: 2015

Relevant skills and experience:
- Strategy/Growth
- Leadership/Management
- Financial Management
- International Business
- Restructuring
- Transformation
- M&A/Financing
- Equity and Debt Capital Markets
- Investor Relations
- Risk Management
- Aerospace & Defence Sector

Past appointments:
- Group finance director of BBA Aviation plc



Other Directors who served during the year
Neil Carson served as Chairman to the Board until 6 May 2020 when he stepped down. Stephen King was the Senior Independent Non-executive Director until 6 May 2020 and stepped down from the Board on 30 September 2020.

Committee Key

- N Nominations Committee
- R Remuneration Committee
- RI Risk Committee
- A Audit Committee
- P People, Social, Environmental and Ethics ("PSEE") Committee
- Chair of the Committee

Jack Boyer OBE
Senior Independent Non-executive Director

Joined: 2016

Current external appointments:
- Non-executive director of Ricardo plc (UK Listed)
- Chair of the University of Bristol
- Member of the Board of the Henry Royce Institute for Advanced Materials

Relevant skills and experience:
- Strategy/Growth
- Corporate Finance and Investment
- M&A
- Engineering/Technology/Innovation
- International Business
- Manufacturing/Engineering
- Product Technology
- Operations/Supply Chain
- Aerospace & Defence Sector
- Medical Sector

Past appointments:
- Non-executive director of Mitie Group plc and Laird plc
- Chairman of Ilika plc, AIM-listed Seeing Machines Limited and the Academies Enterprise Trust

Alison Wood
Independent Non-executive Director

Joined: 2016

Current external appointments:
- Non-executive director and chair of remuneration committee of Costain Group plc (UK Listed), Cairn Energy plc (UK Listed) and Oxford Instruments plc (UK Listed).
- Non-executive director of British Standards Institution (BSI)

Relevant skills and experience:
- Strategy/Growth
- Remuneration Policy-Setting
- M&A/Financing
- International Business
- Regulatory
- Talent and Succession
- Risk Management
- Investor Relations
- Aerospace & Defence Sector
- Medical Sector

Past appointments:
- Global director corporate development & strategy for National Grid plc
- Group strategic development director for BAE Systems plc
- Non-executive director of Cobham plc, e2v technologies plc, BTG plc and THUS plc

Anne Thorburn
Independent Non-executive Director

Joined: 2019

Current external appointments:
- Senior independent director and chair of the Audit Committee of Diploma PLC (UK Listed)

Relevant skills and experience:
- Strategy/Growth
- Financial Management
- Risk Management
- Audit and Internal Control
- M&A/Financing
- International Business
- Operations/Supply Chain
- Medical and Industrial Sectors

Past appointments:
- Chief financial officer of Exova Group plc
- Group finance director at British Polythene Industries plc
- Non-executive director of BTG plc

Lynton Boardman
General Counsel and Company Secretary

Joined: 2012

Relevant skills and experience:
A qualified solicitor, Lynton has many years of experience as general counsel and company secretary in international companies listed on the London Stock Exchange. His expertise includes corporate law and governance, international operations and M&A.

Past appointments:
- Solicitor with Simmons & Simmons, Macfarlanes and Burges Salmon LLP
- Head of Legal (Europe, Middle East and Africa) at Syngenta Crop Protection
- General Counsel and Company Secretary of QinetiQ Group plc

Board attendance

Attendance 2020	Board	Audit Committee	Nominations Committee	Remuneration Committee
Warren Tucker[1]	5 of 5	–	2 of 2	2 of 2
Richard Tyson	7 of 7	–	–	–
Mark Hoad	7 of 7	–	–	–
Jack Boyer	7 of 7	4 of 4	4 of 4	4 of 4
Alison Wood	7 of 7	4 of 4	4 of 4	4 of 4
Anne Thorburn	7 of 7	4 of 4	4 of 4	–
Neil Carson[2]	3 of 3	–	3 of 3	2 of 2
Stephen King[3]	5 of 5	3 of 3	3 of 3	–

1 Warren Tucker was appointed to the Board on 2 April 2020; he attended all scheduled meetings after such date.
2 Neil Carson stepped down from the Board on 6 May 2020; he attended all scheduled meetings before such date.
3 Stephen King stepped down from the Board on 30 September 2020; he attended all scheduled meetings before such date.

BOARD ACTIVITIES

During the financial year, the Board discussed and implemented the following key actions:

Strategic business development

- Regular updates from the Executive Directors on the impact of COVID-19 on global operations, including stakeholder feedback
- Review of post-COVID-19 market trends and the anticipated impact on Group operations and strategic positioning
- Review of BD planning activities
- Allocation of R&D investment, linked to markets driven by sustainable, budget-focused drivers
- Presentations from external advisers on Investor Relations and Group strategy (including performance relative to peer group)
- Regular review of Divisional trading activities

Sustainability

- Development of Sustainability Strategy and Goals
- Delivery of our new Purpose Statement aligned with TT's Sustainability Strategy and goals
- Review of activities to optimise the TT site footprint
- Review of actions across key ESG priority areas to embed across TT
- Receive regular updates on HSE performance and statistics

R&D and value added product solutions

- Consideration of TT's role on UK/US ventilator programmes (post COVID-19)
- Approval of resource commitments (people, operational and financial) for the Virolens® project
- Review of organic opportunities in Defence and Healthcare sectors

Operational excellence

- Review of global Health & Safety response to COVID-19 outbreak (including safe working arrangements and keeping sites open)
- Review customer response to COVID-19 and actions to protect customer and supplier relationships
- Review of Group IT Strategy
- Receive update on "Voice of the Employee" and "Voice of the Customer" programmes
- Agree business case and monitor progress on the site restructuring programme

Value-enhancing acquisitions

- Regular review and scrutiny of acquisition proposal pipeline
- Consideration of regulatory barriers to delivery of M&A strategy in US Defence
- Review and approval of the Torotel acquisition
- Review and approval of placing arrangement to part-fund the Torotel acquisition
- Review of integration actions for the Covina Power Solutions and Torotel acquisition

Organisational capabilities (people)

- Approve COVID-19 Government support arrangements
- Review HR organisational re-structure
- Undertake Talent and Succession Planning activity
- Approval of the new ED&I strategy
- Review of "Voice of the Employee" and wider stakeholder issues through PSEE Committee
- Lead the recruitment process for a new Chairman
- Review the Employee Engagement Survey results and associated actions

Governance and reporting

- Annual Report content
- Board Evaluation exercise
- Review of AGM documents, post-COVID meeting arrangements and results
- Investor relations feedback and strategy review
- Conduct conflicts of interest review
- Modern Slavery Policy and Statement
- Approve Group payment practices reports

Financial, risk, operational performance

- Review of financial results (half year and full year)
- Review of Dividend Policy and payments
- Assess financial impact of COVID-19 (cash flow, debtors, debt profile etc)
- Banking covenant review
- Oversight of appointment and transition of new auditors
- Assessment of Going Concern and Fair Balanced and Understandable analysis
- Regular review of Risk Register and receive regular reports from Risk Committee
- Risk analysis including emerging risk factors and risk appetite
- Review Group's insurance cover
- Review and revise Strategic Growth Plan (post-COVID and beyond)
- Planning and approval of equity placing
- Approve 2021 Budget
- Receive presentation by Tax & Treasury and approval of policies
- Internal audit updates and review
- Review of regulatory and legislative changes affecting operations

EXECUTIVE LEADERSHIP TEAM

Richard Tyson
Chief Executive Officer

Joined: 2014

Relevant skills and experience:
Full biography on page 76.

Mark Hoad
Chief Financial Officer

Joined: 2015

Relevant skills and experience:
Full biography on page 76.

Lynton Boardman
General Counsel and Company Secretary

Joined: 2012

Relevant skills and experience:
Full biography on page 77.

Sarah Hamilton-Hanna
EVP, Human Resources

Joined: 2019

Relevant skills and experience:
Sarah brings over 16 years' experience in HR across global HR, business transformation, talent and organisational development. Sarah was formerly Global HR lead for the food and beverage solutions division of Tate and Lyle.

Michael Leahan
Divisional EVP

Joined: 2017

Relevant skills and experience:
Michael has over 30 years' experience in the aerospace and defence industry. Michael previously held senior positions at Marotta Controls, Lucas Aerospace and Fairchild Controls.

Charlie Peppiatt
Divisional EVP

Joined: 2018

Relevant skills and experience:
Charlie joined TT in 2018, following the acquisition of the Stadium Group, where he was CEO from 2013. Previously Charlie was VP Global Operations for Laird Technologies and has held senior roles globally

Operation of ELT

The Executive Leadership Team ("ELT") meets on a monthly basis and operates as the principal strategic decision-making body for the Group below Board level. The ELT agenda covers a variety of strategic priorities across the business as part of its scheduled activities, with the Group's response to the COVID-19 pandemic being a key area of focus during 2020. Standing items on the ELT agenda include: HS&E performance; Sustainability; People / Organisation / Talent; Diversity & Inclusion; Ethics; Strategic Planning (including M&A); Group Financial Performance and Governance.

The Chairman and Chief Executive Officer

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

Roles and responsibilities

Chairman	Chief Executive
Maintains responsibility for: • the leadership and effectiveness of the Board, and for setting its agenda; • ensuring all Directors receive accurate, timely and clear information on financial, business and corporate matters so they can participate in Board decisions effectively; • facilitating the effective contribution of NEDs; • ensuring constructive relations between Executive and Non-executive Directors; • ensuring effective communication with shareholders; • ensuring the performance of individual Directors, the Board as a whole, and its Committees are evaluated at least once a year.	**Maintains responsibility for:** • the operations of the Group; • developing Group objectives and strategy, having regard to the Group's responsibilities to its shareholders, customers, employees and other stakeholders; • successful implementation and achievement of strategies and objectives, as approved by the Board; • managing the Group's risk profile, including its health and safety performance; • ensuring the Group's businesses are managed in line with strategy and approved business plans, and complying with applicable legislation and Group policy; • ensuring effective communication with shareholders; • setting Group human resource policies, including management development and succession planning for the senior executive team.

LEADERSHIP AND COMPANY PURPOSE

COMPANY PURPOSE, STRATEGY AND VALUES

The Board's main roles are to provide leadership to the management of the Group, to determine and ensure the implementation of the Group's strategy and to maintain the highest standards of corporate governance. Underpinning all of these aspects of the Board's responsibilities lies the principal aim of ensuring the sustainable, long-term success of the Company. The main activities covered by the Board in the year are set out below.

The Board understands the relationship between the Company's purpose, strategy and values. In 2019 the Board reviewed the Company's purpose statement – "We solve electronic challenges for a sustainable world. TT engineers advanced electronics which benefit our planet and its people for future generations. We do this by designing, manufacturing and working in a way that is cleaner, smarter and improves wellbeing." The Board considers that this purpose statement continues to represent an appropriate reflection of the Group's culture and the strategic direction for the business, both in the context of the post-COVID operating environment and in respect of the Group's priorities for the future. Our corporate purpose is integral to understanding why we do what we do. The Company's strategy is clearly defined and regularly reviewed by the Board; the multi-year strategic plan (which was accelerated in 2020 following the COVID-19 outbreak) is discussed in detail and is approved annually, based on the Company's activities, its progress on delivering the strategic priorities and the significant challenges that have been identified both within the business and across the wider macro-economic environment. Our strategy defines what we do.

The Company's values, culture and behaviours drive how we execute our strategic vision. The "TT Way" principles, see page 59, set out the Company's culture and values by which we expect our employees, from the top down, to conduct our business. We strive to always act with integrity, transparency and professionalism. To support the "TT Way", the Company has a number of policies in place such as our Statement of Values and Business Ethics Code, the TT Worldwide Anti-Corruption and Bribery Policy and the Modern Slavery Policy. Alongside these policies the Board monitors and reviews the implementation of the Company's culture through processes such as our anonymous Whistleblower Helpline, where concerns raised are independently investigated and escalated to the Board for its review. During 2020, the Board received reports on the results of the 'Best Companies' Employee Engagement exercise, which provided a clear insight from staff regarding TT culture and adherence to the "TT Way" (see further detail on page 62). Furthermore, our Senior Independent Director (Jack Boyer) sits on our PSEE Committee and reports back to the Board on wider stakeholder engagement processes, which in 2020 included discussions with a range of employees across four of our key facilities on topics including TT culture and how the activities within their individual business units align with TT's values and strategic priorities. To support full understanding of our policies and standards there is a programme of induction for new employees and regular refresher training through e-modules and Company communications. At a wider stakeholder level, the Board approves the Group's Modern Slavery Policy and Modern Slavery Statement on an annual basis. A detailed summary of how the Board engages across a range of internal and external stakeholder groups is set out on pages 54 to 57 of this report.

> The Company's values, culture and behaviours drive how we execute our strategic vision. The "TT Way" principles set out the Company's culture and values by which we expect our employees, from the top down, to conduct our business.

LEADERSHIP

The Board

Subject to the Company's Articles of Association, UK legislation and any directions given by special resolution, the Board manages the Company's business. The Board has reserved certain specific matters to itself for decision. These include financial policy (including tax and treasury matters) and policy relating to acquisition and disposal.

The Board appoints its members, and those of its principal Committees, having received the recommendations of the Nominations Committee. It also 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 as set out on pages 52 and 53.

Board and Committee meetings are scheduled in line with the Company's financial calendar, thereby ensuring that the latest operating data is available for review and sufficient time and focus can be given to matters under consideration. During the year, there were seven principal Board meetings on scheduled dates, for which full notice was given. However, in response to the global impact of the COVID-19 pandemic two additional meetings were held in March and April this year. A further three meetings were held to consider and approve the programme of work to develop and scale-up production of the Virolens® pathogen detection device (in collaboration with our partner i-Abra) and also deal with the acquisition and equity placing arrangements in respect of the Torotel transaction. The Board has held two principal meetings to date during 2021. The NEDs meet, without the Executive Directors present, at the end of each scheduled Board meeting, as a standing agenda item.

As was the case for many other businesses in the UK, the Board faced sudden and unprecedented changes to its usual working practices from March of last year. Both the ELT and the Directors reacted quickly and efficiently to ensure that the Board could continue to meet and respond to the fast-changing business environment. The Board was already prepared with a fully online board portal which had been introduced in 2019. This, alongside TT's proven online meeting software, allowed the Board to continue working and sharing information securely and seamlessly via online meetings from the moment that the UK and other countries were put into lockdown restrictions. In addition, further measures were put in place to increase the regularity of reporting on COVID-related impacts on the business from the Executive Directors to the Board. Unfortunately, due to the various social and business-related restrictions put in place from March 2020 onwards in response to the pandemic, the level of face-to-face interaction that the Board would usually enjoy, through events such as board dinners and social events with the wider senior management team, was significantly reduced this year.

The main events in the Board calendar are the approval of the half-year and full-year results, the Board site visit, the review of the multi-year strategic plan and the approval of the budget towards the end of the year. At each meeting during 2020 the Board discussed strategic issues (principally focused on key site rationalisation projects, the M&A opportunity pipeline and the status of integration activity on recent acquisitions) together with operational, financial, human resources, legal, governance and investor relations items. The Directors reviewed, throughout the year, the opportunities and risks to the future success of the business by receiving and discussing information from both internal and external sources regarding the issues affecting the business, the wider industry and the macroeconomic environment. As part of this process, a detailed assessment of the impact of the COVID-19 outbreak on Group strategy was undertaken, which was facilitated by an external consultant, and focused in particular on the potential need for companies to operate in a less globalised world, using technologies (introduced to manage operations remotely in response to the COVID-19 outbreak) on a more permanent basis. A key conclusion from this exercise is that TT's technological solutions and wider product portfolio places the Group in a strong position to support its customers in meeting the long-term operational challenges presented by the pandemic. Through this process, the Board continues to develop a deep understanding of the Group's business model and strategy and the strategic priorities that underpin the business.

Directors

All Directors have access to the advice and services of the Group General Counsel and Company Secretary and are offered training to fulfil their role as Directors, both on appointment and subsequently. There is an agreed procedure for any individual Director to take independent professional advice at the Company's expense if they consider 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, we conduct a review of Director conflicts of interest annually.

Each member of the Board, including the Senior Independent Director, has the right to include items on the Board agenda or the agenda of the Committees they sit on.

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 or her resignation is requested by all the other Directors, not being fewer than three in number. Further details of the activities of the Nominations Committee are set out on page 86.

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 Policy. Copies of the Executive Directors' service contracts and letters of appointment of the NEDs are available for inspection by any person at the Company's registered office, during normal business hours on any weekday (other than public holidays) and at the AGM from 15 minutes before the start of the AGM until its conclusion.

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

Directors' interests

The Directors of the Company at 31 December 2020 held interests (directly or through their connected persons) in the following numbers of the Company's ordinary shares of 25 pence each on 1 January 2020, 31 December 2020 and 8 March 2021:

	8 March 2021 Ordinary shares	31 December 2020 Ordinary shares	1 January 2020 Ordinary shares
Warren Tucker	60,075	60,075	10,945
Richard Tyson	873,530	873,530	717,251
Mark Hoad	683,127	683,127	550,090
Jack Boyer	95,514	95,514	82,588
Alison Wood	–	–	–
Anne Thorburn	60,000	60,000	45,000

The interests of the Directors in the Company's share options and Long-Term Incentive Plan are shown in the Directors' Remuneration report on page 106.

Going concern

The Directors have reviewed the budgets for 2021 and the projections for 2022 and 2023 developed during the 2020 annual strategic planning cycle. They have assessed the future funding requirements of the Group and compared them with the level of available borrowing facilities. They have also assessed the potential impact on the Group's trading arising from: (i) Brexit (as further described on page 51), which is not anticipated to be significant in the context of the Group's operations, and (ii) the COVID-19 outbreak (which is described in detail on page 51). Based on this, the Directors are satisfied that the Group has adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Relations with shareholders

The full list of engagement activities and our relations with shareholders during the year are set out on page 56.

DIVISION OF RESPONSIBILITIES

Leadership Structure
Details of TT's Board of Directors are set out on pages 76 and 77 of this report. The chart below provides further information on how leadership at the Board level is discharged. Most importantly, the Board comprises a majority of Independent NEDs, with the division of responsibilities between the Chairman and Chief Executive Officer having been clearly articulated. The Board believes that its composition, the structure of its principal committees and the processes it has in place to discharge its primary areas of responsibility, meet the requirements of "Board Leadership" and "Composition" under the UK Corporate Governance Code.

The Board has established a number of Committees, each with its own delegated authority defined in terms of reference. The Board reviews these terms periodically (the last occasion being in December 2020), and 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.

A NED (Jack Boyer) has been nominated to be a member of the PSEE Committee with the purpose of receiving information about the Company's engagement with its key stakeholders. This includes the outcomes of our employee engagement activities as described on page 62 and sustainability initiatives described on pages 65 to 69. The designated NED on the PSEE Committee reports this information directly to the Board following each Committee meeting. The key activities covered by the PSEE Committee are described in more detail in the table below.

Approved by the Board on 9 March 2021 and signed on its behalf by:

Lynton Boardman,
Group General Counsel & Company Secretary
9 March 2021

Board

Audit Committee
Committee report on page 88

Nominations Committee
Committee report on page 86

Remuneration Committee
Committee report on page 92

Chief Executive Officer

Executive Leadership Team
- Reviews business performance and agrees and implements any actions as necessary
- Responsible for monitoring and driving delivery of the Group's key strategic priorities
- Acts as a forum to raise and debate significant operational issues

Risk Committee
- Provides a framework for managing risks
- Monitors risk appetite and exposure through regular reviews of principal risks
- Reviews the effectiveness of risk management processes and controls
- Provides an appropriate level of reporting on the status of risk management
- Assesses wider emerging risks

Senior Leadership Team
- Reviews and discusses key strategic and operational matters
- Information-sharing between a wider group of senior executives
- Considers and scrutinises cross-divisional topics

Chief Financial Officer

Disclosure Committee
- Reviews potential existence of and manages the disclosure of inside information
- Maintains project insider lists

People, Social, Ethics & Environmental Committee
- Health & Safety
- Environmental
- Human Resources
- Employee engagement with the Board
- Local Communities
- Ethics

Diversity & Inclusion Committee
- Reviews and develops ED&I policy and strategic priorities
- Provides an ED&I framework
- Information-sharing across the business units

Key
Delegation
Reporting

COMPOSITION, SUCCESSION AND EVALUATION

BOARD COMPOSITION

During 2020, the Board comprised two Executive Directors (Richard Tyson and Mark Hoad) and between four and six Non-executive Directors, as the Board composition changed on several occasions during the year. In addition to the Executive Directors, Jack Boyer, Alison Wood and Anne Thorburn all served throughout the year. Warren Tucker joined the Board on 2 April 2020 and took over as Chairman of the Board when Neil Carson stepped down at the Company's AGM on 6 May 2020. Jack Boyer replaced Stephen King as the Senior Independent Non-executive Director on 6 May 2020 and Stephen King, having served on the Board of TT for nine years, stepped down from the Board on 30 September 2020. We provide full details of each Director's Board and Committee meeting attendance on page 77 and Directors' biographies, including the Committees they serve on and chair, can be found on pages 76 and 77.

At the time of his appointment as Chairman, Warren Tucker 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, Directors must offer themselves for re-election at the first AGM held following their initial appointment, and every three years after that.

However, continuing the best practice first adopted at the 2013 AGM, all Directors will retire and, if eligible, offer themselves for re-election at the forthcoming AGM. This practice will continue in the future, to ensure compliance with the requirements of the Code. Following formal performance evaluation, the Board has concluded that the performance of each Director continues to be effective and to demonstrate commitment to the role. The Notice of AGM sets out details of the key areas of contribution made by each of the Directors in providing leadership to the Company.

BOARD AND COMMITTEE PERFORMANCE EVALUATION

In accordance with the Code, the Board has conducted an evaluation of its performance and that of its principal committees during 2020. The Board considered the option of engaging an external facilitator to conduct its performance review for 2020, but decided to proceed with an internal assessment process (as in previous years) given the various Board-level changes made in 2020 (including the appointments of a new Chairman, Senior Independent Director and Audit Committee Chair) as well as the limitations of conducting an evaluation process remotely in the COVID environment, rather than in person. Overall, the Board concluded it had performed satisfactorily in 2020 and that each Director had performed effectively whilst giving due commitment to their role.

Evaluation process

- Skills matrices reviewed by each NED to assess knowledge and expertise in key areas
- Matrices evaluated to identify any areas of weakness in the skills held by the Board as a whole
- One-to-one interviews between the Chairman and Committee chairs
- One-to-one interviews between the Chairman and all Directors

Discussion points

- Key positives for 2020 included: (i) maintaining the cadence of meetings/communication flow; (ii) attention to strategic priorities (e.g. sustainability, stakeholder engagement), and (iii) the seamless transition to a new Chairman
- The Board continued to conduct its business in an honest, open, collegiate and ego-free environment, with no topics considered "off-limits"
- Face-to-face dialogue has been missed in the lockdown environment, including unstructured discussions on "single-topic" items, normally reserved for Board dinners

Conclusions

- Reinstate Board dinners as soon as possible in 2021 (or find an alternative means of promoting "unstructured" debate) to ensure sufficient time is given to address key strategic topics through a variety of different lenses
- Focus on agreed Board objectives for 2021 (see table on page 85)
- Clear attention given to 2020 priorities (see table on page 85)
- Consider options for external facilitation of discussion on strategic progress and important stewardship priorities (including technology roadmaps, consumer behaviour, sustainability and cultural change)
- Consider Board composition and whether training and/or diversity initiatives are required to address capability gaps

Conclusions of FY19 evaluation

- Excellent governance processes, with a common understanding of TT strategy and culture
- Communication between Executive and Non-executive Directors is open, honest and constructive
- There is an environment of trust, transparency and mutual support
- The Board understands the strengths of individual Board members and anticipates concerns of individuals well in advance
- The Board has responded to initiatives in a collaborative manner and has operated "at pace" whenever required
- Strong levels of engagement exist between Committee chairs and the relevant functions within TT

2020 Areas of focus

- Increase engagement between NEDs and Divisional/Operations teams (including non-ELT personnel)
- Work to embed the ESG agenda more fully into the TT strategy
- Minimise the impact of significant changes at Board and Committee level in 2020 (appointment of a new Board Chairman, Audit Chair and external Auditor)
- Continue the focus on recruitment and succession planning
- Provide investors with increased exposure to TT's capabilities and how we can combine technologies to provide tangible opportunities for our customers

2021 Board objectives

- NEDs and Executive Directors are engaged, constructive, open, supportive and challenging with each other
- Strong focus on strategy execution and sustainability
- Alive to red flag issues and mapping key initiatives to the Group risk register
- Focus on talent, breadth, diversity and inclusion, and retention
- Good governance to support the business purpose

DIRECTORS' PERFORMANCE EVALUATION

In accordance with the Code, the performance of individual Directors was also evaluated during 2020.

For the Non-executive Directors, the output from a private meeting held between the Chairman and the Executive Directors formed the basis for individual appraisals held by the Chairman with each Non-executive Director. This also provided an opportunity to discuss any issues which had arisen from either their individual assessments or those of the Board and its principal Committees. For the Chairman's performance, the other Non-executive Directors, led by the Senior Independent Non-executive Director, and with input from the Chief Executive Officer and Chief Financial Officer, met privately to discuss this, with the outcomes being fed back to the Chairman by the Senior Independent Director for discussion.

At the beginning of the year, we set each Executive Director challenging performance objectives, and reviewed progress against these as the year progressed. Both the Executive Directors take part in the Group's performance management programme 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 Chief Executive Officer meets with the Chief Financial Officer at the beginning of each year to discuss and review performance against objectives. The Chairman conducted the performance evaluation of the Chief Executive Officer, 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.

Warren Tucker, Chair, Nominations Committee

NOMINATIONS COMMITTEE REPORT

Membership
Warren Tucker (Chair)
Jack Boyer
Alison Wood
Anne Thorburn

Principal responsibilities

- Regularly review the structure, size and composition of the Board as a whole and make recommendations for any changes to the Board.
- Review the overall leadership needs of the organisation by considering succession planning for Non-executive Directors (having due regard to their length of service), Executive Directors and members of the ELT and make recommendations to the Board.
- Manage the search for, and selection of, suitable candidates for the appointment of replacement or additional Directors and nominate candidates for the approval of the Board.

Committee meetings in 2020

During 2020, the Committee held four formal meetings, two of which were entirely devoted to the recruitment of the new Chair. The Committee has held no meeting to date during 2021.

2020 review

As disclosed in last year's Annual Report, the Committee engaged external search consultants (Russell Reynolds) in the latter part of 2019 to start the recruitment process for a new Non-executive Chairman. There are no connections between TT, its Directors and the external search consultants that require disclosure in relation to this recruitment exercise. This was the Committee's key priority for 2020, given the announcement of Neil Carson's decision to stand down from the Board as some stage in 2020 as a result of his increasing external commitments. The Committee specified a number of key criteria as part of the recruitment process, which included the selection of a candidate with: (i) proven PLC pedigree, having previous experience of chairing a FTSE listed company; (ii) wide-ranging exposure to engineering/manufacturing operations in businesses with an international dimension and a strong innovation/technology focus; (iii) the ability to drive the strategic ambitions of the Group in areas such as portfolio change and M&A; (iv) a personality style that would align with and enhance the existing Board culture, whilst also acting as a sounding board for the CEO on key strategic decisions; and (v) the motivation to drive forward the Group's change management and growth agenda. The Committee stressed, in particular, the importance of recruiting a new Chairman who would maintain the culture of openness and transparency that had characterised the operations of the Board and its Committees in recent years, coupled with a "low ego" approach to running the Board. The Committee considered diversity to be a key element of the selection process, which was reviewed at each stage of the recruitment exercise; however, no applications were received from female candidates who fulfilled the core criteria for the role and as a result, only male candidates formed part of the final selection round. The interview process, which was led by the Senior Independent Director, Jack Boyer, and involved each of the ongoing members of the

Committee, took place in the first half of 2020 and culminated in the appointment of Warren Tucker to the Board in April 2020 and his subsequent appointment as Chairman the following month, after the close of the Company's 2020 AGM.

The Company provides all Directors with a comprehensive Directors' Induction Pack which is available at all times on the electronic portal used for Board information. The pack sets out all relevant information about the Company, including its strategy, its policies and processes, directors' duties and responsibilities, and the role of the Board and its Committees. Since Warren Tucker joined the Board in April 2020 he has completed an extensive induction programme; engaging with a number of shareholders, advisers and members of the senior management team within TT, as well as some of the Group's other key stakeholders.

Whilst this NED appointment process represented the main area of focus for the Committee in the past year, the Committee also evaluated the existing structure of the Board, together with the succession planning options at both an Executive Director and ELT level. The Committee's succession planning activities were undertaken in conjunction with the Board's annual talent review exercise, which identified several candidates across the business with the potential for promotion to ELT and/or Executive Director roles in the future.

In relation to the existing NED structure, in May 2020, Jack Boyer became Senior Independent Director following the recommendation of the Committee and Anne Thorburn was appointed Chair of the Audit Committee, with Warren Tucker becoming Chair of the Nominations Committee at the same time. As announced in 2019, Stephen King stepped down from the Board in September 2020 having completed nine years as a Non-Executive Director. Following these changes, the Committee reviewed the current composition of the Board and concluded that TT Electronics had in place a group of highly experienced individuals with the skills and competencies to meet the strategic and operational needs of the business in its core markets. As a result, it was concluded that it would not be looking to recruit any new NEDs in the immediate future. In addition to succession planning activities, the Committee also undertook a review of its terms of reference during 2020.

At all times during 2020, the Committee has sought to ensure that the Board of TT Electronics is balanced and effective, with diverse skills, knowledge and experience. The Committee attaches a high degree of importance to diversity at all levels across the Group and is committed to recruiting the best talent available, based on merit, and assessed against objective criteria of skills, knowledge, independence and experience. However, we do not advocate a forced approach to diversity at any level of the organisation. This is the rationale that was applied to the recruitment of a new Chairman in 2020 and this approach will continue to be applied in the future. Female representation on the Board now stands at one third, which the Committee believes will have a positive impact on the Board's governance processes and sends out a strong message across the Group of the importance of a diverse workforce to the future success of the business.

Details of the number of employees, senior managers and Directors of each gender are given in the People section on page 62.

All Board members complete a conflicts of interest questionnaire and are required to inform the Board of any new or potential conflicts that may arise during the year. In addition, all Directors must obtain approval from the Board for any new external appointments to boards of listed companies to ensure that Directors are not overstretched in terms of commitments. To assist in this process, the Nominations Committee tracks and reviews the number of external appointments held by each Director, including the number of chairmanships and executive director roles held. This tracking schedule facilitates the decision-making process when reviewing whether a new external appointment would lead to over-boarding.

Equality, Diversity and Inclusion (ED&I)

This year the Company has introduced its ED&I strategy to the workforce, setting out our three-step multi-year strategy to enable the Company to understand the needs of its diverse workforce and embed ED&I as an integral part of the Company's strategy (see page 62 for further information). The Nominations Committee's remit includes having regard for issues such as culture and diversity when reviewing recruitment practices and succession planning and the new ED&I strategy will assist the Committee in overseeing a diverse pipeline for senior management and Board positions. The Committee will receive updates on the progress of the initiatives launched via the new ED&I strategy and will monitor the achievement of targets set in line with the strategy.

Performance evaluation

As described further on pages 84 and 85, the Committee assessed its performance in 2020 by reviewing its activities during the year against its terms of reference. It concluded that it had performed satisfactorily and is structured appropriately to provide effective support to the Board.

Warren Tucker
Chair, Nominations Committee
9 March 2021

Anne Thorburn, Chair of the Audit Committee

AUDIT COMMITTEE REPORT

Membership
Anne Thorburn (Chair)
Jack Boyer
Alison Wood

Principal responsibilities

- Monitor the integrity of the financial statements and the results announcements of the Group.
- Recommend the appointment and remuneration of the Auditor, assess their effectiveness, and monitor provision of non-audit services.
- Assess the content of the Auditor's transparency report, concerning Auditor independence in providing both audit and non-audit services.
- Review the scope, performance and effectiveness of the internal audit and other internal control functions and the Auditor's assessment of it.
- Review changes to accounting policies and procedures, decisions of judgement affecting financial reporting, compliance with accounting standards and with the Companies Act 2006.
- Review risk management processes, including principal risks and internal control findings highlighted by management or internal and external audit.
- Review the Group's whistleblowing arrangements and procedures.

Committee meetings in 2020

During 2020, the Committee held four scheduled meetings.

The Committee met with the Group's Auditor, KPMG LLP until their resignation and then Deloitte LLP, on three occasions during 2020, without Executives of the Company being present. During the year, the Committee also met representatives of the outsourced internal control function once, without other Executives of the Company being present.

The Committee has held one meeting to date during 2021.

The Code requires at least one member of the Audit Committee to have recent and relevant financial experience. Anne Thorburn fulfils this requirement. In addition, Anne Thorburn, Alison Wood and Jack Boyer all have extensive past and current experience within sectors that are highly related to TT.

2020 review

To allow the Audit Committee to fulfil its duties regarding the integrity of the financial statements and other financial data, the Chief Financial Officer and the Group Director of Financial Control attend Committee meetings, presenting reports and providing analysis and explanations for queries raised. The external Auditor also attends, and presents reports on their audits. They address matters including an overview of the financial statements, key accounting judgements, accounting policies, audit differences and internal control matters. On occasion, at the request of the Committee, the Chairman and the CEO also attend for part of the scheduled Committee meetings.

The Group conducts its internal audit activities under a directed outsource arrangement, resourced by PwC and directed by our Group Director of Financial Projects and Risk. The Director of Financial Projects and Risk attends Audit Committee meetings to provide updates on: progress on the internal audit plan; findings and recommendations; and team and methodology improvements. The Committee also regularly receives updates on the Group's risk management framework, to allow members to review principal risks and the effectiveness of risk management processes. As part of this process, the Committee noted the outputs of the internal audit reviews conducted during

2020, which are undertaken both on a site-specific basis (with each principal TT site being reviewed at least once every three years) and on targeted functional areas, which for 2020 included Treasury, IT Security and Health & Safety. The Committee has continued to pay close attention in the past year to the progress made in developing the Group-wide Controls Framework programme and its application in driving business performance across TT, particularly in the context of the impact of the COVID-19 pandemic, the financial integration of newly acquired businesses and the impact of behavioural factors on the controls environment. The Internal Audit function has been particularly focused on ensuring the delivery of its 2020 programme of work in the current COVID environment, which resulted in a new methodology being put in place for conducting audit reviews remotely (including through the use of specific IT solutions where necessary) in instances where the local "stay at home" measures have prevented physical access to TT facilities to conduct audit reviews in person. For further details of our risk management and internal controls structures see pages 50 and 51.

A key part of the Committee's activities in 2020 related to overseeing the efficient transition of external Auditor services from KPMG to Deloitte, following the conclusion of the audit re-tender exercise in 2019. The 2019 audit programme was structured to allow Deloitte to shadow KPMG throughout the audit process, which involved both audit firms being in attendance at each meeting of the Committee through to the date of Deloitte's formal appointment (at the conclusion of the 2020 AGM). This process led to an extremely smooth transition of responsibilities and both firms are to be commended for the professional approach they took to minimising any potential disruption to the business. As stated below, Deloitte had already been engaged by TT to conduct financial due diligence work on the Torotel acquisition before its formal appointment as Auditor and whilst (in an effort to maintain continuity) this activity continued beyond the date of its appointment as Auditor, no further work of a similar nature will be undertaken during Deloitte's tenure as Auditor.

A number of adjustments impacting prior periods have been recorded (full details are provided in note 1h to the financial statements). Whilst a number of these adjustments were revising balance sheet presentation and disclosures, there were two adjustments which the Committee spent more time with executive management and Deloitte to understand in detail the background and control implications. The first of these was a revised judgement in respect of pricing concessions given to isolated customers dating back to the initial application of IFRS 15, this was considered by the Committee not to have a wider control implication beyond the requirement for a detailed review of pricing arrangements within future contracts. The second was an inventory adjustment required to correct the absorption of overhead costs within closing inventory at one of the Group's sites. The Committee was satisfied, based upon work performed by management, that this was an isolated error and is now working with Internal Audit to monitor controls over this process within future reviews.

During 2020, the ELT continued to conduct a detailed review of possible emerging risks (in consultation with the Internal Audit function), which were not currently addressed in the Group risk register, but could have application in the future to an international business operating in TT's sector. The outputs of this analysis were discussed further at both the Board and Audit Committee level, which included a review of the risk appetite of the Group.

The impact of the COVID-19 outbreak has been described in detail throughout this Annual Report and a significant part of the Committee's focus during 2020 has been to ensure that the integrity of the Group's system of internal controls was maintained throughout the year. This activity first commenced during the approval process for the 2019 financial results, following the initial stages of the COVID-19 outbreak in Asia. There then followed a detailed review by the Committee of how both the internal and external audit programmes could function effectively in response to governmental "stay at home" measures implemented across TT's global footprint and supply chain, which imposed limitations on physical access to local sites. This also resulted in a more rigorous review of the going concern assessment being undertaken at the half year stage, than would typically be the case, as the standards required of all companies managing their operations in a post-COVID environment were raised, involving a particular focus on cash management, debtor profile and borrowing facilities across the Group.

Committee activities in 2020

Financial reporting

- Monitored and reviewed the Group's financial statements and results announcements
- Reviewed significant financial reporting and accounting issues
- Reviewed going concern and viability statements, including appropriate sensitivity analysis (particularly in the context of COVID-19)
- Reviewed the fair, balanced and understandable process for the financial reports
- Reviewed and discussed 2020 H1 and year-end accounting issues
- Detailed review of ISA 540 and ISA 570 and the impact on Group results

Governance

- Reviewed the Financial Reporting Council's letter of 12 November 2020 in relation to 2020/2021 Corporate Governance reporting
- Reviewed Terms of Reference
- Received and considered whistleblowing matters reported through the Group's multi-lingual, anonymous Ethics and Integrity portal
- Undertook an internal evaluation on the effectiveness of the Committee
- Considered new areas of audit disclosure under UK legislation/regulation and potential audit reform

Internal audit and risk and assurance

- Received a report at each meeting on the internal audit and risk assurance plan
- Reviewed internal audit planned activity in light of COVID-19 restrictions
- Agreed the remit of the internal audit programme of work
- Considered the results of the 2020 internal audit activities
- Reviewed and approved the 2021 internal audit plan
- Conducted the annual review of the Group's internal auditor
- Reviewed systems and controls for the prevention of bribery and fraud

External audit

- Discussed and approved the external audit plan and audit fee
- Reviewed external auditor planned activity in light of COVID-19 restrictions
- Reviewed and confirmed the independence of the external Auditor as part of the 2020 review and non-audit fees
- Assessed the quality and effectiveness of the audit programme, including the performance of the Auditor relative to prior year
- Oversaw the transition process leading to the appointment of new Auditors in May 2020

2020 was a year of transition for the Audit Committee; not only with the appointment of new audit firm, but also with Anne Thorburn's succession as Chair of the Committee in place of Stephen King. Anne was a member of the Committee for almost a year before she was appointed as Chair in May 2020, with the result that there was a significant period of handover and becoming acquainted with the key issues facing the Committee prior to her appointment. Of course, Anne has a successful track record of operating as CFO for several listed companies with a similar profile to TT (in comparable market sectors) and has considerable experience as an Audit Committee chair over several years on the board of Diploma PLC.

In addition to the usual standing agenda items and further matters detailed in the table on page 89, the Committee also reviewed and challenged the form and content of the Group's Annual Report and Accounts and Financial Statements for the last financial year. In conducting its review, the Committee considered reports prepared by management and the external Auditor. These reports covered analyses of the judgements and sources of estimation uncertainty involved in applying the accounting policies as described in note 1(h) to the financial statements. During 2020, the Committee also considered and challenged the assumptions relating to goodwill, the carrying value of fixed assets and the level of provisions held on the balance sheet (as detailed above). In addition, as part of the Committee's planning for the 2020 year-end audit process, a detailed assessment was undertaken (in conjunction with the external Auditor) of the FRC's key areas of focus, as outlined in its letter to Audit Committee Chairs, CEOs and CFOs

Significant issues considered in relation to the financial statements

The main areas of judgement and estimation are set out in the accounting policies on pages 129 to 140. The Committee received and reviewed reports from management and the external Auditor setting out the significant issues in relation to the 2020 financial statements, as outlined below. They discussed these issues with management during the year and with the external Auditor at the time the Committee reviewed and agreed the external Auditor's Group audit plan; when the external Auditor reviewed the half-year results in July 2020; and also at the conclusion of the audit of the financial statements. The Committee is satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised and challenged, and are sufficiently robust.

Significant issue	Committee actions/work undertaken
Adjusted profit (see Note 8) The Group reports non-trading income or expenditure outside of adjusted profit when the size, nature or function of an item or aggregation of similar items is such that separate presentation is relevant to an understanding of its financial position.	The Committee challenged the items that were excluded from underlying profit and were satisfied that these were in accordance with the Group's disclosed accounting policy and gave a true and fair view of the Group's underlying financial position. The Auditor explained to the Committee the work they had conducted and the results of their audit procedures on significant items recorded outside underlying profit.
Provisions **Taxation (See Note 9)** Current tax provisions held in respect of tax risks are included within current tax liabilities depending on the underlying circumstances of the provision.	Management confirmed to the Committee that the provisions recorded at 31 December 2020 represent its best estimate of the potential financial exposure faced by the Group. The Committee reviewed each significant provision and challenged the basis of management's judgement and concurred with the estimates. The Auditor explained to the Committee the work they had conducted during the year, including how their audit procedures were focused on those provisions with the highest level of judgement on recognition criteria and/or measurement.
Goodwill and impairment Review (See Note 15) The Committee has reviewed management's computation of the present value of future cash flows from the three year plan and outer years. These have been compared to the carrying amounts in order to test for impairment, (refer to note 15 to the Group Financial Statements)	The Committee considers management's conclusion that no new impairment charges for goodwill and acquired intangibles have been required for 2020 to be appropriate. The Committee reviewed the reasonable possible change disclosure for IoT Solutions CGU and challenged management's assumptions. The Committee confirmed both the disclosures and assumptions were appropriate.
Other items **Legal and restructuring provisions (See Note 20)** A provision is recognised in the financial statements when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources, that can be reliably measured, will be required to meet the obligation. Provisions are recognised at an amount equal to management's best estimate of the expenditure required to meet the Group's liability taking into account the time value of money, where this is considered material.	On legal and contractual exposures, the Committee received periodic reports from the Group General Counsel and Company Secretary outlining the open legal and contractual disputes and best estimates of the expected costs associated with such matters. Management has confirmed to the Committee that the provisions recorded at 31 December 2020 represent its best estimate of the potential financial exposure faced by the Group. The Committee reviewed each significant provision and challenged the basis of management's judgement and concurred with management's estimates. The Auditor explained to the Committee the work they had conducted during the year in this area. Further information about the specific categories of provisions held by the Group is set out in note 20.
Going concern and viability (See Note 1d) The Committee considered the outcome of management's reviews of current and forecast net debt positions and the various financing facilities and options available to the Group, including the risk and potential impact of unforeseen events.	The Committee reviewed the going concern and viability assessment over the three-year period based upon 2021 budget and the strategic plan to 2023. The Committee confirmed that the application of the going concern basis for the preparation of the financial statements continued to be appropriate.

on corporate governance reporting, published in November 2020. The Committee also focused its attention on critical judgements, estimates and accounting policies; the viability statement and risk reporting; strategic reporting; Alternative Performance Measures; the impact of Brexit; and the Group's pension scheme obligations/ funding requirements.

Notwithstanding the logistical challenges presented by the COVID-19 restrictions, methodologies were adapted such that both internal and external audit activities could be fully completed and to support the transition to new auditors. As a result, the Committee concluded that it had discharged its responsibilities efficiently and effectively in 2020 and was content to recommend to the Board that the Group operated an appropriate system of internal control.

Misstatements

Management has confirmed to the Committee that it was not aware of any material uncorrected misstatements or immaterial misstatements made intentionally to achieve a particular presentation. The Committee confirms that it is satisfied that the external Auditor has fulfilled its responsibilities with diligence and professional scepticism.

After reviewing the presentations and reports from management and consulting where necessary with the Auditor, the Audit Committee is satisfied the financial statements appropriately address the critical judgements and key estimates (both for the amounts reported and the disclosures).

Fair, balanced and understandable

In accordance with the Code, the Board requested the Committee to advise it on whether it believed the Group's Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategic plan. Procedures are in place to facilitate the appropriate and timely review of the drafts of the Annual Report and specifically to highlight evidence of a fair and balanced representation, which supports input and challenge from all Independent Non-executive Directors, the external Auditor and other external advisers. On careful review of the Annual Report for the year ended 31 December 2020, and the basis for the statement made by the Board on "Fair, balanced and understandable" on page 114, the Audit Committee recommended to the Board that, taken as a whole, the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategic plan.

Auditor's independence, objectivity and effectiveness

The Audit Committee assesses the independence of the Auditor annually to ensure suitable policies and procedures are in place to safeguard the Auditor's independence and objectivity, having regard to length of tenure, provision of non-audit services and the existence of any conflicts of interest.

The Committee has formally reviewed the independence of the Auditor as part of the 2020 review. Deloitte has provided a letter to the Committee confirming they remain independent within the meaning of the relevant regulations and in accordance with their professional standards.

The Committee also reviewed the quality and effectiveness of the audit programme during the year, including the performance of the Auditor. The use of an evaluation questionnaire and an auditor assessment survey (completed by heads of finance across the Group's operations), together with information provided by the Auditor, assisted in ensuring that a comprehensive assessment was undertaken. We identified some limited areas for improvement and made the Auditor aware of improvement areas identified following the 2020 audit exercise.

Policy on non-audit services

The Company has an established policy regarding the provision of non-audit services by external auditors. This policy, which was refreshed in 2020, states that we may obtain non-audit services from the most appropriate source, having regard to expertise, availability, knowledge and cost. Non-audit services where fees are expected to exceed £25,000 should be approved, in advance, by the Chair of the Audit Committee or, in her absence, by another member of the Audit Committee. There is also a restriction such that fees for non-audit services will not exceed those for audit services, 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 Auditor for additional non-assurance services, unless there are compelling reasons to the contrary, such as capability, time or cost.

In 2020, total fees paid to Deloitte were £1.5 million, while non-audit service fees paid to Deloitte totalled £173,000 which comprised financial due diligence services relating to the acquisition of Torotel. Further, £94,000 was paid for their review of the Company's interim results. During 2020, non-audit service fees paid to Deloitte represented 18 per cent of audit service fees paid to them during the same period, based principally around the fact that Deloitte was instructed to conduct financial due diligence work on the Torotel acquisition before its formal appointment as Auditor. The Committee believes that, for these particular areas, Deloitte was best placed to provide a comprehensive and effective service to the Company.

Anne Thorburn
Chair, Audit Committee
9 March 2021

Alison Wood, Chair of the Remuneration Committee

DIRECTORS' REMUNERATION REPORT

Membership
Alison Wood (Chair)
Warren Tucker
Jack Boyer

Directors' remuneration report

2020 highlights

- Review of the impact of COVID-19 on remuneration and incentives across the Company.
- Shareholder consultation on the short-term incentive outcome for the Executive Directors and a change to performance measures of the 2020 LTIP Awards which were granted shortly before the first UK COVID-19 lockdown in early 2020.
- Reviewed the Executive Director pension provision to align with the workforce by the end of 2022.
- Reviewed performance measures within incentive arrangements to improve alignment with the strategic priorities on ESG.
- Commenced strategic review of remuneration practices in our growth markets.

See our KPIs on pages 22–23
Read our full Remuneration Policy in the 2019 Annual Report at www.ttelectronics.com/investors

Annual Statement

On behalf of the Board, I am pleased to introduce the Directors' remuneration report for the year ended 31 December 2020. The report sets out our philosophy, together with the key activities and decisions made by the Remuneration Committee. The report is split into the following sections:

i. This Annual statement which contains a summary of the activities of the Remuneration Committee during the year, including the key remuneration decisions taken by the Committee and the context within which these decisions were reached.

ii. An 'at a glance' summary of the Remuneration Policy and the key remuneration outcomes for the year. A full version of the Remuneration Policy that was approved by shareholders at the 2020 AGM can be found in the 2019 Annual Report and Accounts.

iii. The Annual report on remuneration on the implementation of the Policy in the year ended 31 December 2020 and the proposed implementation of the Policy for the next financial year.

Context for the year

2020 has clearly been an extraordinary and challenging year. Despite a strong start to the year, the impact of the COVID-19 pandemic on the business was significant.

However, the Committee, together with the Board, have been continually impressed by the resilience and dedication of our incredible employees helping to keep our facilities safe and operational throughout the year. To protect the Company and best serve our stakeholders over the course of the year, management, with the support of the Board, enacted a series of measures to reduce costs, to make our workplaces COVID-19 secure, often ahead of local government requirements, and to safeguard as many jobs as possible.

In respect of measures taken on remuneration, Executive Director, Chairman and Non-executive Director salaries/fees and Executive Director short-term incentive potential were voluntarily reduced and across the wider workforce, salary levels were frozen except for our lowest paid employees. To protect our employees from the impact of the pandemic on our end markets we placed 253 employees on furlough through the year for an average length of three months utilising the UK Government Coronavirus Job Retention Scheme. The reduction in customer demand, particularly in commercial aerospace, caused us to add to our existing site-restructuring plans and there has been a limited number of additional redundancies. Equally, a number of new roles have been created during the year.

In October 2020, we undertook our employee survey and despite the uncertainty of the pandemic the Group reached its goal to become a '2 star' employer, benchmarking the Company alongside the very best global corporations in terms of employee engagement. Employees gave strong feedback in respect to their wellbeing and the actions taken to create safe and supportive workplaces.

That said, with the stabilisation of our end markets, we have seen an improving trend in the second half of the year with strong order book momentum and recognising the resilience of the Group's performance and strong cash generation, the Board has repaid the Coronavirus Job Retention Scheme payments received from the UK Government, which has been accrued in the 2020 results. The Company has also announced that its intention is to recommend a resumption to the dividend at the time of the 2020 year-end results announcement. The dividend was withdrawn early in 2020 as part of the measures to conserve cash and protect liquidity in response to the pandemic.

The Committee has continuously monitored remuneration decisions being taken across the Group and has considered executive pay in the context of the wider workforce, the broader impact on society, its shareholders and maintaining the sustainability and strategic growth of the Company.

The Committee has been mindful of the impact of the pandemic on remuneration and adopted a holistic and rigorous approach to decision-making to ensure alignment with stakeholders and our shareholders. Details of the Committee's approach to remuneration in 2020, and the proposed policy implementation for 2021, are set out in detail in this report.

Business performance

Since 2015, the Group has pursued a strategy to become a higher quality, better-balanced business with increasing exposure to the structural growth markets of aerospace and defence, healthcare and automation and electrification. Despite the pandemic we have continued to make significant progress against our strategic priorities. During the year, we made good progress with our self-help programme which will underpin our margin progression, and this remains on track to deliver run-rate efficiency savings of £11-12 million in 2023. We have further progressed our strategy through the acquisition and integration of the Power Solutions business of Excelitas Technologies Corp. based in Covina, US and of Torotel, Inc. based in Olathe, Kansas. These acquisitions broaden TT's power electronics capabilities and give enhanced access to the large and attractive US aerospace and defence market. Finally, we have continued to build on our Company purpose and announced a target to be net carbon neutral for scope 1 and scope 2 emissions by 2035, with like-for-like reductions annually. Our HSE platforms have been upgraded to establish baselines, enabling target setting and tracking of improvements. From our initial baseline we plan to manage our environmental footprint, including the reduction of carbon emissions, a reduction in waste to landfill and a reduction in the purchase of single-use plastics. In 2020, TT Electronics received a rating of AA (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment. We were pleased to see the recognition of our progress which establishes TT as a leading company in MSCI ESG Ratings assessment for the Electronic Equipment, Instruments and Components sector index.

Principal responsibilities

- Determine the Remuneration Policy for Directors for approval at least every three years.
- Determine remuneration packages and terms and conditions of employment for the Executive Directors, Senior Managers and the Chairman of the Board.
- Approve the design, performance measures, targets and outturns of incentive schemes for the Executive Directors and Senior Managers.
- Set remuneration policy within the wider context of remuneration trends across the workforce.
- Produce an annual report of the implementation of the Directors' Remuneration Policy in the last financial year and for the forthcoming year.

Areas of focus 2021

- Approve the design, performance measures, targets and outturns of incentive schemes for the Executive Directors and Senior Managers, including the impact on incentives of the ongoing pandemic and further portfolio development.
- Consider remuneration outcomes in the context of the uncertainty and evolution of the pandemic to ensure that our arrangements remain 'fit for purpose'.
- Monitor market developments, developments in good practice and the alignment of remuneration strategy to deliver the business strategy within the context of wider workforce remuneration.

The Company entered 2020 with good momentum and on a sound financial footing and the year started by looking like it would continue the trend of being another strong year of performance and growth for the Group. The effects of the pandemic have tested the business model and the Group's strategy. While the pandemic impacted our overall financial performance, particularly in the second quarter, the business recovered well in the second half, particularly in the fourth quarter. Overall, performance has been favourable relative to many of our peers.

- Adjusted profit before tax was £23.8 million, down by 31 per cent.
- Free cash flow was £14.4 million, up by 48 per cent.
- Adjusted EPS was 11.7 pence, down by 34 per cent.

Remuneration for 2020 and TT's response to COVID-19

The intended approach to remuneration for 2020 was as follows:

- Executive Director base salaries, Chairman and Non-executive Director fees would remain at 2019 levels.
- Short-term incentive opportunity for Executive Directors would be increased to 125 per cent of salary with 20 per cent of earned incentive deferred into shares for a period of two years. The performance measures were to be based on Group adjusted profit before tax (50 per cent weighting), Group free cash flow (25 per cent weighting) and strategic objectives (25 per cent weighting).
- Long-term incentive awards of 150 per cent of salary for the CEO and 135 per cent of salary for the CFO were planned for March 2020 with performance measures equally weighted between relative TSR and growth in the Group's EPS.

However, in direct response to the challenge presented by the COVID-19 pandemic the following changes were made:

- Executive Directors, Chairman and Non-executive Directors voluntarily waived 20 per cent of their contractual base salaries/fees for the three months from April to June 2020. The reduction was also applied to pension contributions for the Executive Directors.
- The 2020 short-term incentive opportunity was voluntarily reduced from 125 per cent of salary to 100 per cent of salary. No changes were made to the target weightings or the new deferral requirement (notwithstanding the reduction in quantum).

The 2020 LTIP awards were granted at the normal date (13 March 2020) based on EPS and TSR performance conditions approved by the Committee in December 2019 (i.e. prior to both the first UK lockdown, on 23 March 2020, and before the full societal and economic impact of COVID-19 become fully known) as set out in last year's Remuneration report.

However, the Committee believes that had the scheduled 2020 LTIP award cycle been a week or two later, consistent with a significant number of 31 December 2020 year-end FTSE All-Share companies, the Committee would have: (i) delayed the grant of the awards, or taken advantage of the flexibility suggested by the Investment Association in respect of granting the awards at the normal time but setting the performance targets within a six month period from grant; and (ii) increased the proportion of the award (most probably to 100 per cent) that is measured against relative TSR. Whilst the majority of TT's operations have remained resilient in light of the disruption resulting from COVID-19, the Committee formed the view that, after extensive discussion, the compound EPS growth targets of 5 per cent (threshold) and 12 per cent p.a. (maximum) based on the 2019 EPS number were excessively stretching and that there would be a risk that: (i) this would adversely impact management motivation; and/or (ii) overly stretching performance measures could incentivise short-term actions that could damage the longer-term growth of the business.

As such, following a consultation exercise with our largest institutional investors at the start of 2021, during which the majority of our largest shareholders confirmed that they were supportive, the Committee agreed to reweight the LTIP awards made in 2020 to 100 per cent based on the existing TSR performance targets. No changes will be made to the terms of the 2018 and 2019 LTIP awards which are now forecast to have low levels of vesting. Prior to the pandemic, the 2018 and 2019 awards were forecast to be at or near 100% vesting. As at March 2021, the Company TSR for all three active awards is slightly ahead of the respective medians, meaning that any level of vesting is by no means guaranteed.

Performance-related remuneration for 2020

In determining the Executive Directors' remuneration outcomes, in the context of this very challenging financial year, the Committee has focused on balancing the principle of aligning pay with performance, setting remuneration outcomes in the context of the impact of the pandemic on our stakeholders, and ensuring the appropriate level of motivation and focus required to deliver the next phase of the Company strategy. The Committee believes that the following outcomes are a fair reflection of business performance and the personal performance of the Executive Directors. Performance measures were not adjusted during the year. In respect of performance-related remuneration outcomes for the wider workforce, short-term incentive awards will be made to recognise performance and the attainment of relevant financial business performance measure in 2020. This aligns with the approach outlined below for the Executive Directors:

- The 2020 short-term incentive for Executive Directors was 75 per cent based on financial measures (50 per cent Group adjusted profit before tax and 25 per cent Group free cash flow) and 25 per cent based on the achievement of strategic objectives. For the year ended 31 December 2020, free cash flow performance was again very strong at £14.4 million with an adjusted cash conversion of 130 per cent, and as a result, performance was above the maximum performance hurdle. Adjusted profit before tax declined 31 per cent to £23.8 million, and despite the good performance in the context of the pandemic, performance was below the entry performance hurdle. The Executive Directors delivered another year of strong strategic progress and demonstrated exceptional leadership throughout the year. As such, the Committee agreed that whilst no award was automatically payable in respect of the strategic objectives given that the threshold Group profit before tax target had not been achieved, the resilient financial and strong cash flow performance justified the payment under the strategic objectives. In light of the sensitivity surrounding the payment of annual incentive awards in respect of 2020, the Committee consulted with

its major investors in advance of the decision being made and there was in the main a strong level of support for the Committee's actions. As a result, in addition to the 25 per cent of salary payable against the Group free cash flow targets, 25 per cent of salary will be payable against the strategic objectives, albeit the total 50 per cent of salary bonus award was reduced by 8.5 per cent to reflect the historical accounting adjustment in the Global Manufacturing Solutions Division (as explained further on page 45), effectively neutralising the estimated impact on the 2019 short-term incentive awards to Executive Directors.
- For the 2020 short-term incentive for Executive Directors the Committee decided to defer 100 per cent of the bonus into shares, rather than adopt the 80 per cent cash payment and 20 per cent deferred share approach as per the default under the Remuneration Policy. Details of the short-term incentive performance targets and performance achieved is presented on pages 103 to 104.
- The 2017 LTIP awards vested in March 2020. The awards were based on two equally weighted measures, absolute adjusted EPS and relative TSR performance. The EPS element vested in full as reported last year. The TSR performance over the three-year period was above the upper quartile, at 61.8 per cent, which meant that this part of the awards vested in full as presented on page 104.
- The 2018 LTIP awards vest in March 2021 based on performance against EPS and TSR. Until the onset of the COVID-19 pandemic, performance was strong with good levels of vesting forecast. However, the impact of the pandemic has meant that the threshold EPS performance measure was not met. The TSR performance measure concludes in March 2021 and is anticipated to vest between the threshold and maximum performance targets. The final vesting will be disclosed in next year's Directors' remuneration report. Further detail is presented on page 104.

Remuneration in 2021

The continued focus of the Committee will be to ensure that our remuneration structures are effective, to enable us to continue to motivate, engage and retain the talented colleagues who are critical to the future success of the Company. The Committee recognises that performance targets are being set in the middle of the pandemic with a number of different scenarios and outcomes still possible. Performance targets will need to be achievable yet appropriately stretching to drive performance. In line with the Policy and following a total remuneration review of the Executive Directors and Senior Managers, the Committee has agreed the following:

- Base salaries for the Executive Directors were increased by 1.5 per cent on 1 January 2021. In making the decision, the Committee took account of the proposed approach for the UK workforce, expected to average around 2 per cent, retention risks, last year's salary freeze and the wider societal impact of the pandemic.
- The Executive Directors have agreed that their pension allowance will be aligned with those available to the wider UK workforce (currently 7 per cent of salary) by 31 December 2022 by way of a single reduction. As such Executive Director pension provision will remain at 15 per cent of salary for 2021.
- The short-term incentive will reflect the business priorities for the year ahead. Our focus for the forthcoming year will be the responsible restoration of our profitability and managing our leverage through our free cash flow to support the ongoing strategic development of the Group. The incentive will comprise 75 per cent based on financial measures (50 per cent Group adjusted profit before tax and 25 per cent Group free cash flow) and 25 per cent on the achievement of strategic objectives. In line with our Policy, and further to the Executive Directors wish to defer the 2020 increase in maximum opportunity to 2021, the maximum short-term incentive opportunity for 2021 will be 125 per cent of base salary. At least 20 per cent of any award will be deferred into shares for a period of two years. The targets and performance against all of the performance measures will be fully disclosed in next year's Directors' remuneration report. The strategic priorities for 2021 reflect the creation of sustainable value for all our stakeholders with a focus on ESG development, development of our investment offering and progressive cash flow management beyond the planned activity for the year.
- LTIP awards are planned to be made in March 2021. The Committee felt it appropriate to align the award levels for the Executive Directors for 2021 which are expected to be set at 150 per cent of salary. This ensures that the Executive Directors are more appropriately aligned to the longer-term performance of the Company. However, the Committee is mindful of the perception of 'windfall gains' and will determine if any reduction to award levels is required based on the prevailing share price prior to the grant date. Performance targets are anticipated to revert to normal practice, being based on two equally weighted performance measures, EPS and TSR. However, noting the Investment Association's recent addendum to its guidance on shareholder expectations during the Covid-19 pandemic, the setting of the targets will be delayed until after the grant date. The targets will be set within six months of grant and published as soon as possible after they have been sent via an RNS.

Remuneration in the context of the wider workforce

TT Electronics' over-arching remuneration framework is commonly applied across the Group and supports the people strategy to create an inclusive, equitable and performance related organisational culture. It is designed to underpin the business' core purpose and delivery of strategic priorities, enables it to attract, retain and motivate talented people by applying consistent yet locally driven remuneration principles across the Group. Where practicable, remuneration practices are aligned with those of the Executive Directors to ensure alignment of focus and motivation.

We had planned in 2020 to build on our existing mechanisms to engage the workforce on how remuneration arrangements are aligned throughout the Company. In 2020 site employee forums continued to be held at a number of sites, and in light of the pandemic, communication and discussion were principally focused on the twin priorities to deliver COVID-19 secure workplaces and practices to ensure the safety of our employees and on the operational impacts of the pandemic to continue to deliver essential products to our customers. The introduction of NED virtual site visits allowed for open and frank dialogue directed by feedback and priority areas from our employees (see page 55). For 2021, a revised site incentive scheme will be launched, which applies to the majority of our workforce, ensuring that we continue to have alignment in our remuneration principles and our strategic priorities.

The Committee continues to consider the wider workforce when making pay decisions for the Executive Directors and senior leadership roles, engaging directly with the workforce and conducting regular reviews of the wider employee remuneration arrangements, such as the salary review arrangements across the Group and the impact of the pandemic on wider employee remuneration. In reviewing the impact of COVID-19 on remuneration and incentives across the Company, the Committee was supportive of targeted long-term remuneration arrangements put in place to support the retention of employees with high potential and for employees in critical roles.

For 2020, the median CEO pay ratio has fallen significantly from 55:1 in 2019 to 40:1 in 2020. This reflects our remuneration principles, with the majority of the CEO remuneration opportunity determined based on pay for performance and the wider employee comparator group having the majority of their remuneration opportunity based on fixed pay. Further detail on the pay ratio is presented on page 109.

Creating a safe and positive work environment where all employees can develop and build their expertise is of paramount importance to TT. We strive to build a supportive, diverse and engaging place to work built around the "TT Way". We are confident that our people policies and approaches to recruitment, training, development and remuneration are fair and free of bias. Although across the Company we are broadly evenly split by gender, we acknowledge that there is more to do and are focused on improving diversity amongst our professional and management roles. Further detail on our action is presented on page 62. Details of our UK Gender Pay disclosures can be found on www.ttelectronics.com.

During the year, we were delighted to see an increased focus in the communication and education of our UK and US all employee share schemes. We feel strongly in the positive benefits of our colleagues being shareholders in the business and are thrilled that just under half of our UK workforce participate in the scheme.

Discretion, independent judgement and shareholder engagement

As a Committee, we are willing to exercise judgement and discretion when determining remuneration outcomes for the Executive Directors. Before agreeing performance outcomes we reflect on whether the Company's overall performance is appropriately represented by the performance measures we have set, by taking into account performance against non-financial measures, environmental, social and governance matters, the demonstration of leadership qualities, living our values and conversations with our major shareholders where relevant.

As described above, the Committee applied its discretion to: (i) enable the payment of the strategic objectives element in respect of the 2020 short-term incentive in light of the strong free cash flow performance, good debt management, tight control over costs and capital expenditure, and the significant leadership displayed during the year to keep our employees safe whilst maintaining significant strategic momentum in very challenging circumstances; (ii) to defer the full 2020 short-term incentive into shares; and (iii) reweight performance of the LTIP Awards made in 2020 to 100 per cent based on the existing TSR performance targets. However, given the sensitivity surrounding Executive Director remuneration at the current time, the Committee engaged with our largest institutional investors and the major investor representatives in respect of both the 2020 short-term and long-term incentive awards at the start of 2021. I am pleased to write that the majority of the shareholder feedback was understanding and supportive and the Committee is appreciative of the open dialogue and support received.

In addition to the above and in connection to the year-end audit process, as a result of a historical accounting adjustment in the Global Manufacturing Solutions division (as explained further on page 45), the Committee decided that it was appropriate to reduce the Executive Director's 2020 short-term incentive awards award by 8.5 per cent, effectively neutralising the estimated impact on the 2019 short-term incentive awards to Executive Directors. The Committee also reviewed the performance of the vested 2017 LTIP awards and noted that the adjustment did not alter the level of vesting.

The year ahead

In line with good practice, the Committee reviews its effectiveness on a regular basis. The Committee believes that the openness and transparency provided by the Company is of significant benefit to enable extensive and well-informed decision making. The Committee recognises the challenges posed by the pandemic in 2020 in the setting of incentive performance targets, when the full impact of the COVID-19 outbreak was not fully understood. Reflecting on these challenges the Committee is better prepared to deal with the continuation of the pandemic during 2021.

As the Company continues to transform, the Committee, working with management, will continue to assess and ensure the alignment of remuneration arrangements with TT's strategy, business results and market demands. In particular, in 2021 the Committee will review the appropriate performance measures for future LTIP Awards, including the use of alternative financial measures (e.g. return based measures) and ESG sustainability measures. The Committee will also continue to consider remuneration outcomes in the context of the uncertainty and evolution of the pandemic to ensure that our arrangements remain 'fit for purpose'.

Throughout the pandemic, our employees, led by the leadership team have made significant contributions in an exceptionally challenging period, whilst in some cases having experienced a detrimental impact on remuneration outcomes. I would like to thank all our employees for their commitment and support.

As always, we would welcome any feedback or comments on this Report. If you would like to discuss any further aspect of our remuneration strategy I would welcome your views. I can be contacted at alison.wood@ttelectronics.com.

Alison Wood
Chair, Remuneration Committee
9 March 2021

REMUNERATION POLICY OVERVIEW

The following pages provide a summary of the approach to remuneration, including a summary of the Remuneration Policy which was approved by over 91 per cent of shareholders at the 2020 AGM. The Policy supports and rewards the achievement of the Company's strategy to deliver profitable and sustainable growth over the short and longer term. This is driven and evaluated by how the Company performs against a variety of KPIs both financial and non-financial. .

Key Policy objectives

To deliver a remuneration package:

To attract, retain and motivate high calibre Executives in a challenging and competitive business environment

That delivers an appropriate balance between fixed and variable compensation for each Executive

That places a strong emphasis on performance, both short-term and long-term

Strongly aligned to the achievement of strategic objectives and the delivery of sustainable value to shareholders

That seeks to avoid creating excessive risks in the achievement of performance targets

Remuneration principles

- Performance-related: the majority of the Executive and Senior Manager remuneration packages should be determined based on the performance of the Group. A significant proportion of this is aligned with shareholder interests, such as measures based on EPS and/or TSR.
- Transparency and culture: to engender a fair and collaborative culture, total remuneration frameworks should be clear, openly communicated and easy to understand.
- Competitive: through a combination of base salaries and competitive performance-related incentive schemes, the Committee aims to provide competitive total remuneration in return for superior performance. Base salaries are designed to reflect the requirements of the role and responsibility, together with the overall level of individual performance and taking account of prevailing market and economic conditions, and remuneration levels across the Group.

In line with the UK Corporate Governance Code, the following factors, which align well with our principles, were also considered:

- Simplicity – we are mindful of the need to avoid overly complex remuneration structures which can be misunderstood and deliver unintended outcomes. We believe that our remuneration structures are straightforward and easy to understand.
- Clarity – we believe in being open and transparent, so stakeholders can assess whether remuneration paid to Executives is appropriate, given the financial, operational and strategic performance of the Company and Executives' individual performance. We have reviewed feedback from last year's report and have enhanced how we analyse and describe Executives' individual performance.
- Risk and proportionality – we are aware of the risks that can result from excessive rewards. Our Policy is designed to discourage inappropriate risk-taking and ensure it is not rewarded via: (i) the balanced use of short-term and long-term incentives which employ a blend of financial, non-financial and shareholder aligned measures; (ii) the significant role played by equity in our incentive plans; and (iii) malus/clawback provisions. This year the Committee and Executive Directors have been mindful of the alignment with the workforce through voluntary salary reductions and the alignment of incentive outcomes.
- Predictability – we believe that the link between individual awards, the delivery of strategy and the long-term health and performance of the Company is openly and transparently explained in this report and that our approach ensures pay outcomes are fair, proportionate and do not reward poor performance.
- Alignment to culture – we want our Executives to make decisions for the long-term benefit and performance of the Company. This is a key part of our purpose and informs our approach to target-setting, operation of discretion and setting of strategic objectives.

Remuneration Policy

A summary of the Policy is outlined below. The full Remuneration Policy can be found in the 2019 Annual Report and Accounts which can be found at www.ttelectronics.com.

Executive Director remuneration for 2021

Element		Maximum	2021	2022	2023	2024	2025
Fixed Pay	Salary	Market competitive. Increases set with reference to the wider workforce.	Salary paid.				
	Benefits	Market competitive.	Benefits paid.				
	Pension	Aligned to those available to majority of local workforce for newly appointed Executives. 15% of salary for existing Executive Directors.	Pension provision paid.				
Variable Pay	Short-term incentive plan	CEO/CFO 125% of salary. 80% cash and 20% in deferred shares.	Annual performance conditions apply. Majority weighting on Group financial targets, minority to strategic objectives.	Cash element paid (80% of earned incentive).			
				2-year share deferral (20% of earned incentive).			
	Long-term incentive plan	CEO 150% of salary, CFO 150% of salary. 2-year holding period	Based on financial and/or shareholder value creation measures over three-year performance periods.			2-year holding period.	
Governance	Share ownership requirement	200% of salary.	Executive Directors required to build and maintain the share ownership requirement.				
	Malus (withholding) and clawback (recovery)	All incentives.	Malus: incentive plans allow for the Committee to exercise discretion and make adjustments to formulaic outcomes. Clawback: misstatement, serious misconduct, serious reputational damage, error in calculation and corporate failure.				
	Post-employment share ownership	100% of salary.	Holding requirement for shares until two years after cessation of employment.				

Key performance indicators for 2021

Our remuneration arrangements share a clear link to our key performance indicators and our strategic priorities to deliver sustainable shareholder value.

Variable pay element	Performance headline	Performance measure (weighting)	What they measure
Short-term incentive plan	Financial	Adjusted profit before tax[1] (50%)	Operational performance. Encompassing our strategic priorities of strategic business development and operational excellence
		Group free cash flow[1] (25%)	Cash flow performance. Encompassing our cash conversion and cash generation for capital re-investment
	Strategic	Strategic objectives (25%)	Progress of the Group's strategic aims in order to deliver sustainable growth in shareholder value
Long-term incentive plan	Financial	Earnings per share (50%)	Sustainable growth in the Group's profitability per share over 3 years
	Share price	Total shareholder return (50%)	Performance of the Group's value per share relative to a peer group over 3 years

1 Target and actual performance are assessed at constant budget exchange rates.

REMUNERATION AT A GLANCE

2020 Performance snapshot

£23.6m	£13.5m	11.7p	61.8%
Adjusted profit before tax[1]	Group free cash flow[1]	Adjusted earnings per share[2]	Total shareholder return[2]

Variable pay performance outcomes

Short-term incentive plan[1]	Financial objectives	Adjusted profit before tax (50%)	£23.6m, 0% of max
		Group free cash flow (25%)	£13.5m, 100% of max
	Strategic objectives	Execution of portfolio strategy (10%)	Performance at stretch, 100% of max
		Improve operational efficiency (10%)	Performance at stretch, 100% of max
		ESG development (5%)	Performance at stretch, 100% of max
Long-term incentive plan[2]	Financial objectives	Adjusted earnings per share (50%)	2.4% compound annual growth rate over the 3 year performance period, 0% of max
	Share price	Total shareholder return (50%)	77 percentile, 100% of max

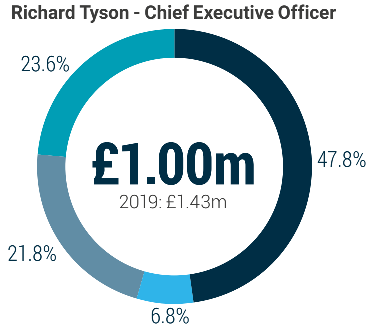
1 Target and actual performance are assessed at constant budget exchange rates. Bonus out-turn of 50 per cent of salary reduced by 8.5 per cent to reflect the historical accounting adjustment in the Global Manufacturing Solutions (as explained further on page 95).

2 EPS performance measure relates to the 2018 LTIP award (performance period of 1 January 2018 to 31 December 2020), TSR performance measure of the 2017 LTIP award (performance period of 15 March 2017 to 14 March 2020).

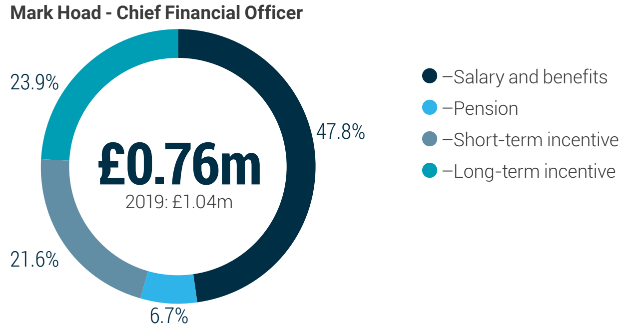
The Committee believes that performance measures should be both motivational and stretching. Against the stretching targets, the overall short-term incentive awards to the CEO and CFO were 50 per cent of salary. The awards, after the reduction for the historical accounting adjustment, will be fully deferred into shares. In reaching this decision the Committee agreed that whilst no award was automatically payable in respect of the strategic objectives given that the threshold Group profit before tax target had not been achieved, the resilient financial and strong cash flow performance justified the payment under the strategic objectives. In light of the sensitivity surrounding the payment of annual incentive awards in respect of 2020, the Committee consulted with its major investors in advance of the decision being made and there was a strong level of support for the Committee's actions.

Executive Director Remuneration for 2020

Richard Tyson - Chief Executive Officer



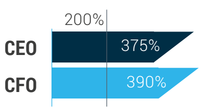
Mark Hoad - Chief Financial Officer



1 2020 short-term incentive award values are shown after the 8.5 per cent reduction as a result of the historical accounting adjustment in the Global Manufacturing Solutions division.

Ensuring shareholder alignment

Share ownership requirement:
200% of salary for Executive Directors



Short-term incentive
awards subject to a 20% mandatory deferral into shares with a two-year holding period. The 2020 award will be 100% deferred into shares

Long-term incentive
awards paid in shares and subject to mandatory two-year holding period

Post-employment share ownership
shares to value of 100% of salary to be held until two years after cessation of employment

ANNUAL REPORT ON REMUNERATION

Implementation of the Remuneration Policy for the year ending 31 December 2021

A summary of how the Directors' Remuneration Policy will be applied during the year ending 31 December 2021 is set out below.

Basic salary

The Remuneration Committee agreed that it would be appropriate to increase the base salaries of the Executive Directors by 1.5 per cent effective 1 January 2021, a level which is below the expected average increase for the wider UK workforce.

Executive	**2021**	2020	Increase
Richard Tyson	**£485,391**	£478,218	1.5%
Mark Hoad	**£364,112**	£358,731	1.5%

The Company's UK employees, in general, are expected to receive pay rises averaging 2 per cent depending on location, promotional increases and individual performance.

Pension and benefits

The Executive Directors have agreed that their pension allowance will be aligned with those available to the wider UK workforce by 31 December 2022 by way of a single reduction. As such Executive Director pension provision will remain at 15 per cent of salary for 2021 and benefit provision will remain unchanged.

Short-term Incentive Plan

The Committee believes it is important that a significant proportion of Executive Director remuneration be performance-related and that the performance conditions applying to incentive arrangements support the delivery of the Company's strategy. For 2021, as originally planned for 2020 and in line with the Remuneration Policy approved by shareholders at the 2020 AGM, the maximum short-term incentive opportunity will be 125 per cent of base salary, with 20 per cent of any incentive deferred into shares for a period of two years.

The split between financial and strategic performance measures will remain consistent with prior years, continuing to be focused on profit, cash flow and strategic progress.

Performance measure	Weighting	Threshold opportunity (% of salary)	Maximum opportunity (% of salary)	Paid in cash	Paid in shares
Adjusted profit before tax	50%	0%	62.5%		
Group free cash flow	25%	2.5%	31.25%		
Strategic objectives	25%	n/a	31.25%		
Total	100%		125%	80%	20%

Targets are set taking account of internal and external forecasts relating to the Company's performance, the ongoing economic and societal uncertainty arising from the pandemic and reflecting the Board's expectation of the development of the Group. The strategic objectives reflect the creation of sustainable value for all our stakeholders with a focus on ESG development, development of our investment offering and progressive cash flow management beyond planned activity for the year. No award will be payable in respect of the strategic objectives unless the threshold profit before tax or threshold free cash flow target is reached.

Targets for the 2021 STIP are currently considered to be commercially sensitive. The targets and the respective levels of achievement will be disclosed in the 2021 Directors' remuneration report.

Long-term Incentive Plan
LTIP awards are expected to be granted in March 2021. Vesting is intended to be based on performance against the following equally weighted measures over three-year performance periods:

- Absolute adjusted EPS
- Relative TSR against the FTSE Small-Cap (excluding Investment Trusts)

The performance measures ensure the alignment of senior management's and shareholders' interests. Target ranges for the 2021 awards will be set taking into account the latest internal and external forecasts for the business, including both economic and political uncertainty and TT's principal risks. In line with the Investment Association's recent addendum to its guidance on shareholder expectations during the Covid-19 pandemic, the setting of the targets will be delayed until after the grant date. The targets will be set within six months of grant and published as soon as possible after they have been set via an RNS.

The Committee will continue to consider the impact of any significant future portfolio development on the outstanding performance targets at the time of the capital deployment. Any further changes to the performance targets in these circumstances will be communicated to shareholders.

The awards, as a percentage of salary, are expected to be as follows:

Executive	**2021**	2020
Richard Tyson	**150%**	150%
Mark Hoad	**150%**	135%

For 2021 the Committee felt it appropriate to align the awards for the Executive Directors. This ensures that the Executive Directors are adequately tied in to the longer-term performance of the Company. The one-off increase in award to Mark Hoad recognises his strong contribution and his importance to the ongoing development of the Company and ongoing value creation for shareholders.

The Committee is mindful that share price falls can lead to the perception of 'windfall gains'. The Committee will review the share price at grant when determining final award values. Discretion may be applied at grant or on vesting to manage any relevant windfall gain from the allocation.

The awards will vest on the third anniversary of grant to the extent the performance targets have been satisfied, followed by a two-year holding period.

Shareholding requirement
No changes will be made to the shareholding requirements. Executive Directors are required to build and maintain a shareholding in employment of 200 per cent of basic salary. Post cessation of employment, Executive Directors are required to maintain for two years, a shareholding of half this requirement or maintain their actual holding if lower. During the two-year period, Executive Directors will be required to self-certify their holdings on an annual basis. In addition, it is anticipated that some vested shareholding will be subject to holding periods during the post cessation requirement.

Fees for Non-executive Directors
The Chairman's fee and the Non-executive Director base fee increased by 1.5 per cent effective 1 January 2021, a level which is below the average expected increase for the wider UK workforce. The SID fee was brought in line with the other Chair fees which remain unchanged.

	2021	2020	Increase
Chairman	**£182,700**	£180,000	1.5%
Base fee	**£45,822**	£45,145	1.5%
Additional fees:			
Senior Independent Director	**£8,000**	£6,000	33.3%
Audit Committee Chair	**£8,000**	£8,000	0.0%
Remuneration Committee Chair	**£8,000**	£8,000	0.0%

Implementation of the Remuneration Policy for the year ending 31 December 2020

Single figure for total remuneration (audited)

Directors' remuneration for the year ended 31 December 2020 was as follows:

£'000		Salary/ fees	Taxable benefits	Pension	Total fixed pay	Short-term Incentive[6]	Long-term Incentive[7]	Other	Malus and clawback	Total variable pay	Single total figure
Executive Directors											
Richard Tyson	**2020**	**454**	**25**	**68**	**547**	**219**	**237**			**456**	**1,003**
	2019	478	23	72	573	306	551			857	1,430
Mark Hoad	**2020**	**341**	**21**	**51**	**413**	**164**	**181**			**345**	**758**
	2019	359	20	54	433	230	373			603	1,036
Chairman											
Warren Tucker[1]	**2020**	**126**			**126**						**126**
Non-executive Directors											
Jack Boyer[2]	**2020**	**47**			**47**						**47**
	2019	45			45						45
Anne Thorburn[3]	**2020**	**48**			**48**						**48**
	2019	23			23						23
Alison Wood	**2020**	**50**			**50**						**50**
	2019	53			53						53
Former Directors											
Neil Carson[4]	**2020**	**62**			**62**						**62**
	2019	188			188						188
Stephen King[5]	**2020**	**36**			**36**						**36**
	2019	59			59						59

1 Warren Tucker was appointed to the Board on 2 April 2020

2 Jack Boyer was appointed Senior Independent Director on 6 May 2020

3 Anne Thorburn was appointed Chair of the Audit Committee on 6 May 2020. 2019 fees reflect her appointment date of 1 July 2019

4 Neil Carson stepped down as Chairman on 6 May 2020

5 Stephen King stepped down as a Non-executive Director on 30 September 2020

6 2020 short-term incentive award values are shown after the voluntary deferral of the 2020 increase in maximum opportunity from 100% of salary to 125% of salary to 2021, and after the 8.5 per cent reduction as a result of the historical accounting adjustment in the Global Manufacturing Solutions division.

7 LTIP values shown in the single figure include dividend equivalents; the value attributable to share price appreciation for the CEO and CFO is minimal, being £(3,199) and £(2,446) respectively. The Committee did not exercise any discretion in relation to vesting outcomes in relation to the impact of share price movements.

Base salary/fees

At the request of the Executive Directors base salaries were not increased in 2020 following a salary review in December 2019. This recognised changes to some of our external markets and the actions taken within the Company. The Chairman's fee and those of the Non-executive Directors also remained unchanged at the annual review. The Chairman's fee on appointment was 4.5 per cent lower than the prior Chairman.

In response to the COVID-19 pandemic a series of actions were taken to reduce costs and protect our cash flows. One such action was that the members of the Board volunteered a 20 per cent salary/fee reduction for a three-month period which is reflected in the single figure for total remuneration table.

Taxable benefits

The Executive Directors' taxable benefits consist of a car allowance and insurance benefits.

Pensions

Employer contributions are paid at 15 per cent of base salary, as defined contribution pension and/or a cash supplement. Pension contributions were 20 per cent lower during the period of the voluntary salary reduction in relation to the impacts of the COVID-19 pandemic.

Short-term incentive

In response to the COVID-19 pandemic, the Executive Directors requested that the maximum opportunity was reduced from 125 per cent to 100 per cent of salary for 2020. The default under the Remuneration Policy is to defer 20 per cent of any incentive into shares for a period of two years. Incentive payments were based on performance against Group adjusted profit before tax (up to 50 per cent of salary) and Group free cash flow (up to 25 per cent of salary) measured at constant budget exchange rates and strategic objectives (up to 25 per cent of salary) as measured over the 2020 financial year.

During the year, the Company completed the acquisitions of the Covina power supply business from Excelitas Technologies Corp. and the Torotel, Inc power and electromagnetic business. In order to neutralise the impact of these transactions, the Group adjusted profit before tax and Group free cash flow targets were increased to include pro-rata budgeted performance and adjusted for the impact of unbudgeted cash flows for adjusting items in relation to M&A acquisition and integration.

The strategic objectives of the Executive Directors focused on the creation of sustainable value for all our stakeholders with a focus on delivery of critical operational and strategic goals. Performance against these is set out in the table below.

Strategic objective	Performance commentary	Maximum potential (% of salary)	Achievement
Execution of portfolio strategy. Drive the acquisition growth strategy. Further identify and progress potential opportunities.	Execution of acquisitions of the Covina aerospace and defence power supply business of Excelitas Technologies Corp. in January 2020 and the Torotel, Inc power and electromagnetic business in November 2020 supported by equity placing in challenging market conditions. Integration of the Covina acquisition completed with strong performance against the business case. Torotel integration under way. Significant progress/engagement in several potential opportunities aligned to strategic growth markets.	10%	✓✓✓✓
Improve operational efficiency to drive sustained margin enhancement. Finalise to plan a series of facility footprint projects and execute.	Implementation of actions from 2019 facility footprint review to optimise efficiency and support margin improvement. Three facility closures announced and under way with management of product transfers to optimise receiving facilities. Plans developed for further self-help activity in 2021. Efficiency actions showing strong financial returns in line with business case to deliver £11-12 million of run-rate benefits in 2023.	10%	✓✓✓✓
Develop and integrate the ESG strategic priority and embed in the strategy.	ESG positioned as core element of revised Company purpose, incorporated into key internal and external communications. HSE platform upgraded to establish baselines, enable target setting and tracking of improvements. Enabled commitments to be carbon neutral by 2035 with initial plans developed and actions under way centred on renewable energy, energy reduction, waste to landfill reduction and reduction of single-use plastics. Significant focus on safety and safe operations during the year with specific actions in response to the pandemic. Employee engagement achieved the strategic goal of becoming a 2-star rated employer with exceptional wellbeing and values scores across the Company. Continued focus on ensuring that employees can be at their best every day and that potential barriers to progression are being identified and addressed through the equality, diversity and inclusion focus. External CDP Sustainability Audit rating improved, showing significant improvement from 2019.	5%	✓✓✓✓

✓ underperforming, ✓✓ performing, ✓✓✓ out-performing, ✓✓✓✓ stretch

The outcomes of the short-term incentive awards for financial and individual strategic performance in 2020 are summarised below.

Short-term incentive payments for 2020[1]

Performance measure	Threshold potential (% of salary)	Maximum potential (% of salary)	Required for threshold bonus (£m)	Required for maximum bonus (£m)	Outturn for incentive plan purposes (£m)	Achievement (% of salary)
Group adjusted profit before tax	5%	50%	34.1	38.7	23.6	0.0%
Group free cash flow	2.5%	25%	(1.5)	4.1	13.5	25.0%
Strategic objectives	n/a	25%		As outlined		25.0%
Total		100%				50.0%
Remuneration Committee discretion[2]						(4.25)%
2020 Short-term incentive award						45.75%

1 Short-term incentives are measured using constant budget exchange rates. The value shown is after the voluntary deferral of the 2020 increase in maximum opportunity from 100% of salary to 125% of salary to 2021.

2 The 8.5% reduction to the total award, as a result of the historical accounting adjustment in the Global Manufacturing Solutions division, equates to a reduction of 4.25% of salary

Summary

The Executive Directors delivered another year of strong strategic progress whilst managing and protecting our stakeholders through the economic volatility and impact of the pandemic. The Executive Directors have demonstrated exceptional leadership throughout the pandemic to protect our employees, the sustainability of the Company and delivering COVID-19 safe facilities built on benchmark operating procedures delivered in advance and often above relevant government guidelines. The Company was also able to divert internal resources to support multiple government ventilator projects globally, including those in the UK.

In the context of the pandemic, financial performance has been robust and strong cost action has protected the balance sheet resulting in excellent free cash flow, significantly above expectation. In managing the business, the Company utilised the UK Government Coronavirus Job Retention Scheme (furlough) to protect our employees although the monies from the furlough scheme have been repaid in full in early 2021 and the Company does not intend to further utilise the UK Government Job Retention Scheme (furlough). While there were some job losses resulting from structural changes to some of our end markets, new business opportunities have meant a number of new roles being created. Following a decision to pause dividend payments, the resumption of the dividend is expected to be announced at the time of the 2020 year-end results announcement.

In carrying out the review, the Committee agreed that whilst no award was automatically payable in respect of the strategic objectives given that the threshold Group profit before tax target had not been achieved, the resilient financial and strong cash flow performance justified the payment under the strategic objectives. As such, in addition to the 25 per cent of salary payable against the Group free cash flow targets, 25 per cent of salary will be payable against the strategic objectives. In light of the sensitivity surrounding the payment of annual incentive awards in respect of 2020, the Committee consulted with its major investors in advance of the decision being made and there was in the main a strong level of support for the Committee's actions. Reflecting feedback from a number of major investors during consultation, the Committee decided that rather than adopt the 80 per cent cash payment and 20 per cent deferred share approach as per the default under the Remuneration Policy, 100 per cent of the bonus award should be deferred into shares.

In addition to the above and in connection to the year-end audit process, as a result of a historical accounting adjustment in the Global Manufacturing Solutions division (as explained further on page 95), the Committee decided that it was appropriate to use its discretion to reduce the Executive Directors 2020 short-term incentive awards award by 8.5 per cent, effectively neutralising the estimated impact on the 2019 short-term incentive awards to the Executive Directors.

Long-term incentive

The LTIP awards granted in 2017 and 2018 vest depending on performance against two equally weighted measures over separate three-year performance periods. The EPS performance condition is over the three-year period aligned with the Group's financial year. The TSR performance condition is over a separate three-year performance period, ending on the third anniversary of the award date. Accordingly, the performance periods of the two performance conditions end in separate reporting years. Both the 2017 and 2018 LTIP awards had performance periods that ended on or by 31 December 2020 which are therefore included in the single figure for total remuneration for 2020.

Award year and performance measure	Threshold (25% vesting)	Maximum (100% vesting)	Outcome	Percentage of maximum achievement
2017 LTIP award[1]: Relative TSR performance against the FTSE SmallCap (excluding Investment Trusts)	Median rank	Upper quartile rank or above	77 percentile (Above upper quartile)	100%
2018 LTIP award[2,3]: EPS compound annual growth over the three-year performance period	10%	17.5%	2.4% (Below threshold)	0%

1 2017 LTIP award (vested March 2020): The EPS performance period ended on 31 December 2019 and a maximum level of vesting was achieved as described in last year's Remuneration report. The 2019 single figure for total remuneration has been restated to reflect the vested value of the shares subject to the EPS performance measure which vested on 15 March 2020. The TSR performance period for this award ended on 15 March 2020 and a maximum level of vesting was achieved as indicated in the above table. The vested value of the shares subject to EPS performance measure is included in the 2020 single figure for total remuneration. In both cases the vested shares have been valued at 164.5p.

2 2018 LTIP award (vests March 2021): The EPS performance period for this award ended on 31 December 2020 and vesting of the EPS component was not achieved as indicated in the above table. The TSR performance period ends in March 2021 and the value of the vested awards subject to the TSR performance measures will be included in the 2021 single figure for total remuneration.

3 As disclosed in previous Directors' annual Remuneration report, the EPS targets were reviewed for the effect of portfolio developments during 2018 in respect of the acquisition of Stadium Group and Precision Inc.. Following that review, the EPS targets were increased from a threshold target of 5% compound annual growth and a maximum target of 12% compound annual growth.

As part of the portfolio development strategy the Committee has agreed principles for the adjustment of LTIP performance conditions in relation to capital deployment. During the year, the acquisitions of the Covina aerospace and defence power supply business of Excelitas Technologies Corp. for a total consideration of £14.4 million, and the £28.7 million acquisition of Torotel, Inc mainly funded through an equity placing, were reviewed against the principles and the financial impact was deemed to be below the materiality threshold.

Other
No disclosures occurred during the period.

Malus and clawback
No malus or clawback events occurred during 2020.

Long-term incentives granted during the financial year (audited)
LTIP awards were granted to Executive Directors on 13 March 2020, prior to the first UK national lockdown and prior to the share price volatility that followed. Awards are subject to a three-year vesting period plus an additional two-year holding period.

Executive	Basis of award granted (% of salary)	Share price at date of grant (pence)[1]	Number of shares over which award was granted	Face value of award (£)	% of award that would vest at threshold performance	Performance period end date
Richard Tyson	150%	196	365,983	717,327	25%	13/03/2023
Mark Hoad	135%	196	247,085	484,287	25%	13/03/2023

1 The share price used to determine the number of shares granted was the average share price over the three trading days prior to grant.

The Committee is mindful that share price falls can lead to the perception of 'windfall gains'. The share price used to calculate the number of shares under the 2020 award was less than 3 per cent lower than that of the 2019 award. As such the Committee believes that windfall gains would not apply to this award as a result of any share price volatility from the pandemic. The Committee retains discretion to adjust formulaic incentive outcomes to ensure they reflect underlying business performance and shareholder interests. This would be reviewed at vesting.

Performance measures for LTIP awards granted during the financial year (audited)
Awards to Executive Directors during 2020 were granted on 13 March 2020 subject to the two equally weighted measures of EPS and TSR as follows.

Performance measures	Weighting	Threshold (25% vesting)	Maximum (100% vesting)
EPS compound annual growth over the three-year period	50%	5%	12.0%
Relative TSR performance against the FTSE SmallCap (excluding Investment Trusts)	50%	Median rank	Upper quartile rank or above

The performance measures attributable to the 2020 awards were approved by the Committee in December 2019, with the awards granted prior to both the first UK lockdown and before the societal and economic impact of COVID-19 became fully known.

Following a supportive consultation exercise with our largest institutional investors and the major investor representatives, the Committee agreed to reweight performance to 100 per cent based on the existing TSR performance targets. Whilst the majority of TT's operations have remained resilient in light of the disruption resulting from COVID-19, the Committee believed, after extensive discussion, that the compound EPS growth targets of 5 per cent to 12 per cent per annum, based on the 2019 EPS number were excessively stretching and that there would be a risk that: (i) this would adversely impact management motivation; and/or (ii) overly stretching performance measures could incentivise short-term actions that could damage the longer-term growth of the business. The Committee believes that had the scheduled LTIP award been granted slightly later, consistent with a significant number of December year-end FTSE All-Share companies, the Committee would have: (i) delayed the grant of the awards; (ii) taken advantage of the flexibility suggested by the Investment Association in respect of granting the awards at the normal time but setting the performance targets within a six month period from grant; and/or (iii) increased the proportion of the award (most probably to 100 per cent) that is measured against relative TSR.

The Committee is mindful to the perception of 'windfall gains' and retains discretion to adjust formulaic incentive vesting outcomes to ensure they reflect underlying business performance and shareholder interests.

Executive Director interests in shares subject to Company performance conditions

The table below sets out details of outstanding LTIP share awards held by the Executive Directors at 31 December 2020.

Executive	Date of grant	1 January 2020	Granted during the year	Lapsed	Vested	31 December 2020	Market value at 31 December 2020 (£)[1]	Market price at grant date (pence)	Vesting date
Richard Tyson	15/03/2017	266,565			266,565			167	15/03/2020
	14/03/2018	294,152[2]				294,152	603,012	232	14/03/2021
	11/03/2019	355,993[3]				355,993	729,786	202	11/03/2022
	13/03/2020		365,983			365,983	750,265	196	13/03/2023
Total outstanding						1,016,128	2,083,062		
Mark Hoad	15/03/2017	203,844			203,844			167	15/03/2020
	14/03/2018	202,446[2]				202,446	415,014	232	14/03/2021
	11/03/2019	240,340[3]				240,340	492,697	202	11/03/2022
	13/03/2020		247,085			247,085	506,524	196	13/03/2023
Total outstanding						689,871	1,414,236		

1 The market value at 31 December 2020 represents the total number of shares awarded multiplied by 205.0 pence, being the share price on 31 December 2020. The calculation does not take into account dividend equivalents or the likelihood of vesting.

2 The performance condition attached to 50% of the award is based on EPS. As disclosed in previous Annual report on remuneration, the EPS targets were reviewed for the effect of portfolio developments during 2018 in respect of the acquisition of Stadium Group and Precision Inc.. Following that review, the EPS targets were increased. 25% of the shares subject to this part of the award will vest for EPS growth of 10% (previously 5%) compound per annum, increasing on a straight-line basis to 100% vesting for EPS growth for the year ending 31 December 2020 of 17.5% (previously 12%) compound per annum. The performance condition attached to the other 50% of the award is based on TSR performance against the FTSE SmallCap (excluding Investment Trusts) during the three-year performance period from the date of award. 25% of the shares subject to this part of the award will vest at median performance increasing on a straight-line basis to 100% vesting at the upper quartile of the comparator group.

3 The performance condition attached to 50% of the award is based on EPS. 25% of the shares subject to this part of the award will vest for EPS growth of 6% compound per annum, increasing on a straight-line basis to 100% vesting for EPS growth for the year ending 31 December 2020 of 13.5% compound per annum. The performance condition attached to the other 50% of the award is based on TSR performance against the FTSE SmallCap (excluding Investment Trusts) during the three-year performance period from the date of award. 25% of the shares subject to this part of the award will vest at median performance increasing on a straight-line basis to 100% vesting at the upper quartile of the comparator group.

TT Electronics plc Sharesave scheme

Executive	Date of grant	1 January 2020	Granted during the year	Lapsed	Vested	31 December 2020	Market value at 31 December 2020 (£)[1]	Market price at grant date (pence)	Vesting date
Richard Tyson	01/10/2018	8,372				8,372	0	215	01/11/2021–30/04/2022
Mark Hoad	01/10/2018	8,372				8,372	0	215	01/11/2021–30/04/2022

1 The potential gain at 31 December 2020 represents the total number of shares under the option multiplied by 205.0 pence, being the share price on 31 December 2020.

Payments to past Directors (audited)

No payments were made in 2020.

Payments for loss of office (audited)

No payments were made in 2020.

Statement of Directors' shareholding and share interests (audited)

The Executive Directors are required to build and hold a shareholding of 200 per cent of salary. Executive Directors must retain 50 per cent of the net of tax value of any vested LTIP shares until the guideline is met. At 31 December 2020, the Executive Directors were compliant with the requirement.

Executive	Beneficially owned at 1 January 2020	Beneficially owned at 31 December 2020	Unvested share awards subject to Company performance conditions	Outstanding share awards under all employee share plans as at 31 December 2020	Shareholding as a % of salary at 31 December 2020[1]	Value of beneficially owned at 31 December 2020 (£)	Basic salary at 31 December 2020
Executive Directors							
Richard Tyson	717,251	873,530	1,016,128	8,372	375%	1,790,737	478,218
Mark Hoad	550,090	683,127	689,871	8,372	390%	1,400,410	358,731
Chairman							
Warren Tucker	10,945	60,075					
Non-executive Directors							
Jack Boyer	82,588	95,514					
Alison Wood	0	0					
Anne Thorburn	45,000	60,000					

1 The shareholding as a % of salary at 31 December 2020 is calculated as the beneficially owned shares at 31 December multiplied by 205.0 pence, being the share price on 31 December 2020, divided by the basic salary at 31 December 2020.

There have been no changes to shareholdings between 31 December 2020 and the date of this report.

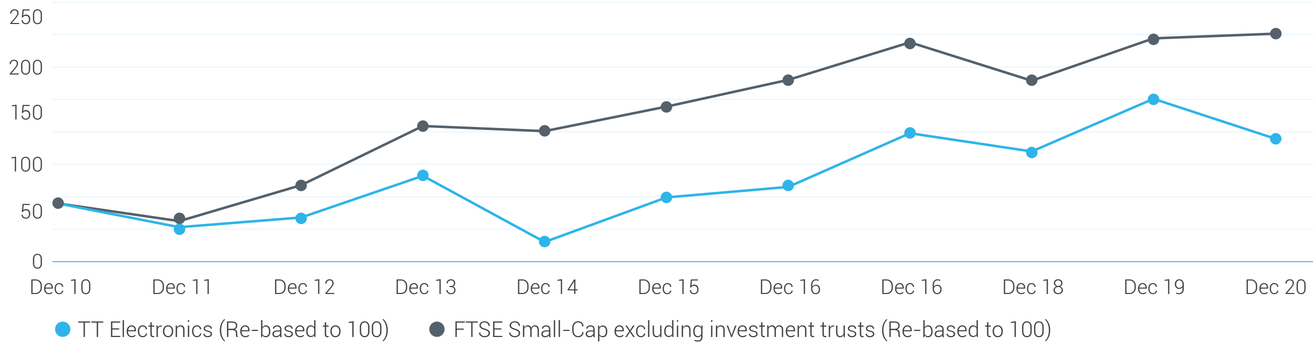
The closing middle market prices for an ordinary share of 25 pence of the Company on 31 December 2019 and 31 December 2020 as derived from the Stock Exchange Daily Official List were 250.0 pence and 205.0 pence respectively. During 2020, the middle market price of TT Electronics plc ordinary shares ranged between 143.0 pence and 269.0 pence.

Directors' service contracts

Executive	Date of appointment	Date of current contract/letter of appointment	Notice from Company	Notice from individual	Unexpired period of service contract
Executive Directors					
Richard Tyson	01/07/2014	14/01/2014	12 months	12 months	Rolling contract
Mark Hoad	01/01/2015	09/12/2014	12 months	12 months	Rolling contract
Chairman					
Warren Tucker	06/05/2020	02/04/2020	1 month	1 month	Rolling contract
Non-executive Directors					
Jack Boyer	10/06/2016	10/06/2016	1 month	1 month	Rolling contract
Alison Wood	11/07/2016	11/07/2016	1 month	1 month	Rolling contract
Anne Thorburn	01/07/2019	12/06/2019	1 month	1 month	Rolling contract

Performance graph and table

The following graph shows the cumulative Total Shareholder Return of the Company over the last ten financial years relative to the FTSE SmallCap Index (excluding Investment Trusts). The FTSE SmallCap Index has been selected for consistency as it is the index against which the Company's Total Shareholder Return is measured for the purposes of the LTIP. In addition, the Company is a constituent of the Index.



The graph above shows the value, by 31 December 2020, of £100 invested in TT Electronics plc on 31 December 2010 compared with the value of £100 invested in the FTSE SmallCap Index (excluding Investment Trusts).

Total remuneration figures for the Chief Executive Officer

The total remuneration figures for the Chief Executive Officer during each of the last ten financial years are shown in the table below. The total remuneration figures include the short-term incentive based on that year's performance and LTIP awards based on three-year performance periods ending in the relevant year.

	2011	2012	2013	2014[1]	2014[2]	2015	2016	2017	2018	2019	2020
Total remuneration (£'000)	1,576	1,684	1,154	249	401	1,151	1,152	1,794	2,189	1,430	1,003
Short-term incentive (% of maximum)	96.0	50.0	53.0	0.0	25.0	90.8	100.0	100.0	93.3	64.0	45.8
LTIP vesting (% of maximum)	100.0	94.0	89.6	39.6	n/a	0.0	0.0	50.0	100.0	86.5	50.0

1 Relates to previous Chief Executive Officer who was in position until 30 June 2014.

2 Relates to current Chief Executive Office who joined on 1 July 2014.

Percentage change in the remuneration of Directors compared to other employees

The following table shows the percentage change in each Executive and Non-executive Director's remuneration compared with the average change for all employees of the parent Company for the year ended 31 December 2020. Going forward, this disclosure will build up over time to cover a rolling five-year period.

	Change in salary/ fees (%)	Change in benefits (%)	Change in cash STIP
Executive Directors			
Richard Tyson	(5.0)%	5.9%	(28.5)%
Mark Hoad	(5.0)%	8.0%	(28.5)%
Chairman			
Warren Tucker[1]	n/a	n/a	n/a
Non-executive Directors			
Jack Boyer[2]	3.3%	n/a	n/a
Alison Wood	(5.0)%	n/a	n/a
Anne Thorburn[3]	6.0%	n/a	n/a
Average UK TT Electronics parent employee[4]	3.8%	6.1%	(39.4)%

1 Warren Tucker was appointed to the Board as Chairman on 2 April 2020.

2 Jack Boyer was appointed Senior Independent Director on 6 May 2020.

3 Anne Thorburn was appointed Chair of the Audit Committee on 6 May 2020. 2019 fees reflect the full year Non-executive base fee applicable at the appointment date of 1 July 2019.

4 Average parent Company employee based on employees who were employed over the complete two-year period.

The reduction in salary/fees for the Board reflects the 20 per cent voluntary salary/fee reduction for a three-month period as part of the cost reduction and cash flow protection actions in response to the COVID-19 pandemic. During the year there were changes to the members of the Board with Jack Boyer and Anne Thorburn appointed as the Senior Independent Director and Audit Chair respectively.

In line with the wider UK workforce, UK parent Company employees were subject to a salary freeze at the annual salary review. The change in the average salary is the result of increases in relation to promotions, progression in role and market realignment in response to specific retention risks.

Pay ratio of the Chief Executive Officer

The table below shows the ratio of the total remuneration of the Chief Executive Officer to that of the UK employees of the Group. The CEO's pay is based on the single figure of remuneration. In line with our remuneration principles, the majority of the CEO's remuneration opportunity is performance-related variable pay. The CEO's pay ratio is, therefore, heavily dependent on the outcomes of the short-term and long-term incentive plans and, in the case of long-term share-based awards, share price movements. As such it is expected that there will be considerable year-to-year changes in the pay ratio. Context to the CEO total remuneration is set out on pages 102 to 105. The Committee believes that the pay ratio is appropriate and is reflective of the roles undertaken by employees in the UK.

	Methodology used[1]	Pay Ratio			Remuneration Values[2,3]		
Year		Lower quartile	Median	Upper quartile	Lower quartile	Median	Upper quartile
2020[4]	Option B	54:1	40:1	29:1	18,414	25,115	34,640
2019[5]	Option B	63:1	55:1	38:1	22,853	26,182	37,307

1 Method B has been selected as the basis of the disclosure as permitted under The Companies (Miscellaneous Reporting) Regulations 2018. This method was selected due to the administration complexities associated with Method A.

2 Under method B, representative quartile employees are selected utilising the Gender Pay reporting datasets which is a snapshot of pay on 6 April 2020. Adjustments may be made to ensure quartiles are representative. Employees must have been employed on 31 December 2020 and employee data is based on full-time equivalent pay and calculated in accordance with the single figure of remuneration. Employee earnings include the forecast value of any incentive payments to relevant employees, the forecast will be restated for the actual vested value in the next Remuneration report and pay ratios updated as relevant.

3 Across the UK, the majority (80%) of the workforce undertake operational roles in our facilities. The employee lower quartile and median remuneration values are generally reflective of the roles held by our semi-skilled/skilled operators. Employee salaries excluding benefits and variable pay at the lower quartile, median and upper quartile are £16,242, £20,465 and £29,330 respectively.

4 The 2020 ratio has been impacted by COVID-19. Salary and incentive remuneration levels for 2020 include salary reductions taken by the CEO, included in the single figure of remuneration, and the impact of the UK Government Coronavirus Job Retention Scheme and associated voluntary furlough salary reductions in the wider UK workforce. Under the chosen method for calculation, the employee ranking and quartile assessment is based on the April 2020 snapshot date during which time approximately 14% of employees were on furlough.

5 The 2019 pay ratio has been restated in line with the restated CEO single figure of remuneration

Relative importance of spend on pay

The following table shows the Company's actual spend on pay for all employees relative to dividends. Dividend figures relate to amounts payable in respect of the relevant financial year.

	2020	2019	Change
Staff costs (£'m)	130.1	135.6	(4.1)%
Dividends (£'m)	8.2	3.4	141%

Advisers to the Remuneration Committee

The Committee received advice during the year from FIT Remuneration Consultants LLP (FIT). FIT is a member of the Remuneration Consultants Group and has signed up to that group's code of conduct. The Committee is satisfied that the advice it received during the year was appropriate, objective and independent. FIT did not provide any other services to the Company and does not have any other connection with the Company or individual Directors.

Work undertaken by FIT in its role as independent advisers to the Committee included advice in respect to the Remuneration Policy, developments in good governance, advice relating to share scheme rules, the provision of market information and market practice, and other governance matters. The fees paid to FIT for providing advice in relation to Executive remuneration over the financial year, based on time and materials, totalled £34,514.

The Company's approach to the Chairman's and Executive Directors' remuneration is determined by the Board on the advice of the Remuneration Committee. The Committee considers the views of the Chairman on the performance of the CEO, and of the CEO on the performance and remuneration of the other members of the Executive Leadership Team. The Committee is also supported by the Group General Counsel and Company Secretary who acts as Secretary to the Committee, the CFO, the EVP Human Resources and the Group Reward Director who attend meetings at the invitation of the Committee. No Committee members or attendees take part in any discussions relating to their own remuneration.

Shareholder voting

The Remuneration Committee considers shareholder feedback received in connection with the AGM each year at a meeting immediately following the AGM and at other times of the year. This feedback is considered as part of the Company's annual review of the Remuneration report and Remuneration Policy. In addition, the Remuneration Committee endeavours to consult directly with the largest shareholders and their representative bodies on proposals ahead of significant changes.

At the Annual General Meeting held on 6 May 2020, the proxy votes cast in respect of the resolutions on the Directors' Remuneration Policy and Directors' remuneration report were as follows:

Number of votes	Date of AGM	For and Discretionary	For and Discretionary (%)	Against	Against (%)	Withheld	Total votes
Directors' Remuneration Policy	May 2020	109,271,441	91.89%	9,642,007	8.11%	13,273,878	132,187,326
Directors' remuneration report	May 2020	124,542,291	97.28%	3,486,914	2.72%	4,158,121	132,187,326

A full schedule in respect of shareholder voting on the above and all resolutions at the 2020 AGM is available at www.ttelectronics.com.

The Directors' remuneration report has been approved by the Board on 9 March 2021 and signed on its behalf by:

Alison Wood

Alison Wood
Chair, Remuneration Committee
9 March 2021

OTHER STATUTORY DISCLOSURES

This Annual Report and Accounts includes the Directors' report and the audited financial statements for the year ended 31 December 2020. 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 Governance and Remuneration reports and specific elements of the Financial Statements noted below. The table below lists items that are relevant to this report, and which are incorporated by reference, including information required in accordance with the UK Companies Act 2006 and Listing Rule 9.8.4R:

Results and dividend

The Group's profit on ordinary activities after taxation was £1.3 million (2019: £15.8 million). The audited financial statements of the Group and the Company are set out on pages 124 to 198. Further details of the Group's activities are set out in the Strategic report on pages 1 to 71 which is incorporated into the Directors' report by reference.

Full details of the Company's dividend policy and proposed final dividend payment for the year ended 31 December 2020 are set out on page 47 and Note 10 to the consolidated financial statements.

Tax principles and strategy

The Group applies a conservative approach to tax and seeks to comply with the OECD Transfer Pricing guidelines, which should ensure that profits are taxed where value is created and business risks are managed. The Group's full Tax Principles and Strategy document is published on the Group's website.

Mergers and acquisitions

As disclosed in last year's Annual Report, in October 2019, the Company's wholly-owned subsidiary, TT Electronics Power Solutions (US) Inc, signed an Asset Purchase Agreement to acquire the aerospace and defence power supply business of Excelitas Technologies Corp. based in Covina, California. The consideration for the transaction was US$17.7 million (£13.7 million) in cash, which was subject to customary conditions precedent (including regulatory approvals) and a post-completion working capital adjustment. The transaction completed on 3 January 2020.

On 17 September 2020, the Company's wholly-owned subsidiaries, TT Group Industries, Inc ("TTGI") and Thunder Merger Sub, Inc, signed an Agreement and Plan of Merger (the "Merger Agreement") to acquire 100% of Torotel, Inc, a US-based SEC listed designer and manufacturer of high-reliability power and electromagnetic assemblies and components designed for harsh environments, primarily for defence markets. The enterprise value of the acquisition was $43.4 million (£33.9 million), representing 10.9x adjusted EBITDA for the target company, the payment of which was conditional upon satisfaction of customary conditions precedent for a US public acquisition (including shareholder approval under the requirements of Missouri law). The transaction was part funded by an equity placing, which raised £20 million of the consideration proceeds, with the balance being funded from the Group's existing debt facilities. The transaction completed on 10 November 2020, following satisfaction of the conditions precedent, at which point: (i) all outstanding shares of the common stock in Torotel, Inc were converted into the right to receive $6.17 per share in cash; and (ii) Thunder Merger Sub, Inc merged into Torotel, Inc., leaving Torotel, Inc as the surviving corporation and a wholly-owned subsidiary of TTGI. Following the merger, Torotel, Inc was delisted and ceased to be a publicly traded company.

Important events since the end of the financial year

There were no important events affecting the Group which occurred since 31 December 2020.

Auditor

In 2019, the Company undertook a competitive re-tender exercise for external audit services, following which Deloitte LLP ("Deloitte") was appointed as external Auditor for the financial year 2020 onwards. Deloitte was appointed by the Company's shareholders at the AGM held on 6 May 2020. See pages 89 for further details on the Auditor transition process.

The Auditor's responsibilities are set out on page 121 and should be read in conjunction with those of the Directors as set out at the end of this report.

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.

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 it maintains high standards of employee welfare in all its operations, irrespective of where in the world, and of local market conditions. Together with many other global companies operating in its sector, the Group is a member of the Responsible Business Alliance (formerly the Electronic Industry Citizenship Coalition), a leading industry organisation promoting best practice 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 pages 58 to 63.

Political contributions

The Group made no political contributions during the year.

Authority to allot shares and disapply statutory pre-emption rights

The Directors will be seeking to renew their authorities to allot unissued shares and to disapply statutory pre-emption rights at the Annual General Meeting, to be held on 13 May 2021. During 2020, this authority was used primarily in connection with the placing of 10,000,000 shares in the Company (as announced on 17 September 2020), at a price of £2.00 per share, in part funding of the acquisition of Torotel, Inc (as described in more detail under the heading "Mergers and acquisitions" on page 111). In addition, this authority was also used in respect of customary allotments of shares resulting from the operation of the Group's share schemes.

Purchase of own shares

At the Annual General Meeting held on 6 May 2020, the Company was given authority to purchase up to 16,406,508 of its ordinary shares until the date of its next AGM. Other than market purchases made by the Employee Benefit Trust, 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 Fiduciary Services Limited, part of Sanne Group. As at 31 December 2020, the trustee held 148,969 shares with a nominal value of £37,242.25 and an aggregate purchase price of £1.62 per share, representing 0.085 per cent of the total issued share capital at that date. These shares will be used to satisfy awards made under the TT Electronics plc Restricted Share Plan, the TT Electronics plc Long-Term Incentive Plan or other employee share schemes. The maximum number of shares held by the EBT during the year was 1,011,123. 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. A dividend waiver is in place under which the trustee waived its right to receive dividends on the shares it held during the year, and any future dividends. The Executive Directors, as employees of the Company, are potential beneficiaries of shares held by the EBT.

Disclosure of information to Auditor

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

Approved by the Board on 9 March 2021 and signed on its behalf by:

Lynton Boardman,
Group General Counsel and Company Secretary
9 March 2021

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

The Directors are responsible for preparing the Annual Report and Accounts and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law the Directors are required to prepare the group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Directors have elected to prepare the parent Company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

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, relevant and reliable;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- 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;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 Strategic report, Directors' report, Directors' Remuneration report and Corporate Governance statement 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 and Accounts

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic report 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.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The coordination and review of Group-wide input into the Annual Report is a key element of the control process upon which the Directors rely and is an exercise which spans a period wider than the timetable for compiling the Annual Report itself. This control process incorporates the controls the Group operates throughout the year to identify key financial and operational issues and includes:

- Strategy meetings, held as part of most Board meetings, at which the entire Board is present, resulting in a clear agreement of the Group's strategy.
- The identification of the key milestones and the related KPIs to be monitored and measured throughout the period.
- Monthly reviews of business performance conducted by Executive management (in consultation with Divisional management), supplemented by reports highlighting key issues and analysis of the main variances from budget and prior year.
- Preparation of a detailed budget, reviewed and agreed by management and then the Board, which is used to calibrate strategy implementation and against which actual performance is measured.
- A timetabled process coordinating input from each division, identifying significant market issues and key elements of performance for each business area, and appropriately incorporating them into the structure of the Annual Report.
- The identification of key risks from the risk management process, for inclusion within the Annual Report, ensuring a consistency of approach with regard to the risks and the ongoing review programme.
- A planned Audit Committee sign-off process which incorporates meetings of the Chair of the Audit Committee with the Executive Directors, the Risk and Assurance function and external Auditor to identify and timetable potential issues of significance to be addressed.
- A process for internal distribution and comment on the Annual Report, including those of the members of the Board, the ELT, key advisers and external Auditor.

By order of the Board:

Lynton Boardman,
Group General Counsel and Company Secretary
9 March 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TT ELECTRONICS PLC

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of TT Electronics plc (the 'parent company') and its subsidiaries (the 'group') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2020 and of the group's profit and parent company's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards (IFRSs) as adopted by the European Union and IFRSs as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the parent company financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related notes 1 to 32 of the consolidated financial statements and the related notes 1 to 15 of the parent company balance sheet.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Impairment of goodwill; • Classification of adjusting items; and • Uncertain tax provisions.
Materiality	The materiality that we used for the group financial statements was £1.2 million which was determined on the basis of a range of measures including adjusted profit before tax, revenue and net assets.
Scoping	Our Group audit scope focused on audit work at 23 components representing 78% of the Group's revenue, 90% of the Group's adjusted operating profit and 86% of the Group's net assets.
Significant changes in our approach	We have changed the basis on which we have determined materiality in the current year to reflect the fall in profit, which we do not consider as representing a long term decline in the size and scale of the business. Refer to section 6 for further details. Last year the previous auditor's report included three other key audit matters which are not included in our report this year: • the impact of uncertainties due to the UK exiting the European Union: this has not been identified as an area where significant audit effort is required as a result of a trade deal being finalised prior to the balance sheet date; • warranty and other product provisions, and recoverability of parent company's investment in and amounts due from subsidiaries: these areas were not amongst the matters of greatest significance that we communicated to the audit committee for the 2020 audit.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of the key processes relating to the Group's forecasting;
- inspecting loan documents to assess the principal terms and related financial covenants;
- assessing management's key assumptions underpinning the Group's forecasts, specifically the forecast Covid-19 recovery, the forecast adjusting items expense and cash flows and the achievability of forecasts with reference to external data such as market growth rates and industry data
- assessing the reasonableness of the assumptions in the forecasts and the impact of reasonably possible downside scenarios on the group's funding position;
- comparing forecasts to historical financial information to assess management's historical forecasting accuracy;
- assessing the mitigating actions available to the Group and the likelihood of being able to take the benefit of these in the next 12 months; and
- assessing trading and the ongoing impact of Covid-19 until the date of signing, including impact on cash flow forecasts; and
- assessing the appropriateness of the going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Impairment of goodwill

Key audit matter description	Total goodwill on the balance sheet at 31 December 2020 is £156.9 million arising from past acquisitions. As required by IAS 36 Impairment of assets management performs an impairment review for all goodwill balances on an annual basis. This review identified that the IoT cash generating unit ('CGU') was particularly sensitive to changes in assumptions. This CGU accounts for goodwill of £27.6 million. The impairment assessment of goodwill for the IoT solutions CGU has been identified as a key audit matter as a result of the quantitative significance of the balance, the low headroom, and the application of management judgement and estimation in its impairment assessment, specifically with respect to: • the effect on future cash flows of (a) the pace of recovery from Covid-19, (b) restructuring either implemented in the year or committed as at the balance sheet and (c) new product launches. • determination of the discount and growth rates used in the model. No impairment was recognised in the current year. Further details are included in note 15 to the financial statements in relation to the sensitivities reflecting the risks inherent in the valuation of goodwill and also in note 1g of the financial statements in relation to the key sources of estimation uncertainty for these businesses. Refer also to page 90 of the Audit committee report.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls over the valuation of goodwill, in particular controls over the forecasts that underpin the impairment model and controls around management's preparation of the model. We assessed management's impairment paper, underlying analysis and supporting financial models, and challenged the reasonableness of the assumptions which underpin management's forecasts. Specifically, our work included, but was not limited to: • challenging management's key assumptions relating to the 2021 forecast and later forecast periods with reference to the recent and historical performance of the IoT Solutions business, our knowledge of the businesses, in particular the restructuring activity in the year, and the status of new products expected to launch; • challenging management's assumptions around the impact of Covid-19 and Brexit on the business, including the recovery of revenues against a variety of external market reports; • benchmarking long term growth rates to applicable macro-economic and market data, also taking into account the assumed recovery from Covid-19 pandemic; • involving our internal valuation specialists to challenge the discount rate applied, by obtaining the underlying data used in the calculation and benchmarking it against market data and comparable organisations, and by evaluating the underlying process used to determine the risk adjusted cash flow projections; • checking the integrity of the impairment models through testing of the mathematical accuracy, checking the application of the input assumptions, and testing its compliance with IAS 36; • assessing and reperforming management's sensitivity analysis to identify the key assumptions which have a significant effect on the model; challenging management on the key assumptions such as forecast revenues, operating margins, discount rate and long-term growth rate which would either individually or collectively impact the level of headroom whilst also considering the likelihood of such movements; and • assessing the adequacy of the disclosures in note 1g of the financial statements in relation to the key sources of estimation uncertainty for the business and note 15 of the financial statements in relation to the sensitivities reflecting the risks inherent in the valuation of goodwill and the impact of a reasonably possible change in assumptions.
Key observations	We determined that the assumptions applied in the impairment model were within acceptable ranges, that the overall position adopted was reasonable, and the disclosures are appropriate. The financial statements include disclosures relating to impairments which are reasonably possible within the short term, should future performance fall below forecasts.

5.2. Classification of adjusting items

Key audit matter description	In addition to the statutory results, the Group continues to present adjusted profit measures in the consolidated income statement. While the key measure used by management to monitor performance is adjusted operating profit, adjusted profit before tax is also a key measure used by management in communication with shareholders. The Group's policy on adjusting items is set out in note 1c to the financial statements. Judgements made by management regarding the classification of adjusting costs and income therefore have a significant impact on the presentation of the Group's results. In total, adjustments of £20.9 million have been made to the statutory operating profit of £6.6 million to derive adjusted operating profit of £27.5 million. Adjusting items include: • Restructuring costs (£14.8 million), including £6.3 million of severance costs and provisions, £7 million of costs relating to asset impairments and £1.5 million of other costs primarily relating to project team costs; • Gain on property disposals (£1.2 million); • Pension costs (£0.9 million); • Amortisation of intangible assets arising on business combinations (£4.2 million); • Release of warranty and claims provision (£1 million); • Torotel and Covina acquisition and integration costs (£2.6 million); and • Other acquisition related costs (£0.6 million). The identification of adjusting items and the presentation of adjusted profit and earnings measures that show a consistent and balanced view of the performance of the Group involves significant judgement. Significant judgement is also involved in ensuring that undue prominence is not given to underlying financial information, which could be misleading to the readers of the financial statements. The effect of these matters is that, as part of our risk assessment, we determined that the presentation of underlying operating profit requires a high degree of judgement and was therefore a key audit matter. There is a risk that items may be classified as adjusting which do not meet the Company's definitions, and therefore distort the reported adjusted profit whether due to manipulation or error, which may impact financial covenants reported and management remuneration. Consistency in the identification and presentation of these items is important for the comparability of year on year reporting. Explanations of each adjustment are set out in note 8 to the financial statements. Refer also to page 90 of the Audit committee report.
How the scope of our audit responded to the key audit matter	We obtained understanding of the relevant controls over the classification of adjusting items in the financial statements. We evaluated the appropriateness of the inclusion of items, both individually and in aggregate, within adjusted results. Specifically, our procedures included: • assessing the consistency of the Group's policy and items included year on year, and the application of management's accounting policy, challenging the nature of these items in comparison to ESMA guidance and latest FRC guidance on the impact of Covid-19 on alternative performance measures, and challenging in particular the inclusion of those items that recur annually; • focusing our challenge on certain categories within adjusted items where we assessed that increased level of judgement had been applied by management, and there was increased opportunity for fraud or error; • for restructuring costs related to severance, assessed whether these met the criteria of IAS37 'Provisions', including a review of announcements and other communication to employees; • for asset impairments included within restructuring costs, assessing the classification of these under the Group's policy; • testing a sample of adjusting items by agreeing to source documentation evaluating the classification of the individual costs against the Group's definition of adjusting items (and, by extension, the FRC and ESMA definition); and • assessing whether the disclosures within the financial statements provide sufficient detail for the reader to understand the nature of these items and how adjusted results are reconciled to statutory results.
Key observations	The value of adjusting items results in a material difference between the statutory and adjusted results. We are satisfied that the classification and disclosure of adjusting items in the financial statements is reasonable and in line with the Group policy.

5.3. Uncertain tax provisions

Key audit matter description	In calculating the tax charge for the year ended 31 December 2020, the Group has recognised a liability of £6.4m relating to uncertain tax positions at 31 December 2020 (the expected costs of settling existing and future potential disputes with tax authorities). The estimation of uncertain tax provisions requires the directors to make significant judgements and estimates in relation to tax issues and exposures. These arise from the fact that the Group operates in a number of tax jurisdictions, the complexities of transfer pricing and other international tax legislation, and the time taken for open tax matters to be agreed with the tax authorities. The effect of these matters is that we determined that tax provisioning levels have a high degree of estimation uncertainty. The amount provided and assessed may not reflect the eventual outcome and there is a potential range of reasonable outcomes, which are disclosed in note 9 to the financial statements, with further disclosure on the estimation uncertainty in note 1g to the financial statements.
How the scope of our audit responded to the key audit matter	Our procedures included: • assessing together with our own international and local tax specialists the Group's tax positions and calculation methodology; • assessing advice received by management from their professional advisors and correspondence with tax authorities; • re-performing calculations using alternative methodologies and searching for contradictory evidence; • assessing the completeness of the balance, considering the existence of tax risks beyond those captured by management; and • assessing the adequacy of the Group's disclosures in respect of uncertain tax positions.
Key observations	We concur that it is appropriate for a provision to be booked for these risks and we consider management's calculation methodology and the amounts recorded for the uncertain tax provisions to be reasonable.

6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£1.2 million (2019: £1.4 million)	£0.8 million (2019: £0.8 million)
Basis for determining materiality	We considered a number of benchmarks including profit before tax normalised to exclude restructuring and acquisition related costs as disclosed in note 8 to the financial statements, revenue and net assets and the materiality figures derived from those, then selected a materiality within that range that we considered to be appropriate. Materiality for the current year represents: 0.3% of revenue (2019: 0.3%); 4.4% of adjusted profit (2019: 3.5%); and 0.4% of net assets (2019: 0.5%). The 2019 comparative percentages have been derived using the amounts in the annual report for the year ended 31 December 2019. Last year the previous auditor determined materiality using Group profit before tax from continuing operations normalised to exclude restructuring and other acquisition related costs.	Parent company materiality equates to 0.3% of net assets, which is capped at 65% of group materiality in order address the risk of aggregation when combined with other businesses. Last year materiality was determined by the previous auditor as 0.2% of total assets.
Rationale for the benchmark applied	Given the impact of Covid-19, we considered that use of a range of benchmarks was appropriate because the current year profit did not represent a long term decline in the size and scale of the business. In addition to this, we judged that a number of balance sheet metrics will also be of equal interest to the users of the financial statements in times of such economic uncertainty. The use of a range of benchmarks enables us to determine a more stable materiality level which is commensurate with the current size and scale of the Group. Prior year materiality was derived using Group profit before tax from continuing operations normalised to exclude this year's restructuring and other acquisition related costs.	We believe that use of a balance sheet measure was appropriate given that the parent acts as a holding company.

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole

	Group financial statements	Parent company financial statements
Performance materiality	65% of group materiality	65% of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • our assessment of the complexity of the group and nature of the group's business model; • the de-centralised nature of the group's control environment, its variation across the group, and the impact of Covid-19; and • the low number of uncorrected misstatements identified by the previous auditor.	

6.3. Error reporting threshold

We agreed with the Audit committee that we would report to the Committee all audit differences in excess of £60,000 as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group and component level.

There are 74 reporting components in total, each of which is responsible for maintaining their own accounting records and controls and using an integrated consolidation system to report to UK head office.

Our Group audit scope focused on audit work at 23 components representing 78% of the Group's revenue, 90% of the Group's adjusted operating profit and 86% of the Group's net assets, of which:

- 18 components were selected for a full scope audit representing 49% of the Group's revenue, 78% of the Group's adjusted operating profit and 80% of net assets.
- 5 components were in scope for specified audit procedures, representing 29% of the Group's revenue, 11% of the Group's adjusted operating profit and 6% of the Group's net assets.

For the entities not subject to detailed audit work, we tested the consolidation process and conducted analytical procedures to confirm our conclusion that there were no material misstatements in the aggregated financial information

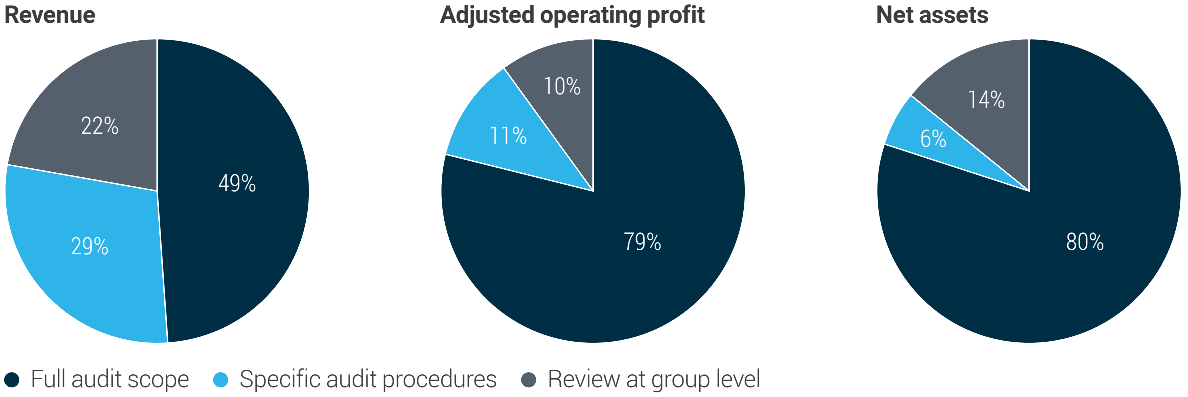
Each component was set a specific component materiality, considering its relative size and any component-specific risk factors such as the location of components, and this being a first year audit. The component materialities applied were in the range £0.3 to £0.4 million.

In total, as set out in the chart below we performed audit work on site at locations which together contributed 78% of Group revenue, 90% of adjusted operating profit and 86% of net assets.

7.2.

Due to Covid-19 restrictions a majority of the audit work was executed remotely. The Group engagement team had online interaction with the Group's largest and most complex businesses during 2020 with a particular focus on locations where work was performed on significant or material components.

In addition to the above, the senior statutory auditor held group-wide, divisional and individual planning and close meetings which covered all businesses. Each division has a dedicated senior member of the group audit team responsible for the supervision and direction of components, including where appropriate sector-specific expertise. We included the component audit team in our team briefing, discussed and reviewed their risk assessment, and reviewed documentation of the findings from their work. We also reviewed the audit work papers supporting component teams' reporting to us remotely using shared desktop technology.



8. Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the Audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, pensions and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: classification of adjusting items and revenue recognition. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the group's ability to operate or to avoid a material penalty.

11.2. Audit response to risks identified

As a result of performing the above, we identified the classification of adjusting items as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with tax authorities;
- addressing the risk of fraud in revenue recognition through tests of detail and the testing of manual adjustments posted to revenue; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions 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.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 82;
- the directors' explanation as to its assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on page 51;
- the directors' statement on fair, balanced and understandable set out on page 91;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 50;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 50; and
- the section describing the work of the Audit committee set out on pages 88 to 91.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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 are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit committee, we were appointed by the board of directors of the parent company on the 6 May 2020 at the 2020 Annual General Meeting, to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 1 year, covering the year ended 31 December 2020.

15.2. Consistency of the audit report with the additional report to the Audit committee

Our audit opinion is consistent with the additional report to the Audit committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

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.

Robert Knight (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
9 March 2021

Consolidated income statement
for the year ended 31 December 2020

£million (unless otherwise stated)	Note	2020	2019 Restated [1]
Revenue	3a	**431.8**	478.2
Cost of sales		**(332.7)**	(363.3)
Gross profit		**99.1**	114.9
Distribution costs		**(24.6)**	(28.1)
Administrative expenses		**(68.1)**	(71.3)
Other operating income		**0.2**	1.4
Operating profit		**6.6**	16.9
Analysed as:			
Adjusted operating profit	3a	**27.5**	38.1
Restructuring and other	8	**(14.5)**	(13.2)
Acquisition and disposal related costs	8	**(6.4)**	(8.0)
Finance income	6	**0.6**	0.9
Finance costs	6	**(4.3)**	(4.6)
Profit before taxation		**2.9**	13.2
Taxation	9	**(1.6)**	(0.8)
Profit from continuing operations		**1.3**	12.4
Discontinued operations			
Profit from discontinued operations	5	**–**	3.4
Profit for the period attributable to the owners of the Company		**1.3**	15.8
EPS attributable to owners of the Company (pence)			
Basic			
Continuing operations	11	**0.8**	7.6
Discontinued operations	11	**–**	2.1
		0.8	9.7
Diluted			
Continuing operations	11	**0.8**	7.5
Discontinued operations	11	**–**	2.0
		0.8	9.5

1 'Cost of sales' and 'Taxation' have been restated for the comparative period as described in note 1h.

Consolidated statement of comprehensive income

for the year ended 31 December 2020

£million	Note	2020	2019 Restated [1]
Profit for the year		**1.3**	15.8
Other comprehensive income/(loss) for the year after tax			
Items that are or may be reclassified subsequently to the income statement:			
Exchange differences on translation of foreign operations		**(5.0)**	(7.6)
Tax on exchange differences		**0.3**	0.1
Gain on hedge of net investment in foreign operations		**0.7**	0.7
Gain on cash flow hedges taken to equity less amounts recycled to the income statement		**7.1**	0.1
Items that will never be reclassified to the income statement:			
Remeasurement of defined benefit pension schemes	23	**8.6**	(9.1)
Tax on remeasurement of defined benefit pension schemes	9	**(2.1)**	1.7
Total comprehensive income for the year attributable to the owners of the Company		**10.9**	1.7

1 'Exchange differences on translation of foreign operations' and 'Gain on hedge of net investment in foreign operations' have been re-presented and 'Profit for the year' has been restated in the comparative period as described in note 1h.

Consolidated statement of financial position

at 31 December 2020

£million	Note	**2020**	2019 Restated [1]	2018 Restated [1]
ASSETS				
Non-current assets				
Right-of-use assets	13	**12.4**	12.8	–
Property, plant and equipment	14	**53.0**	51.1	51.7
Goodwill	15	**156.9**	136.1	137.9
Other intangible assets	16	**57.1**	51.3	55.0
Deferred tax assets	9	**9.1**	8.1	6.3
Derivative financial instruments	22	**1.8**	0.4	0.3
Pensions	23	**35.4**	21.2	24.9
Total non-current assets		**325.7**	281.0	276.1
Current assets				
Inventories	17	**98.2**	100.1	95.6
Trade and other receivables	18	**69.9**	78.6	76.2
Income taxes receivable		**3.0**	4.3	1.6
Derivative financial instruments	22	**5.8**	0.5	0.1
Cash and cash equivalents	31	**70.2**	69.8	44.7
Total current assets		**247.1**	253.3	218.2
Total assets		**572.8**	534.3	494.3
LIABILITIES				
Current liabilities				
Borrowings	21	**2.3**	9.6	4.1
Lease liabilities	30	**3.6**	3.8	0.4
Derivative financial instruments	22	**1.1**	1.2	2.0
Trade and other payables	19	**90.2**	100.7	92.3
Income taxes payable		**7.5**	8.0	13.2
Provisions	20	**6.6**	6.4	5.8
Total current liabilities		**111.3**	129.7	117.8
Non-current liabilities				
Borrowings	21	**135.9**	111.7	81.7
Lease liabilities	30	**12.3**	13.8	0.2
Derivative financial instruments	22	**0.8**	0.9	0.1
Deferred tax liability	9	**8.6**	4.6	4.8
Pensions	23	**4.9**	4.6	8.4
Provisions and other non-current liabilities	20, 19	**1.0**	1.0	1.2
Total non-current liabilities		**163.5**	136.6	96.4
Total liabilities		**274.8**	266.3	214.2
Net assets		**298.0**	268.0	280.1
EQUITY				
Share capital	24	**43.6**	41.0	40.8
Share premium		**21.7**	4.1	3.4
Translation reserve		**30.0**	34.0	40.9
Other reserves	24	**5.5**	(0.5)	0.9
Retained earnings		**195.2**	187.4	192.1
Equity attributable to owners of the Company		**296.0**	266.0	278.1
Non-controlling interests		**2.0**	2.0	2.0
Total equity		**298.0**	268.0	280.1

1 'Cash and cash equivalents', 'Borrowings', 'Retained earnings', 'Trade and other payables', 'Inventories', 'Deferred tax assets', 'Provisions', 'Provisions and other long term liabilities' and 'Retained earnings' have been restated for the comparative periods as described in note 1h.

Approved by the Board of Directors on 9 March 2021 and signed on their behalf by:

Richard Tyson
Director

Mark Hoad
Director

Consolidated statement of changes in equity

for the year ended 31 December 2020

£million	Share capital	Share premium	Translation Reserve	Other reserves	Retained earnings	Sub-total	Non-controlling interest	Total
At 31 December 2018	40.8	3.4	40.9	0.9	191.5	277.5	2.0	279.5
Restatement to the adoption adjustment for IFRS 15 [1]	–	–	–	–	1.2	1.2	–	1.2
Restatement to carrying value of inventory [2]					(0.6)	(0.6)		(0.6)
Adjusted balance at 31 December 2018	40.8	3.4	40.9	0.9	192.1	278.1	2.0	280.1
Impact of adoption of IFRS 16					(2.3)	(2.3)		(2.3)
Adjusted balance at 1 January 2019	40.8	3.4	40.9	0.9	189.8	275.8	2.0	277.8
Profit for the period [3]	–	–	–	–	15.8	15.8	–	15.8
Other comprehensive income								
Exchange differences on translation of foreign operations [3]	–	–	(7.6)	–	–	(7.6)	–	(7.6)
Tax on exchange differences	–	–	–	–	0.1	0.1	–	0.1
Gain on hedge of net investment in foreign operations [3]	–	–	0.7	–	–	0.7	–	0.7
Gain on cash flow hedges taken to equity less amounts taken to income statement	–	–	–	0.1	–	0.1	–	0.1
Remeasurement of defined benefit pension schemes	–	–	–	–	(9.1)	(9.1)	–	(9.1)
Tax on remeasurement of defined benefit pension schemes	–	–	–	–	1.7	1.7	–	1.7
Total comprehensive income	–	–	(6.9)	0.1	8.5	1.7	–	1.7
Transactions with owners recorded directly in equity								
Equity dividends paid by the Company	–	–	–	–	(10.9)	(10.9)	–	(10.9)
Share-based payments	–	–	–	0.2	–	0.2	–	0.2
Deferred tax on share-based payments	–	–	–	0.1	–	0.1	–	0.1
Purchase of own shares	–	–	–	(1.8)	–	(1.8)	–	(1.8)
New shares issued	0.2	0.7	–	–	–	0.9	–	0.9
At 31 December 2019	**41.0**	**4.1**	**34.0**	**(0.5)**	**187.4**	**266.0**	**2.0**	**268.0**
Profit for the year	**–**	**–**	**–**	**–**	**1.3**	**1.3**	**–**	**1.3**
Other comprehensive income								
Exchange differences on translation of foreign operations	**–**	**–**	**(5.0)**	**–**	**–**	**(5.0)**	**–**	**(5.0)**
Tax on exchange differences	**–**	**–**	**0.3**	**–**		**0.3**	**–**	**0.3**
Gain on hedge of net investment in foreign operations	**–**	**–**	**0.7**	**–**	**–**	**0.7**	**–**	**0.7**
Gain on cash flow hedges taken to equity less amounts recycled to the income statement	**–**	**–**	**–**	**7.1**	**–**	**7.1**	**–**	**7.1**
Remeasurement of defined benefit pension schemes	**–**	**–**	**–**	**–**	**8.6**	**8.6**	**–**	**8.6**
Tax on remeasurement of defined benefit pension schemes	**–**	**–**	**–**	**–**	**(2.1)**	**(2.1)**	**–**	**(2.1)**
Total comprehensive income	**–**	**–**	**(4.0)**	**7.1**	**7.8**	**10.9**	**–**	**10.9**
Transactions with owners recorded directly in equity								
Share-based payments	**–**	**–**	**–**	**(0.8)**	**–**	**(0.8)**	**–**	**(0.8)**
Deferred tax on share-based payments	**–**	**–**	**–**	**(0.3)**	**–**	**(0.3)**	**–**	**(0.3)**
New shares issued	**2.6**	**17.6**	**–**	**–**	**–**	**20.2**	**–**	**20.2**
At 31 December 2020	**43.6**	**21.7**	**30.0**	**5.5**	**195.2**	**296.0**	**2.0**	**298.0**

1 'Retained earnings' has been restated for an adjustment to the initial assessment of IFRS15 as described in note 1h.
2 'Retained earnings' and 'Profit for the year' have been restated for the comparative periods as described in note 1h.
3 'Exchange differences on translation of foreign operations' and 'Gain on hedge of net investment in foreign operations' have been re-presented in the comparative periods as described in note 1h.

Consolidated statement of cash flows

for the year ended 31 December 2020

£million	Note	2020	2019 Restated [1]
Cash flows from operating activities			
Profit for the year		**1.3**	15.8
Taxation	9	**1.6**	0.8
Net finance costs		**3.7**	3.7
Restructuring and other		**14.5**	13.2
Acquisition related costs		**6.4**	8.0
Profit from discontinued operations		**–**	(3.4)
Adjusted operating profit		**27.5**	38.1
Adjustments for:			
Depreciation	13, 14	**14.0**	13.9
Amortisation of intangible assets	16	**3.0**	4.1
Impairment of property, plant and equipment and intangible assets	13, 14, 16	**0.2**	–
Other items		**0.7**	2.5
Decrease/(increase) in inventories		**4.2**	(7.6)
Decrease/(increase) in receivables		**11.2**	(4.0)
(Decrease)/increase in payables and provisions		**(11.8)**	10.4
Adjusted operating cash flow		**49.0**	57.4
Special payments to pension funds		**(5.4)**	(8.6)
Restructuring and acquisition related costs		**(15.1)**	(9.2)
Net cash generated from operations		**28.5**	39.6
Net income taxes paid		**(0.3)**	(3.7)
Net cash flow from operating activities		**28.2**	35.9
Cash flows from investing activities			
Purchase of property, plant and equipment	14	**(9.3)**	(14.0)
Proceeds from sale of property, plant and equipment and government grants received		**3.4**	0.4
Capitalised development expenditure	16	**(3.3)**	(3.9)
Purchase of other intangibles	16	**(0.8)**	(0.7)
Acquisitions of businesses	4	**(43.3)**	(2.4)
Cash with acquired businesses		**1.4**	0.1
Tax arising on disposal of subsidiaries		**–**	(1.2)
Net cash flow used in investing activities		**(51.9)**	(21.7)
Cash flows from financing activities			
Issue of share capital	24	**20.2**	0.9
Interest paid		**(3.5)**	(4.0)
Repayment of borrowings		**(27.2)**	–
Proceeds from borrowings		**49.8**	30.4
Payment of lease liabilities		**(4.1)**	(4.4)
Other items		**(1.8)**	(4.6)
Dividends paid by the Company	10	**–**	(10.9)
Net cash flow from financing activities		**33.4**	7.4
Net increase in cash and cash equivalents		**9.7**	21.6
Cash and cash equivalents at beginning of year	26	**60.2**	40.6
Exchange differences	26	**(0.9)**	(2.0)
Cash and cash equivalents at end of year	26	**69.0**	60.2

1 'Profit for the year', 'Taxation' and 'Decrease/(increase) in inventories' have been restated for the comparative period as described in note 1h.

Notes to the consolidated financial statements

1 Basis of preparation

a) Basis of accounting

TT Electronics Plc ("the Group") is a public company limited by shares (company number 00087249). The Group is incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is 'TT Electronics Plc, Fourth Floor, St Andrews House, West Street, Woking, Surrey, GU21 6EB'. The nature of the Group's operations and its principal activities by operating segment are set out in note 3 and in the divisional reviews on pages 38 to 43. The Consolidated Financial Statements of the Group for the year ended 31 December 2020 were authorised in accordance with a resolution of the Directors of TT Electronics Plc on 9 March 2021.

These Financial Statements are presented in pounds Sterling which is the currency of the primary economic environment in which the Company is based. Foreign operations are included in accordance with the policies set out in note 2.

The consolidated financial statements have been prepared on a historical cost basis modified by derivatives held at fair value. The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The financial statements set out on pages 124 to 198 have been prepared using consistent accounting policies except for the adoption of new accounting standards and interpretations noted below.

b) Basis of consolidation

The consolidated financial statements set out the Group's financial position as at 31 December 2020 and the Group's financial performance for the year ended 31 December 2020.

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. 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) Alternative performance measures

The Group presents Alternative Performance Measures ("APMs") in addition to the statutory results of the Group. These are presented in accordance with the guidelines on APMs issued by the European Securities and Markets Authority ("ESMA").

Adjusted operating profit has been defined as operating profit from continuing operations excluding the impacts of significant restructuring programmes, significant one-off items including property disposals, business acquisition, integration and divestment related activity; and the amortisation of intangible assets recognised on acquisition. Acquisition and disposal related items include the writing off of the pre-acquisition profit element of inventory written up on acquisition, other direct costs associated with business combinations and adjustments to contingent consideration related to acquired businesses. Restructuring includes significant changes in footprint (including movement of production facilities) and significant costs of management changes.

In addition to the items above, adjusting items impacting profit after tax include:

- The net effect on tax of significant restructuring from strategy changes that are not considered by the Group to be part of the normal operating costs of the business; and
- The tax effects of adjustments to profit before tax.

Costs associated with restructuring, acquisitions and disposals are uncertain with regard to their timing and size and therefore their inclusion within adjusted operating profit could mislead the reader of the accounts.

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

The Directors consider the adjusted results to be an important measure used to monitor how the businesses are performing as this provides a meaningful reflection of how the businesses are managed and measured on a day-to-day basis and achieves consistency and comparability between reporting periods, when all businesses are held for a complete reporting period.

Notes to the consolidated financial statements
continued

1 Basis of preparation continued
These alternative performance measures exclude certain significant non-recurring, infrequent or non-cash items that the Directors do not believe are indicative of the underlying operating performance of the Group (that are otherwise included when preparing financial measures under IFRS).

Adjusted profit is not a defined term under IFRS and may not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, GAAP measures. All APMs relate to the current year results and comparable periods where provided.

The Directors consider there to be four main alternative performance measures: adjusted operating profit, free cash flow, adjusted EPS and adjusted effective tax rate.

All alternative performance measures are presented on pages 192 to 198 and are reconciled to their equivalent statutory measures where this is appropriate.

d) Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out within the Strategic Report on pages 1 to 71. The Strategic Report analyses the financial position of the Group, its cash flows, liquidity position and borrowing facilities. In addition, note 22 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.

Whilst the Group was negatively impacted by COVID-19 in the year with revenues down 9% on a constant currency basis, the Group's recovery is well underway. Following the impact of COVID-19 in the second quarter of 2020, the Group has been on an improving upward trend in both order intake and production capacity. This trend has been underpinned by strong order intake across the Group through the fourth quarter of the year and has continued into early 2021 across all divisions. The order book at the end of February 2021 is at record levels.

The Group's financial position remains strong, at 31 December 2020 it had:

- £237.3 million of total borrowing facilities available (comprising committed facilities of £198.1 million and uncommitted facilities of £39.2 million representing overdraft lines and an undrawn accordion facility of £30 million). The Group's primary source of finance is the £180 million committed revolving credit facility (RCF); at 31 December 2020 £136.8 million of this facility had been drawn down. The Group's RCF will mature in November 2023.
- A leverage ratio of 1.6 times at 31 December 2020 compared to a covenant maximum of 3.0 times. Interest cover (pre-IFRS 16 and excluding pension interest) of 12.6 times compared to a covenant minimum of 4.0 times.

The Group has prepared and reviewed cash flow forecasts across the business over the twelve-month period from the date of the approval of these financial statements, considering the Group's current financial position and the potential impact of our principal risks on divisions.

The Group's financial projections contain key assumptions surrounding revenue and operating profit recovery in 2021, these estimates position the Group remaining below pre-COVID 2019 levels throughout the twelve months from the date of signing these financial statements. Under the Group's base case financial projections, the Group retains significant liquidity and covenant headroom, with both metrics improving from the position as at 31 December 2020.

The Group's financial projections have been stress tested for "business as usual" risks (such as profit growth and working capital variances), and the impact of the following principal risks: general revenue reductions, contractual risks, people and capability, supplier resilience and health and safety (occurring both individually and in unison). Principal risks which were not specifically modelled were either considered not likely to have an impact within the going concern period or their financial effect was covered within the overall downside economic risks implicit within the stress testing. Under the stress tested modelling, the liquidity headroom within the group remains significant. Financial covenants continue to be in compliance under the stress tested model and management have a number of mitigating actions which could be undertaken if required.

A "reverse" stress-test was also modelled to understand the conditions which could jeopardise the ability of the Group to continue as a going concern including assessing against covenant testing and facility headroom. The stress testing also considered mitigating actions which could be put in place. Mitigating actions included limiting capital expenditure and reducing controllable costs including items such as discretionary bonuses and pay rises. The reverse stress test is deemed to have a remote likelihood and help inform the Directors' assessment that there are no material uncertainties in relation to going concern.

1 Basis of preparation continued

The Group's wide geographical and sector diversification helps minimise the risk of serious business interruption or catastrophic reputational damage. Furthermore, the business model is structured so that the Group is not overly reliant on any single customer, market or geography.

The Directors have assessed the future funding requirements of the Group with due regard to the risks and uncertainties to which the Group is exposed and compared them with the level of available borrowing facilities and are satisfied that the Group has adequate resources for at least twelve months from the date of signing. Accordingly, the financial statements have been prepared on a going concern basis.

e) New and revised standards and interpretations adopted, not yet adopted and those in issue but not yet effective

New and revised standards and interpretations adopted during the year

At the date of authorisation of these financial statements the Group has applied the following revised IFRS Standards:

- 'Amendments to References to the Conceptual Framework in IFRS Standards' (Amendments to IFRS)
- 'Definition of Business' (Amendments to IFRS 3)
- 'Definition of Material' (Amendments to IAS 1 and IAS 8)
- 'COVID-19-Related Rent Concessions' (Amendment to IFRS 16)
- 'Interest Rate Benchmark Reform' (Amendments to IFRS 9, IAS 39 and IFRS 7)

New and revised standards and interpretations not yet adopted

The Group does not consider that any standard, amendment or interpretation issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- 'Classification of Liabilities as Current or Non-Current' (Amendments to IAS 1)
- 'Reference to the Conceptual Framework' (Amendments to IFRS 3)
- 'Property, Plant and Equipment — Proceeds before Intended Use' (Amendments to IAS 16)
- 'Onerous Contracts — Cost of Fulfilling a Contract' (Amendments to IAS 37)
- 'Annual Improvements to IFRS Standards 2018–2020'
- 'Amendments to IFRS 17'
- 'Extension of the Temporary Exemption from Applying IFRS 9' (Amendments to IFRS 4)
- 'Classification of Liabilities as Current or Non-current' (Amendment to IAS 1)
- 'Interest Rate Benchmark Reform — Phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

f) Change in accounting policies

Adoption of new and amendments to published standards and interpretations effective for the Group for the year ended 31 December 2020 did not have any material impact on the financial position or performance of the Group.

During the year the Group adopted the amendment to IFRS 16 'Leases' relating to COVID-19 to allow rent concessions to be recognised in the income statement without reassessing the carrying amounts of the related lease liability or right-of-use asset.

g) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experiences and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Notes to the consolidated financial statements

continued

1 Basis of preparation continued

Critical judgements

In the course of preparing the Financial Statements, a critical judgement within the scope of paragraph 122 of IAS 1: "Presentation of Financial Statements" is made during the process of applying the Group's accounting policies.

Adjusting Items

Judgements are required as to whether items are disclosed as adjusting, with consideration given to both quantitative and qualitative factors. Further information about the determination of adjusting items in the year ended 31 December 2020 is included in note 1c.

There are no other critical judgements other than those involving estimates, that have had a significant effect on the amounts recognised in the Financial Statements. Those involving estimates are set out below.

Key sources of estimation uncertainty

Assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

- Note 4 – Acquisitions. The opening balance sheet for the recent acquisition of Torotel, Inc. has not yet been finalised and is preliminary. There is uncertainty whether a loan provided under a US Government COVID-19 support scheme of $1.9 million (£1.4 million) will be forgiven as described in more detail in Note 4.
- Note 9 – Taxation. Accruals for tax contingencies require management to make judgements and estimates in relation to tax audit issues and exposures. Amounts accrued are based on management's interpretation of country-specific tax law and the likelihood of settlement. Tax benefits are not recognised unless the tax positions are probable of being sustained. Once considered to be probable, management reviews each material tax benefit to assess whether a provision should be taken against full recognition of the benefit on the basis of potential settlement through negotiation and/or litigation. These amounts are expected to be utilised or to reverse as tax audits occur or as the statute of limitations is reached in the respective countries concerned. The Group's current tax liability at 31 December 2020 includes tax provisions of £6.4 million (2019: £7.3 million). The Group believes the range of reasonable possible outcomes in respect of these exposures is tax liabilities of up to £8.2 million (2019: £7.4 million).
- Note 15 – Goodwill. The carrying amount of goodwill at 31 December 2020 was £156.9 million (31 December 2019: £136.1 million). Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units ("CGUs") to which the goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from CGUs and a suitable discount rate in order to calculate present value. The carrying amount of the IoT Solutions CGU's goodwill was £27.6 million (2019: £27.6 million). Due to the impact of COVID-19, as explained in note 15, IoT Solutions CGU shows headroom of £6.1 million and is sensitive to a reasonably possible change in assumptions; discount rate, long-term growth rate and operating cash flow. At 31 December 2020 and 31 December 2019, the Group recognised no impairment loss in respect of these assets. Further information, including a sensitivity analysis on the key assumptions, is provided in note 15.
- Note 23 – Defined benefit pension obligations. The defined benefit obligations in respect of the plans are discounted at rates set by reference to market yields on high quality corporate bonds. Significant estimation is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds to include are the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. In addition, assumptions are made in determining mortality and inflation rates to be used when valuing the plan's defined benefit obligations. Whilst actual movements might be different to sensitivities shown, there is a reasonably possible change that could occur. At 31 December 2020, the retirement benefit plan was in a surplus of £30.5 million (31 December 2019: £16.6 million). Note 23 outlines the significant assumptions and associated sensitivities.

1 Basis of preparation continued

h) Restatements and representations

During the year, it was determined that the Group's cash and overdrafts within notional cash pooling arrangements did not meet the requirements for offsetting in accordance with IAS 32: 'Financial Instruments: Presentation' and cannot be presented net in the statement of financial position. For presentational purposes, amounts have therefore been restated for the preceding years ending 31 December 2019 and 31 December 2018 in accordance with IAS 8: 'Accounting Policies, Changes in Accounting Policies and Errors'. The impact of this change is to increase both cash and cash equivalents and overdrafts within current loans and other borrowings for the year ended 31 December 2019 by £9.6 million (31 December 2018: £4.1 million) in the Group's consolidated statement of financial position. The re-presentation has no impact on the Group's net debt, bank covenants or other commercial agreements.

Within the comparative periods the consolidated statement of comprehensive income and the consolidated statement of changes in equity have been re-presented to present the gain/(loss) upon retranslation of foreign currency denominated quasi equity loans within the line 'Exchange differences on translation of foreign operations' which were previously presented within the line 'Gain on hedge of net investment in foreign operations'. The value of the amounts re-presented was £2.7 million in the year to 31 December 2019. There was no impact on the Group consolidated statement of financial position or the Group consolidated statement of cash flows.

Within the comparative periods the consolidated statement of financial position has been represented to report certain balances held within accruals within current 'Trade and other payables' relating to warranty and property items into current 'Provisions' and non-current 'Provisions and other non-current liabilities'. The impact as at 31 December 2018 was to reduce 'Trade and other payables' by £2.5 million, increase 'Provisions' by £1.4 million and increase 'Provisions and other non-current liabilities' by £1.1 million. The impact as at 31 December 2019 was to reduce 'Trade and other payables' by £2.0 million, increase 'Provisions' by £1.2 million and increase 'Provisions and other non-current liabilities' by £0.8 million.

During the year it was determined that an adjustment was required to the initial deferred income recognised due to pricing concessions given to isolated customers on the adoption of IFRS 15: 'Revenue from Contracts with Customers'. The impact of this restatement is to increase 'Retained earnings' and decrease deferred revenue (presented within 'Trade and other payables') for the year ending 31 December 2019 by £1.2 million (31 December 2018: £1.2 million) within the Global Manufacturing Solutions segment. There was no impact on the Group consolidated income statement, Group consolidated statement of cash flows or EPS.

During the year, it was determined certain overheads had been included in raw materials in a manner inconsistent with IAS 2: 'Inventories' at one site within the Global Manufacturing Solutions segment. The effect of restating the absorbed overheads as at 31 December 2018 was to decrease 'Inventories' by £0.8 million, increase 'Deferred tax assets' by £0.2 million and decrease equity by £0.6m. For the year ending 31 December 2019 the cumulative effect was to decrease 'Inventories' by £2.7 million, increase 'Deferred tax assets' by £0.6 million, decrease 'Operating profit' by £1.9 million and decrease the tax charge by £0.4 million.

The reconciliation below describes the impact on the consolidated income statement and the consolidated statement of financial position of the adjustments made to the initial deferred income recognised upon the adoption of IFRS 15: 'Revenue from Contracts with Customers', the adjustment to 'Inventories' and the adjustment to reclassify certain items within 'Trade and other payables' into 'Provisions' and 'Provisions and other non-current liabilities'.

Notes to the consolidated financial statements
continued

1 Basis of preparation continued

£million	As published	Cash and overdrafts gross up	Restatement of accruals and provisions	IFRS 15 adoption restatement	Restatement of inventory	2018 As Restated
Consolidated statement of financial position						
Cash and cash equivalents	40.6	4.1	–	–	–	**44.7**
Inventories	96.4	–	–	–	(0.8)	**95.6**
Borrowing (current)	–	4.1	–	–	–	**4.1**
Trade and other payables	96.0	–	(2.5)	(1.2)	–	**92.3**
Provisions – current	4.4	–	1.4	–	–	**5.8**
Deferred tax asset	6.1	–	–	–	0.2	**6.3**
Provisions and other non-current liabilities	0.1	–	1.1	–	–	**1.2**
Retained earnings	191.5	–	–	1.2	(0.6)	**192.1**
Total equity	279.5	–	–	1.2	(0.6)	**280.1**

£million	As published	Cash and overdrafts gross up	Restatement of accruals and provisions	IFRS 15 adoption restatement	Restatement of inventory	2019 As Restated
Consolidated statement of financial position						
Cash and cash equivalents	60.2	9.6	–	–	–	**69.8**
Inventories	102.8	–	–	–	(2.7)	**100.1**
Borrowing (current)	–	9.6	–	–	–	**9.6**
Trade and other payables	103.9	–	(2.0)	(1.2)	–	**100.7**
Provisions – current	5.2	–	1.2	–	–	**6.4**
Deferred tax asset	7.5	–	–	–	0.6	**8.1**
Provisions and other non-current liabilities	0.2	–	0.8	–	–	**1.0**
Retained earnings	188.3	–	–	1.2	(2.1)	**187.4**
Total equity	268.9	–	–	1.2	(2.1)	**268.0**

£million	As published	Restatement of inventory	2019 As Restated
Consolidated income statement			
Cost of sales	(361.4)	(1.9)	**(363.3)**
Operating profit	18.8	(1.9)	**16.9**
Adjusted operating profit	40.0	(1.9)	**38.1**
Profit before taxation	15.1	(1.9)	**13.2**
Taxation	(1.2)	0.4	**(0.8)**
Profit for the period	17.3	(1.5)	**15.8**

£million	As published	Restatement of inventory	2019 As Restated
Earnings per share (p)			
Basic – Continuing operations	8.5	(0.9)	**7.6**
Basic – Discontinued operations	2.1	–	**2.1**
Basic – Group	10.6	(0.9)	**9.7**
Diluted – Continuing operations	8.4	(0.9)	**7.5**
Diluted – Discontinued operations	2.0	–	**2.0**
Diluted – Group	10.4	(0.9)	**9.5**

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) 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 customer obtains control of goods. In most cases this is at the point in time of transfer of legal title of the goods. Revenue for services is recognised as the services are rendered. For sales to customers where a right to return an item is granted, revenue is recognised to the extent of the consideration to which the Group ultimately expects to be entitled (i.e. revenue is not recognised for goods expected to be returned). Where a service warranty is provided to customers, the associated revenue, based upon an allocation of the overall cost of performance, is recognised over the warranty period. Payment terms typically range from 30 to 120 days.

b) Finance income

Finance income comprises interest income on funds invested and foreign exchange gains. Interest income is recognised using the effective interest rate.

c) Finance costs

Finance costs comprise interest expense on borrowings which are not capitalised under the borrowing costs policy, the calculated interest income on pension assets net of the calculated interest expense on pension liabilities and foreign exchange losses.

d) Discontinued operations and assets held for sale

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. An asset is classified as held for sale if it is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and that it is highly probable the asset will be sold within one year from the date of classification.

e) 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.

f) Business combinations

Business combinations are accounted for using the acquisition method. Goodwill on business combinations is recognised as the fair value of the consideration, including the full cost of any derivative financial instruments used to hedge this item, less the fair value of the identifiable assets and liabilities acquired and is recognised as an asset in the consolidated balance sheet. Costs directly attributable to business combinations are recognised as an expense within the income statement as incurred.

Acquisitions and disposals of non-controlling interests that do not result in a change of control are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the price paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the parent.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which is no longer than 12 months from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

g) 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.

Notes to the consolidated financial statements
continued

2 Summary of significant accounting policies continued

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 ready for use 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	50 years
Leasehold building improvements	50 years (or over the period of the lease, if shorter)
Plant and equipment	3 to 10 years

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.

h) 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 that 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.

i) Leases

The Group applies IFRS 16 'Leases' and recognises right-of-use assets and lease liabilities for most leases (unless the lease term is 12 months or less or the underlying asset has a low value).

The Group recognises a lease liability at the lease commencement date, measured as the present value of the future lease payments, discounted at the incremental borrowing rate. A corresponding right-of-use asset is recognised separately on the face of the consolidated balance sheet, net of accumulated depreciation and impairment losses.

The Group has applied judgement to determine the lease term for contracts that include renewal options. The assessment of whether the exercise of such options is reasonably certain impacts the lease term, which significantly affects the amount of lease liability and right-of-use asset recognised.

j) 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.

The Group participated in the UK Government Coronavirus Job Retention Scheme and received an exemption from Chinese social security contributions. Both schemes meet the definition of a government grant under IAS 20 'Accounting for government grants'. The Group has elected to present income received from these schemes as an offset to the employee expenses covered by the schemes, in the same line of the income statement.

As of 31 December 2020, in the UK the Group received cash payments of £1.1 million, which were repaid in Q1 2021, hence there was no income statement impact in the year ending 31 December 2020. In China, the Group recognised non-cash income from government grants relating to the scheme of £1.4 million; there are no conditional costs attached to this grant. The Group also received £0.2 million of other relief.

2 Summary of significant accounting policies continued

k) 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. On the subsequent disposal or discontinuance of a previously acquired business, the relevant goodwill is included in the gain or loss on disposal within the consolidated income statement except to the extent it has been previously impaired.

Negative goodwill arising on the acquisition of a business is credited to the consolidated income statement on acquisition as part of acquisition costs reported outside adjusted profit.

Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

l) 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.

Customer relationships and contracts are valued on the basis of the net present value of the future additional cash flows arising from customer relationships with appropriate allowance for attrition of customers.

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	5 years
Customer relationships	3 to 22 years
Order backlog	up to 2 years
Software	3 to 5 years

Amortisation is charged on a straight-line basis.

m) 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.

Notes to the consolidated financial statements
continued

2 Summary of significant accounting policies continued
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.

n) 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. Net realisable value is based on estimated selling price less costs expected to be incurred to completion and disposal. Provisions are made for obsolescence or other expected losses where necessary.

o) Trade receivables
Trade receivables are recognised at transaction price (i.e. original invoice price) and subsequently measured at amortised cost less provision made for loss allowance of these receivables based upon the expected credit loss model (simplified model). All trade receivables are held to collect contractual cash flows within a business model and meet the 'Solely Payments of Principal and Interest' SPPI test.

p) 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 (or minus) directly attributable transaction costs.

In determining estimated fair value, investments are valued at quoted bid prices on the trade date.

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 remeasured at amortised cost using the effective interest method as they are held with the intention to collect all cash flows and payments are solely payments of principal and interest.

The Group uses derivative financial instruments such as forward foreign exchange contracts and interest rate derivatives to hedge risks associated with foreign exchange fluctuations and interest rate risk. These are designated as cash flow hedges (CFH). 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.

Hedge accounting is discontinued when 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.

The Group has made an accounting policy choice to treat the cost of hedging of derivatives taken out over any FX arising on a forecast acquisition of the business as a basis adjustment on the goodwill recognised.

2 Summary of significant accounting policies continued

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 – other financial assets
At each reporting date the Group assesses credit risk by considering reasonable and supportable information that may indicate increases in credit risk. Indicators that an asset carries a higher credit risk compared to at inception or that an asset is credit-impaired would include observable data in relation to the financial health of the debtor: significant financial difficulty of the issuer or the debtor; the debtor breaches contract; it is probable that the debtor will enter bankruptcy or financial reorganisation.

The amount of credit risk provision is the difference between the original carrying amount and the recoverable amount, being the present value of expected cash flows receivable (discounted using the original effective interest rate). The amount of the provision is recognised in the income statement within administrative expenses.

Financial assets are written off when there is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.

q) 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. Within the cashflow statement this definition also includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

r) 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.

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

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.

u) 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.

v) Employee benefits
The Group operates defined benefit post-retirement benefit schemes and defined contribution pension schemes.

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.

Defined benefit plans
The liability recognised in the balance sheet for defined benefit schemes is the present value of the schemes' liabilities less the fair value of the 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. Net interest income and expense on net defined benefit assets and liabilities is determined by applying discount rates used to measure defined benefit obligations at the beginning of the year to net defined benefit assets and liabilities at the beginning of the year and is included in finance income and costs. Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all other expenses related to defined

Notes to the consolidated financial statements
continued

2 Summary of significant accounting policies continued
benefit plans in employee benefit expenses in profit or loss. Surpluses are recognised where, on wind-up, the Group has unconditional right to any surplus and Trustees do not have unilateral power to alter members' benefits.

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.

w) 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.

x) 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 (which are designated as net investment hedges) and exchange differences on intercompany loans which will not be repaid in the foreseeable future (which are treated as quasi equity) 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.

y) Impairment of non-financial assets
Property, plant and equipment and intangible assets (excluding goodwill) carrying amounts are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate. Assets that do not generate largely independent cash flows are assessed based on the CGU to which the asset belongs. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, an impairment loss is recognised in the income statement.

3 Segmental reporting

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

- Power and Connectivity – The Power and Connectivity division designs and manufactures power application products and connectivity devices which enable the capture and wireless transfer of data. We collaborate with our customers to develop innovative solutions to optimise their electronic systems;
- Global Manufacturing Solutions – The Global Manufacturing Solutions division provides manufacturing services and engineering solutions for our product divisions and to customers that often require a lower volume and higher mix of different products. We manufacture complex integrated product assemblies for our customers and provide engineering services including designing testing solutions and value-engineering; and
- Sensors and Specialist Components – The Sensors and Specialist Components division works with customers to develop standard and customised solutions including sensors and power management devices. Our solutions improve the precision, speed and reliability of critical aspects of our customers' applications.

The key performance measure of the operating segments is adjusted operating profit. Refer to note 8 for a definition of adjusted profit.

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

Inter-segment pricing is determined on an arm's length basis in a manner similar to transactions with third parties.

The Group's geographical segments are determined by the location of the Group's non-current assets and, for revenue, the location of external customers. 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 may be smaller than the segment which they are part of.

a) Income statement information – continuing operations

						2020
£million	**Power and Connectivity**	**Global Manufacturing Solutions**	**Sensors and Specialist Components**	**Total Operating Segments**	**Corporate**	**Total**
Sales to external customers	**125.1**	**197.5**	**109.2**	**431.8**	**–**	**431.8**
Adjusted operating profit	**10.3**	**15.0**	**9.4**	**34.7**	**(7.2)**	**27.5**
Add back: adjustments made to operating profit (note 8)						**(20.9)**
Operating profit						**6.6**
Net finance costs						**(3.7)**
Profit before taxation						**2.9**

						2019
£million	Power and Connectivity	Global Manufacturing Solutions	Sensors and Specialist Components	Total Operating Segments	Corporate	Total Restated [1]
Sales to external customers	138.2	213.2	126.8	478.2	–	478.2
Adjusted operating profit	16.5	13.5	15.3	45.3	(7.2)	38.1
Add back: adjustments made to operating profit (note 8)						(21.2)
Operating profit						16.9
Net finance costs						(3.7)
Profit before taxation						13.2

1 'Adjusted operating profit' has been restated as described in note 1h.

Notes to the consolidated financial statements
continued

3 Segmental reporting continued
b) Segment assets and liabilities

£million	Assets 2020	Assets 2019 Restated [1]	Liabilities 2020	Liabilities 2019 Restated [1]
Power and Connectivity	**216.9**	172.7	**29.1**	26.0
Global Manufacturing Solutions	**119.6**	125.4	**58.3**	67.6
Sensors and Specialist Components	**110.2**	122.8	**22.2**	23.0
Segment assets and liabilities	**446.7**	420.9	**109.6**	116.6
Pensions	**35.4**	21.2	**4.9**	4.6
Unallocated	**90.6**	92.2	**160.3**	145.1
Total assets/liabilities	**572.7**	534.3	**274.8**	266.3

1 'Cash and cash equivalents', 'Borrowings', 'Retained earnings', 'Trade and other payables', 'Inventories', 'Deferred tax assets', 'Provisions', 'Provisions and other long term liabilities' and 'Retained earnings' have been restated for the comparative periods as described in note 1h.

Unallocated assets of £90.6 million (2019: £92.2 million) comprise deferred tax of £9.1 million (2019: £8.1 million), cash and cash equivalents of £70.2 million (2019: £69.8 million) and income tax of £3.0 million (2019: £4.3 million) and assets associated with the central corporate function of £8.3 million (2019: £10.0 million).

Unallocated liabilities of £160.3 million (2019: £145.1 million) comprise borrowings (excluding leases and overdrafts) of £135.9 million (2019: £111.7 million), overdrafts of £1.2 million (2019: £9.6 million), deferred tax of £8.6 million (2019: £4.6 million), income tax of £7.5 million (2019: £7.8 million) and liabilities associated with the central corporate function of £7.1 million (2019: £11.4 million).

£million	Capital expenditure 2020	Capital expenditure 2019	Depreciation and amortisation 2020	Depreciation and amortisation 2019
Power and Connectivity	**3.1**	4.9	**5.2**	4.9
Global Manufacturing Solutions	**2.6**	5.2	**5.2**	5.2
Sensors and Specialist Components	**4.3**	9.0	**6.6**	7.9
	10.0	19.1	**17.0**	18.0

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

£million	2020	2019
United Kingdom	**100.2**	139.4
Rest of Europe	**74.8**	89.6
North America	**164.2**	141.7
Central and South America	**0.7**	0.6
Asia	**88.8**	103.1
Rest of the World	**3.1**	3.8
	431.8	478.2

No individual customer directly accounts for more than 10% of Group revenue. Revenue from services is less than 1% 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 pensions, analysed by the geographical area is shown below:

£million	2020	2019
United Kingdom	**121.9**	126.7
Rest of Europe	**0.4**	0.5
North America	**143.5**	106.5
Central and South America	**4.4**	4.7
Asia	**11.0**	12.9
	281.2	251.3

d) Market information

Revenue by market

The Group operates in the following markets:

£million	2020	2019
Healthcare	**106.1**	110.7
Aerospace and defence	**93.4**	95.7
Automation and electrification	**163.6**	196.5
Distribution	**68.7**	75.3
	431.8	478.2

4 Acquisitions

On 3 January 2020 the Group acquired the trade and assets of the aerospace and defence power supply business of Excelitas Technologies Corp based in Covina, California, for an initial cash consideration of $17.7 million (£13.5 million) and a further $0.9 million (£0.7 million) working capital adjustment paid in cash. In the year ended 31 December 2019 $0.3 million (£0.2 million) was paid for a derivative financial instrument to hedge the consideration. Acquisition costs including integration costs are disclosed in note 8. $18.6 million (£14.2 million) of the goodwill acquired is deductible for tax purposes.

The fair value of the net assets acquired were £12.1 million, including intangible assets relating primarily to the business' customer relationships of £4.1 million, resulting in goodwill recognised on acquisition of £2.3 million (all of which may become deductible for tax purposes). From the date of acquisition to the period end the business generated revenue of £7.9 million, operating loss of £0.1 million, adjusted operating profit of £1.0 million and an adjusted operating cash inflow of £1.8 million.

Had the acquisition been completed on 1 January, the Group's full year revenue, operating profit and adjusted operating profit would have been unchanged at £431.8 million, £6.6 million and £27.5 million respectively as reported.

The acquisition enhances the Group's presence in the large and growing US aerospace and defence market and extends the Group's power electronics capabilities to include power convertors, moving the Group up the value chain, in line with its strategy. This will also provide access to sole-sourced positions on growing defence programmes for the Group and new customer relationships with key US defence primes. The goodwill recognised on acquisition represents the Group's view of the future earnings growth potential and technical know-how in the acquired business.

On 10 November 2020 the Group acquired the entire equity share capital of Torotel Inc. for an initial cash consideration of $37.0 million (£27.9 million) and a further $1.0 million (£0.7 million) was paid for a derivative financial instrument to hedge the consideration. Acquisition costs including integration costs are disclosed in note 8. The enterprise value of the consideration was $43.4 million (£32.9 million) which consisted of the $37.0 million (£27.9 million) paid in cash and the assumption of net cash excluding PPP loans, cash paid out for fees and cash paid for bonuses which crystallised upon acquisition totalling $6.4 million (£4.8 million).

The fair value of the net assets acquired were £7.3 million, including intangible assets relating primarily to the business' customer relationships of £9.0 million, resulting in goodwill recognised on acquisition of £21.4 million (of which £nil will become tax deductible). From the date of acquisition to the period end the business generated revenue of £2.4 million, operating loss of £0.2 million adjusted operating profit of £0.2 million and an adjusted operating cash inflow of £0.4 million. The goodwill acquired is not deductible for tax purposes.

Notes to the consolidated financial statements
continued

4 Acquisitions continued
Torotel is a Kansas, US-based designer and manufacturer of high-reliability power and electro-magnetic assemblies and components designed for harsh environments, primarily for defence markets. The acquisition broadens TT's power electronics capabilities in the US, further increasing its scale in this important market. It adds recurring revenue streams from largely sole source positions on multi-year growth programmes and brings attractive cross-selling opportunities. The goodwill recognised on acquisition represents the Group's view of the future earnings growth potential and technical know-how in the acquired business.

Had the acquisition been completed on 1 January, the Group's full year revenue, operating profit and adjusted operating profit would have been £448.8 million, £8.1 million and £29.0 million respectively, compared to £431.8 million, £6.6 million and £27.5 million as reported.

In August 2020 Torotel, Inc. applied for PPP loans, a US government COVID-19 support scheme, of $1.9 million (£1.4 million) to be forgiven. To date the Group has not received confirmation that the application was successful therefore the liability has been recognised in full in the provisional acquisition balance sheet. In the event the application is successful $1.9 million (£1.4 million) of acquired debt will be forgiven under the scheme and the provisional accounting will be updated.

The fair value and gross contractual value of the financial assets acquired with the aerospace and defence power supply business of Excelitas Technologies Corp and Torotel Inc. included receivables of £1.8 million and £1.8 million respectively. Management's best estimate of the cashflows which will be collected was £1.8 million for the aerospace and defence power supply business of Excelitas Technologies Corp and £1.7 million for Torotel, Inc.

£million	The aerospace and defence power supply business of Excelitas Technologies Corp	Torotel, Inc. (Provisional)
Non-current assets		
Right-of-use asset	–	**2.0**
Property, plant and equipment	**5.4**	**1.8**
Identifiable intangible assets	**4.1**	**9.0**
Deferred tax assets	–	**0.2**
Current assets/(liabilities)		
Inventory	**1.3**	**3.2**
Trade and other receivables	**1.8**	**1.8**
Trade and other payables	**(0.5)**	**(6.3)**
Deferred tax liabilities	–	**(0.8)**
Lease liabilities	–	**(2.0)**
Cash and cash equivalents	–	**1.4**
Borrowings	–	**(3.0)**
	12.1	**7.3**
Consideration Paid		
Cash consideration net of the impact of hedging	**14.4**	**28.7**
Goodwill	**2.3**	**21.4**

On 22 March 2019 the Group acquired the entire equity share capital of Power Partners Inc. for an initial $1.6 million (£1.2 million), an additional $0.7 million (£0.5 million) was paid in the period based on business performance. In 2020 a further $0.6 million (£0.5 million) was paid based on business performance. A further $0.5 million (£0.4 million) may still become payable.

The acquisition enhances our technology capabilities in power products and improves our medical market access accelerating our organic technology roadmap and US medical market presence. The goodwill recognised on acquisition represents the Group's view of the future earnings growth potential of the acquired businesses.

5 Discontinued operations
The 2019 profit from discontinued operations shown in the consolidated income statement relates to release of tax and divestment provisions of £3.4 million held in respect of disposals completed in earlier years. The 2019 cash flow from discontinued operations included in the consolidated cash flow statement relates to tax arising on disposal of subsidiaries.

6 Finance costs and finance income

£million	2020	2019
Interest income	**0.1**	0.1
Interest income on pension surplus	**0.5**	0.8
Finance income	**0.6**	0.9
Interest expense	**3.0**	3.0
Interest on lease liabilities	**0.8**	1.0
Interest expense on pension liabilities	**0.1**	0.2
Amortisation of arrangement fees	**0.4**	0.4
Finance costs	**4.3**	4.6
Net finance costs	**3.7**	3.7

7 Profit for the year

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

£million	2020	2019 Restated [2]
Depreciation of property, plant and equipment	**10.8**	10.4
Depreciation of right-of-use assets	**3.2**	3.5
Amortisation of intangible assets [1]	**7.2**	8.6
Net foreign exchange losses	**2.1**	2.5
Cost of inventories recognised as an expense	**332.7**	363.3
Research and development	**9.2**	11.5
Staff costs (see note 12)	**130.1**	135.6
Restructuring (excluded from adjusted operating profit)	**14.5**	12.8
Acquisition and disposal related costs (excluded from adjusted operating profit)	**6.4**	3.6
Remuneration of Group Auditors:		
– audit of these financial statements	**0.5**	0.5
– audit of financial statements of subsidiaries of the Company	**0.7**	0.6
– assurance and other services [3]	**0.3**	0.1
Government grants	**(1.6)**	(0.1)
Share-based payments	**1.0**	2.9
Profit on disposal of property, plant and equipment (excluded from adjusted operating profit)	**(1.2)**	–

1 Included within amortisation of intangible assets is £4.2 million (2019: £4.5 million) reported within items excluded from adjusted operating profit. The remaining charge is within administrative expenses.
2 'Cost of inventories recognised as an expense' has been restated in the comparative period as described in note 1h.
3 Assurance and other services of £267 thousand comprising £94 thousand relating to the half-year review and £173 thousand relating to due diligence (2018: £42 thousand comprising £39 thousand relating to the half-year review and £3 thousand for assistance with a UK grant review).

Notes to the consolidated financial statements

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8 Adjusting items

As described in note 1c, adjusted profit measures are an alternative performance measure used by the Board to monitor the operating performance of the Group.

	2020		2019 Restated [1]	
£million	**Operating profit**	**Tax**	Operating profit	Tax
As reported	**6.6**	**(1.6)**	16.9	(0.8)
Restructuring and other				
Restructuring	**(14.8)**	**1.8**	(12.2)	2.9
Property disposals	**1.2**	**–**	–	–
Pension Costs	**(0.9)**	**0.1**	(1.0)	0.2
	(14.5)	**1.9**	(13.2)	3.1
Acquisition and disposal related costs				
Amortisation of intangible assets arising on business combinations	**(4.2)**	**0.4**	(4.5)	1.0
Release of warranty and claims provision	**1.0**	**(0.1)**	–	–
Torotel acquisition and integration costs	**(1.3)**	**0.2**	(0.3)	–
Covina acquisition and integration costs	**(1.3)**	**0.2**	(0.5)	0.1
Other acquisition related costs	**(0.6)**	**0.1**	(2.7)	0.4
	(6.4)	**0.8**	(8.0)	1.5
Total items excluded from adjusted measure	**(20.9)**	**2.7**	(21.2)	4.6
Adjusted measure	**27.5**	**(4.3)**	38.1	(5.4)

1 'Operating profit' and 'Tax' as reported have been restated in the comparative period as described in note 1h.

Restructuring and Other £14.5 million (2019: £13.2 million)

Restructuring costs charged in the period primarily relate to costs arising on the restructuring of the Group's footprint, product rationalisation and headcount reduction programme to reduce the Group's fixed costs. Within the costs above there was £6.3 million relating to severance costs and provisions, £3.4 million of intangible asset write downs, £2.0 million of right-of-use asset and plant, property and equipment write downs, £1.6 million relating to inventory write downs and £1.5 million of other costs primarily relating to project team costs and final costs of projects completed in 2020. Income from property disposals of £1.2 million (2019: £nil) relates to the sale of property in Lutterworth, UK. Pension costs of £0.9 million (2019: £1.0 million with £0.4 million relating to past service charge and £0.6 million relating to other pension restructuring costs) primarily relate to the pension past service charge as a result of UK pensions schemes having to equalise male and female members' benefits in respect of guaranteed minimum pensions ('GMP'). 2019's restructuring costs amounted to £12.2 million, primarily related to restructuring of the Group's footprint, and the support of the Stadium synergy plan.

Acquisition and disposal related costs £6.4 million (2019: £8.0 million)

Acquisition and disposal related costs charged in the period relate to amortisation of acquired intangible assets (£4.2 million), acquisition and integration costs of the aerospace and defence power supply business of Excelitas Technologies Corp based in Covina, California (£0.6 million acquisition costs, £0.7 million integration costs), acquisition and integration costs of Torotel, inc. (£1.2 million acquisition costs, £0.1 million integration costs) a credit related to the release of a product quality warranty claim provision relating to the disposal of the Transportation, Sensing, and Control Division in 2017, following a full and final settlement (£1.0 million), and other costs (£0.6 million). 2019's acquisition related costs amounted to £8.0 million and primarily related to amortisation of acquired intangible assets, the integration of Stadium Group and Precision Inc., and acquisition costs related to Power Partners Inc. the aerospace and defence power supply business of Excelitas Technologies Corp and Torotel, Inc.

9 Taxation

a) Analysis of the tax charge for the year

£million	2020	2019 Restated [1]
Current tax		
Current income tax charge	**5.1**	3.7
Adjustments in respect of current income tax of previous year	**(3.4)**	(3.1)
Total current tax charge	**1.7**	0.6
Deferred tax		
Relating to origination and reversal of temporary differences	**(0.5)**	1.0
Change in tax rate	**(0.4)**	0.1
Recognition of previously unrecognised deferred tax assets	**0.8**	(0.9)
Total deferred tax (credit)/charge	**(0.1)**	0.2
Total tax charge in the income statement	**1.6**	0.8

1 The deferred tax charge has been restated in the comparative period as described in note 1h.

The enacted UK tax rate applicable from 1 April 2017 is 19% and due to changes in Government policy in the period this remains the UK rate as the enacted rate drop, originally legislated to occur from 1 April 2020 to 17%, has been reversed. The applicable tax rate for the period is based on the UK standard rate of corporation tax of 19% (2019: 19%). Overseas taxation is calculated at the rates prevailing in the respective jurisdictions. The Group's effective tax rate for the year was 55.2% (the adjusted tax rate was 18.1%, see note 8).

On 3 March 2021 the UK Government announced changes to the UK corporate tax system and an increase in tax rate from the fiscal year 2023 to 25% from the currently enacted rate of 19%. The change in tax rate will result in a change to the level of deferred tax held in respect of the Group's UK operations and may impact the Group's effective tax rate in future years. The Group, to date, has not identified any other significant tax charges or credits arising from the proposed legislation.

Included within the total tax charge above is a £2.7 million credit relating to items reported outside adjusted profit (2019: £4.6 million).

b) Reconciliation of the total tax charge for the year

£million	2020	2019 Restated [1]
Profit before tax from continuing operations	**2.9**	13.2
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	**0.6**	2.5
Effects of:		
Impact on deferred tax arising from changes in tax rates	**(0.4)**	0.1
Overseas tax rate differences	**1.4**	1.0
Items not deductible for tax purposes or income not taxable	**2.6**	1.6
Adjustment to current tax in respect of prior periods	**(3.4)**	(3.1)
Recognition of previously unrecognised deferred tax assets	**–**	(0.9)
Current year tax losses and other items not recognised	**0.1**	(0.4)
Adjustment to value of deferred tax assets	**0.7**	–
Total tax charge reported in the income statement	**1.6**	0.8

1 'Profit before tax' and the tax charge have been restated in the comparative period as described in note 1h.

The adjustment to current tax in respect of prior periods largely relates to the release of tax provisions in respect of concluded disputes and uncertainties.

Notes to the consolidated financial statements

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9 Taxation continued

The overall aim of the Group's tax strategy is to support business operations by ensuring a sustainable tax rate, mitigating tax risks in a timely and cost-efficient way and complying with tax legislation in the jurisdictions in which the Group operates. It is however inevitable that the Group will be subject to routine tax audits or is in ongoing disputes with tax authorities in the multiple jurisdictions it operates within. This is much more likely to arise in situations involving more than one tax jurisdiction. Differences in interpretation of legislation, of global standards (e.g. OECD guidance) and of commercial transactions undertaken by the group between different tax authorities are one of the main causes of tax exposures and tax risks for the group.

In order to manage the risk to the Group an assessment is made of such tax exposures and provisions are created using the best estimate of the most likely amount to be incurred within a range of possible outcomes. The resolution of the Group's tax exposures can take a considerable period of time to conclude and, in some circumstances, it can be difficult to predict the final outcome.

The current tax liability at 31 December 2020 includes tax provisions of £6.4 million (2019: £7.3 million). The Group believes the range of reasonable possible outcomes in respect of these exposures is tax liabilities of up to £8.2 million (2019: £7.4 million).

c) Deferred tax

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

The deferred tax asset includes losses of £7.3 million in respect of territories where the group has made net tax losses in the current year. The net tax losses have been driven by one-off exceptional costs which the Group does not expect to recur in future periods. Therefore, a deferred tax asset is recognised on the basis that it is considered probable that net taxable profits will be recognised in these territories in future

£million	At 31 December 2019	Continuing operations	Recognised on acquisition	Recognised in equity/ OCI	Net exchange translation	As at 31 December 2020
Intangible assets	(9.0)	0.2	(2.0)	–	0.2	(10.6)
Property, plant and equipment	1.9	(0.2)	(0.1)	–	0.1	1.7
Deferred development costs	(1.0)	0.4	–	–	0.1	(0.5)
Retirement benefit obligations	(2.5)	(1.1)	–	(2.1)	–	(5.7)
Inventories	1.5	(0.5)	–	–	–	1.0
Provisions	3.9	2.9	0.9	–	(0.1)	7.6
Tax losses	3.6	3.9	0.3	–	(0.3)	7.5
Unremitted overseas earnings	(1.7)	(0.4)	–	–	0.1	(2.0)
Share-based payments	1.3	(0.3)	–	(0.3)	–	0.7
Short-term timing differences	5.5	(5.0)	0.3	–	–	0.8
Net deferred tax asset	3.5	(0.1)	(0.6)	(2.4)	0.1	0.5
Deferred tax assets	8.1					9.1
Deferred tax liabilities	(4.6)					(8.6)
Net deferred tax asset	3.5					0.5

9 Taxation continued

£million	At 31 December 2018	Impact of adoption of IFRS 16	Adjusted balance at 1 January 2019	Continuing operations	Recognised on acquisition	Recognised in equity/ OCI	Net exchange translation	As at 31 December 2019
Intangible assets	(9.5)	–	(9.5)	0.7	(0.2)	–	–	(9.0)
Property, plant and equipment	2.1	–	2.1	(0.4)	–	–	0.2	1.9
Deferred development costs	(1.1)	–	(1.1)	0.2	–	–	(0.1)	(1.0)
Retirement benefit obligations	(2.8)	–	(2.8)	(1.5)	–	1.7	0.1	(2.5)
Inventories	1.0	–	1.0	0.5	–	–	–	1.5
Provisions	4.0	–	4.0	0.1	–	–	(0.2)	3.9
Tax losses	2.8	–	2.8	1.0	–	–	(0.2)	3.6
Unremitted overseas earnings	(1.2)	–	(1.2)	(0.5)	–	–	–	(1.7)
Share-based payments	1.3	–	1.3	(0.1)	–	0.1	–	1.3
Short-term timing differences [1]	4.9	0.8	5.7	(0.2)	–	–	–	5.5
Net deferred tax asset	1.5	0.8	2.3	(0.2)	(0.2)	1.8	(0.2)	3.5
Deferred tax assets [1]	6.3							8.1
Deferred tax liabilities	(4.8)							(4.6)
Net deferred tax asset [1]	1.5							3.5

1 'Deferred tax assets' has been restated for the year ended 31 December 2018 and 31 December 2019 as described in note 1h.

At 31 December 2020, the gross amount and expiry date of losses available for carry forward are as follows:

£million	**Expiring within 5 years**	**Expiring within 6–10 years**	**Unlimited**	**Total**
Losses for which no deferred tax asset has been recognised	**0.7**	**–**	**77.0**	**77.7**

At 31 December 2019, the gross amount and expiry date of losses available for carry forward were as follows:

£million	Expiring within 5 years	Expiring within 6–10 years	Unlimited	Total
Losses for which no deferred tax asset has been recognised	0.5	–	70.8	71.3

At 31 December 2020, the Group had no other items for which no deferred tax assets have been recognised (2019: £nil).

10 Dividends

	2020 pence per share	**2020 £million**	2019 pence per share	2019 £million
Final dividend for prior year	**–**	**–**	4.55	7.4
Interim dividend for current year	**–**	**–**	2.10	3.4
	–	**–**	6.65	10.8

The Directors recommend a final dividend of 4.7 pence per share. The Group has a progressive dividend policy. The final dividend will be paid on 21 May 2021 to shareholders on the register on 30 April 2021.

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11 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 year.

Pence	2020	2019 Restated [1]
Basic earnings per share		
Continuing operations	**0.8**	7.6
Discontinued operations	**–**	2.1
Total	**0.8**	9.7

Pence	2020	2019 Restated [1]
Diluted earnings per share		
Continuing operations	**0.8**	7.5
Discontinued operations	**–**	2.0
Total	**0.8**	9.5

1 EPS has been recalculated in the comparative period as described in note 1h.

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

Adjusted earnings per share is based on the adjusted profit after interest and tax.

Adjusted earnings per share:

£million	2020	2019 Restated [1]
Continuing operations		
Profit for the year attributable to owners of the Company	**1.3**	12.4
Restructuring and other	**14.5**	13.2
Acquisition and disposal related costs	**6.4**	8.0
Tax effect of above items (see note 8)	**(2.7)**	(4.6)
Adjusted earnings	**19.5**	29.0
Adjusted earnings per share (pence)	**11.7**	17.8
Adjusted diluted earnings per share (pence)	**11.6**	17.4

1 'Profit for the year', 'Adjusted earnings' and EPS have been restated in the comparative period as described in note 1h.

The weighted average number of shares in issue is as follows (new shares issued in the year described in Note 24):

Million	2020	2019
Basic	**166.5**	163.1
Adjustment for share awards	**1.6**	3.3
Diluted	**168.1**	166.4

12 Employee information

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

Number	2020	2019
By function		
Production	**3,987**	4,178
Sales and distribution	**293**	347
Administration	**298**	288
	4,578	4,813
By division		
Power and Connectivity	**1,447**	1,478
Global Manufacturing Solutions	**1,475**	1,546
Sensors and Specialist Components	**1,656**	1,789
Total	**4,578**	4,813

Aggregate emoluments, including those of Directors, for the year were:

£million	2020	2019
Wages and salaries	**103.1**	105.2
Social security charges	**21.7**	23.0
Employers' pension costs	**3.2**	3.5
Defined benefit pension costs	**1.1**	1.0
Share based payments expense	**1.0**	2.9
	130.1	135.6

Remuneration in respect of the Directors was as follows:

£million	2020	2019
Emoluments	**1.8**	2.7

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

£million	2020	2019
Short-term benefits	**3.0**	4.7
Pension and other post-employment benefit expense	**0.1**	0.1
Share based payments	**0.3**	1.9
	3.4	6.7

Notes to the consolidated financial statements

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13 Right-of-use assets

£million	Land and buildings	Other	Right-of-use assets
Cost			
At 1 January 2019	31.4	0.9	32.3
Transfer	–	0.5	0.5
Additions	0.4	0.2	0.6
Businesses acquired	0.2	–	0.2
Net exchange adjustment	(0.4)	–	(0.4)
At 1 January 2020	**31.6**	**1.6**	**33.2**
Additions	**0.4**	**0.2**	**0.6**
Lease reassessment	**1.3**	**–**	**1.3**
Businesses acquired	**2.0**	**–**	**2.0**
Net exchange adjustment	**(0.4)**	**–**	**(0.4)**
At 31 December 2020	**34.9**	**1.8**	**36.7**
Depreciation			
At 1 January 2019	14.3	–	14.3
Transfer	–	0.1	0.1
Depreciation charge	3.0	0.5	3.5
Impairment	2.7	–	2.7
Net exchange adjustment	(0.2)	–	(0.2)
At 1 January 2020	**19.8**	**0.6**	**20.4**
Depreciation charge	**2.8**	**0.4**	**3.2**
Impairment	**1.0**	**–**	**1.0**
Net exchange adjustment	**(0.3)**	**–**	**(0.3)**
At 31 December 2020	**23.3**	**1.0**	**24.3**
Net book value			
At 31 December 2020	**11.6**	**0.8**	**12.4**
At 31 December 2019	11.8	1.0	12.8

In 2020 the Group identified indicators of impairment due to the planned relocation of our office in Carrollton, Texas (£0.9 million) and the planned closure of one of our facilities in Barbados (£0.1 million), both within the Sensors and Specialist Components segment. A total of £1.0 million was recognised within items excluded from adjusted profit. Lease reassessment of £1.3 million largely relates to a change in judgement on our Cleveland facility's lease term following the annual strategic growth plan.

In 2019 the Group identified indicators of impairment due to the closures of our office in Brea, California (£0.3 million), a UK facility within IoT Solutions (£0.5 million) and the planned closure of one of our facilities in Mexicali, Mexico (£1.9 million). As a result, an impairment of £2.7 million was recognised within items excluded from adjusted operating profit, £2.2 million within the Sensors and Specialist Components segment and £0.5 million within the Power and Connectivity segment.

In 2019, assets with a net book value of £0.4 million previously treated as plant and equipment held under finance leases were transferred from property, plant and equipment.

14 Property, plant and equipment

£million	Land and buildings	Plant and equipment	Total
Cost			
At 1 January 2019	27.9	180.2	208.1
Additions	2.3	11.6	13.9
Disposals	(1.3)	(6.6)	(7.9)
Transfers	–	(0.5)	(0.5)
Net exchange adjustment	(0.7)	(4.9)	(5.6)
At 1 January 2020	**28.2**	**179.8**	**208.0**
Additions	**1.2**	**8.1**	**9.3**
Businesses acquired	**6.3**	**0.9**	**7.2**
Disposals	**(5.5)**	**(9.2)**	**(14.7)**
Net exchange adjustment	**(0.5)**	**(2.6)**	**(3.1)**
At 31 December 2020	**29.7**	**177.0**	**206.7**
Depreciation and impairment			
At 1 January 2019	11.8	144.6	156.4
Depreciation charge	1.2	9.2	10.4
Impairment	1.9	0.1	2.0
Disposals	(1.3)	(6.4)	(7.7)
Transfers	–	(0.1)	(0.1)
Net exchange adjustment	(0.4)	(3.7)	(4.1)
At 1 January 2020	**13.2**	**143.7**	**156.9**
Depreciation charge	**1.2**	**9.6**	**10.8**
Impairment	**–**	**1.0**	**1.0**
Disposals	**(3.5)**	**(9.0)**	**(12.5)**
Net exchange adjustment	**(0.1)**	**(2.4)**	**(2.5)**
At 31 December 2020	**10.8**	**142.9**	**153.7**
Net book value			
At 31 December 2020	**18.9**	**34.1**	**53.0**
At 31 December 2019	15.0	36.1	51.1

Included within land and buildings are two investment properties with a combined carrying value of £1.8 million (2019: £0.7 million) and a combined fair value of £1.8 million (2019: £0.7 million). The increase in both carrying and fair value was due to an investment property acquired as part of the acquisition of Torotel, Inc.

In 2020 the Group identified indicators of impairment within plant and equipment as a result of divisional restructuring in the Sensors and Specialist Components division (£0.6 million) and the planned closure of the operation in Lutterworth, UK in the Power and Connectivity division (£0.4 million). A total of £1.0 million was recognised within items excluded from adjusted profit.

In 2019 the Group identified indicators of impairment due to the planned closure of one of our facilities in Mexicali, Mexico in the Sensors and Specialist Components division. As a result, an impairment of £2.0 million was recognised within items excluded from adjusted operating profit.

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15 Goodwill

£million	
Cost	
At 1 January 2019	137.9
Additions	0.9
Net exchange adjustment	(2.7)
At 1 January 2020	**136.1**
Additions	**23.7**
Net exchange adjustment	**(2.9)**
At 31 December 2020	**156.9**

The goodwill generated as a result of acquisitions represents the premium paid in excess of the fair value of all net assets, including intangible assets, identified at the point of acquisition. The future improvements applied to the acquired businesses, achieved through a combination of revised strategic direction, operational improvements and investment are expected to result in improved profitability of the acquired businesses during the period of ownership. The combined value achieved from these improvements is expected to be in excess of the value of goodwill acquired.

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

£million	**2020**	2019
Power and Connectivity:		
Power Solutions [1]	**57.9**	35.1
IoT Solutions	**27.6**	27.6
Global Manufacturing Solutions:		
Global Manufacturing Solutions	**18.2**	18.6
Sensors and Specialist Components:		
Resistors [2]	**30.1**	31.1
Optoelectronics	**21.0**	21.6
Roxspur	**2.1**	2.1
	156.9	136.1

1 Includes the newly acquired aerospace and defence power supply business of Excelitas Technologies Corp based in Covina, California, and Torotel, Inc.
2 In the prior year the Resistors CGU comprised of the Variable Components CGU and the Resistors CGU with respective goodwill of £28.9 million and £2.2 million.

The Group tests goodwill impairment 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 flow projections over a forecast period. The growth rate assumed after this forecast period is based on long-term GDP projections capped at long term growth rates (which are approximated as long term inflation rates) of the primary market for the CGU, in perpetuity. Long-term growth rates are based on long-term forecasts for growth in the sectors and geography in which the group of CGUs operates. Long-term growth rates are determined using long-term growth rate forecasts that take into account the international presence and the markets in which each business operates.

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.

15 Goodwill continued

In determining the cost of equity, the Capital Asset Pricing Model ("CAPM") has been used. Under CAPM, the cost of equity is determined by adding a risk premium, based on an industry adjustment ("Beta"), to the expected return of the equity market above the risk-free return. The relative risk adjustment reflects the risk inherent in each group of CGUs relative to all other sectors and geographies on average.

The cost of debt is determined using a risk-free rate based on the cost of government bonds, and an interest rate premium equivalent to a corporate bond with a similar credit rating to TT Plc.

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.

Management has detailed plans in place reflecting the latest Budget and strategic growth plan. The pre-tax discount rates and periods of management approved forecasts are shown below:

			2020			2019
	Pre-tax discount rate	**Long term growth rate**	**Period of forecast (years)**	Pre-tax discount rate	Long term growth rate	Period of forecast (years)
Power Solutions	**11.6%**	**1.7%**	**3**	11.5%	1.7%	5
IoT Solutions	**11.5%**	**1.8%**	**5**	11.7%	2.0%	5
Global Manufacturing Solutions	**13.3%**	**2.2%**	**3**	12.3%	2.4%	5
Resistors [1]	**12.9%**	**1.7%**	**3**	note 1	note 1	5
Optoelectronics	**13.7%**	**1.8%**	**3**	13.8%	1.6%	5
Roxspur	**11.8%**	**1.6%**	**3**	11.4%	1.6%	5

1 In the prior year the Resistors CGU comprised of the Variable Components CGU and the Resistors CGU with respective long term growth rates of 1.6% and 1.6%, and pre-tax discount factors of 13.8% and 12.8%.

No impairment losses have been recognised in the current or prior year as recoverable amounts exceed the total carrying value of assets for all of the CGUs.

Assumptions in the value in use test is the projected performance of the CGUs based on sales growth rates, cash flow forecasts and discount rate. Forecast sales growth rates are based on past experience adjusted for the strategic direction and near-term investment priorities within each CGU. The key assumptions include externally obtained growth rates in the key markets disclosed in note 3 and customer demand for product lines. Cash flow forecasts are determined based on historic experience of operating margins, adjusted for the impact of changes in product mix and cost-saving initiatives, including the impact of our restructuring projects and cash conversion based on historical experience.

The recoverable amounts associated with the goodwill balances which are based on these performance projections and based on current forecast information do not indicate that any goodwill balance is impaired. If a company's actual performance does not meet these projections this could lead to an impairment of the goodwill in future periods. The COVID-19 pandemic is having a significant impact on global end markets in which certain of the Group's businesses operate which has resulted in reduced levels of headroom at the point of forecast, in particular the IoT Solutions CGU.

Sensitivity analysis has been performed on the key assumptions; operating cash flow projections and discount rate. Cash flows can be impacted by changes to sales projections, sales prices, direct costs and replacement capital expenditure; individually they are not significant assumptions.

The Directors have not identified changes in significant assumptions that would cause the carrying value of recognised goodwill to exceed its recoverable amount, with the exception of IoT Solutions CGU.

At 31 December 2020, due to reduced forecast revenues resulting from the COVID-19 pandemic, an indicator of impairment was identified in respect of goodwill allocated to all CGUs, with the most significant impact on IoT Solutions.

Notes to the consolidated financial statements

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15 Goodwill continued

IoT Solutions CGU operates in markets with strong growth fundamentals and the short term forecasts for the IoT Solutions CGU include revenue and margin growth from successful product launches in the short and medium term. However, these forecasts exclude any potential benefits from the Virolens® rapid COVID-19 screening device given operational trials and validation testing are ongoing and the wide range of possible outcomes.

IoT Solutions CGU shows headroom of £6.1 million above the £60.2 million carrying amount, including £27.6m of goodwill. The growth rates assume that demand for our product 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.

In accordance with IAS 36 'Impairment of Assets' the Group performed sensitivity analysis on the estimates of recoverable amounts and found that the excess of recoverable amount over the carrying amount of the IoT Solutions CGU would be reduced to £nil as a result of a reasonably possible change in assumptions.

Sensitivity analysis has been carried out and a reasonably possible change in the discount rate and long-term growth rate from 11.5% to 12.3% or from 1.8% to 0.5% respectively would reduce headroom to £nil. A reduction in operating cash flow of 9.2% would also reduce headroom to £nil. Management does not consider that the relevant change in these assumptions would have a consequential effect on other key assumptions.

16 Other intangible assets

£million	Product development costs	Patents, licences and other	Customer relationships	Total
Cost				
At 1 January 2019	10.2	33.0	52.5	95.7
Additions	3.9	0.7	–	4.6
Businesses acquired	–	0.1	0.7	0.8
Disposals	–	(0.2)	–	(0.2)
Net exchange adjustment	(0.4)	(0.2)	(0.4)	(1.0)
At 1 January 2020	**13.7**	**33.4**	**52.8**	**99.9**
Additions	**3.3**	**0.8**	**–**	**4.1**
Businesses acquired	**0.2**	**1.3**	**11.8**	**13.3**
Net exchange adjustment	**(0.5)**	**(0.1)**	**(0.7)**	**(1.3)**
At 31 December 2020	**16.7**	**35.4**	**63.9**	**116.0**
Amortisation				
At 1 January 2019	3.9	25.9	10.9	40.7
Charge for the year	1.8	3.2	3.6	8.6
Disposals	–	(0.2)	–	(0.2)
Net exchange adjustment	(0.2)	(0.2)	(0.1)	(0.5)
At 1 January 2020	**5.5**	**28.7**	**14.4**	**48.6**
Charge for the year	**1.0**	**2.3**	**3.9**	**7.2**
Impairment	**3.6**	**–**	**–**	**3.6**
Net exchange adjustment	**(0.4)**	**–**	**(0.1)**	**(0.5)**
At 31 December 2020	**9.7**	**31.0**	**18.2**	**58.9**
Net book value				
At 31 December 2020	**7.0**	**4.4**	**45.7**	**57.1**
At 31 December 2019	8.2	4.7	38.4	51.3

16 Other intangible assets continued

Of the £3.6 million impairment charge for the year £3.4 million arose because of restructuring and has been excluded from adjusted operating profit by removing the charge from administrative expenses as described in note 8. £2.0 million arose in the Sensors and Specialist Components segment and £1.4 million arose in the Power and Connectivity segment.

Included within the amortisation charge for the year is £4.2 million (2019: £4.5 million) included within items excluded from adjusted profit as the charge relates to intangibles acquired upon acquisition of businesses.

Customer relationships are intangible assets recognised upon acquisition which are amortised over long periods of time and are summarised below. The amortisation charge is excluded from adjusted operating profit as described in note 8. The composition of customer relationships and the years remaining until they are fully amortised is shown below.

£million	**Net book value**	**Years remaining**
Stadium Group	**15.8**	**12.3**
Aero Stanrew	**11.1**	**10.0**
Torotel	**7.5**	**21.9**
Precision Inc.	**6.1**	**11.7**
Covina	**3.6**	**13.2**
Roxspur	**0.9**	**1.6**
Others	**0.7**	
At 31 December 2020	**45.7**	

£million	Net book value	Years remaining
Stadium Group	17.1	13.3
Aero Stanrew	12.2	11.0
Precision Inc.	6.8	12.7
Roxspur	1.4	2.6
Others	0.9	
At 31 December 2019	38.4	

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17 Inventories

£million	2020	2019 Restated [1]
Raw materials	**53.2**	57.6
Work in progress	**26.4**	21.1
Finished goods	**18.6**	21.4
	98.2	100.1

1 'Raw materials' has been restated following an inventory restatement as further described in note 1h

18 Trade and other receivables

£million	2020	2019
Trade receivables	**58.2**	66.4
Prepayments	**4.3**	4.8
VAT and other taxes receivable	**2.7**	2.7
Amounts owed by non-controlling interests [1]	**2.0**	2.0
Other receivables	**2.7**	2.7
	69.9	78.6

1 'Amounts owed by non-controlling interests' relates to £2.0 million owed by a non-controlling interest in subsidiary Rodco Limited which is payable on demand. No provision has been recognised against the balance as the cashflows have been assessed as fully recoverable.

Loss allowance for expected credit losses in respect of trade receivables are shown in note 22(d)(ii).

19 Trade and other payables

£million	2020	2019 Restated [1]
Current liabilities		
Trade payables	**51.1**	50.9
Taxation and social security	**4.7**	5.0
Accruals	**21.0**	24.3
Deferred income	**3.8**	11.6
Goods received not invoiced	**4.9**	5.7
Other payables	**4.7**	3.2
	90.2	100.7

1 'Other payables' has been restated for an adjustment to meet the requirements of IFRS 15 as further described in note 1h.

£million	2020	2019
Non-current liabilities		
Accruals	**0.1**	0.2

20 Provisions

£million	Property	Reorganisation	Legal, warranty and other	Total Restated [1]
At 1 January 2019	1.1	0.9	4.9	6.9
Utilised	(0.1)	(0.5)	(0.4)	(1.0)
Released	(0.2)	–	(0.7)	(0.9)
Arising during the year	0.1	1.6	0.7	2.4
Exchange differences	(0.1)	(0.1)	–	(0.2)
At 1 January 2020	**0.8**	**1.9**	**4.5**	**7.2**
Utilised	**–**	**(3.8)**	**(0.8)**	**(4.6)**
Released	**–**	**(0.1)**	**(1.3)**	**(1.4)**
Arising during the year	**0.1**	**6.3**	**0.1**	**6.5**
Exchange differences	**–**	**(0.2)**	**–**	**(0.2)**
At 31 December 2020	**0.9**	**4.1**	**2.5**	**7.5**

1 'Provisions' has been restated further described in note 1h.

£million	**2020**	2019 Restated [1]
Non-current	**0.9**	0.8
Current	**6.6**	6.4
	7.5	7.2

1 'Provisions' has been restated as further described in note 1h.

The reorganisation provision of £4.1 million includes £3.6 million in respect of self-help programmes to consolidate our footprint including the closure of Barbados, Corpus Christi (Texas, US) and Lutterworth (UK) sites, the moving of Carrollton (Texas, US) £0.1 million and £0.1 million in respect of facility and product line rationalisation. A further £0.3 million relates to the restructuring programme undertaken in association with the closure of the Boone, North Carolina operations. Reorganisation provisions relate to committed costs in respect of restructuring programmes, as described in note 8, usually resulting in cash spend within one year. Work has been performed to rectify soil contamination that occurred as a result of past production practices, with £0.1 million utilised during the period. The provision is based upon the Group's estimate of the scope of further work which contains inherent uncertainty.

The utilisation of £3.8 million relates to severance costs of £3.3 million as part of the self-help programme, £0.2 million in respect of the Brea, California office closure, £0.1 million for the closure of our Taishan, China facility and £0.2 million of other costs (including Boone).

Legal, warranty and other claims represent the best estimate for the cost of settling outstanding product and other claims, warranty provisions created on the disposal of businesses and provision for the cost of acquisitions.

The release of £1.3 million includes £1.0 million related to the release of a product quality warranty claim provision relating to the disposal of the Transportation, Sensing, & Control Division in 2017, following a full and final settlement and £0.3 million of other costs largely relating to retention payments entered into on the date of acquisition to employees of acquired businesses.

The utilisation of £0.8 million relates to retention payments entered into on the date of acquisition to employees of acquired businesses (£0.5 million) and other items (£0.3 million).

Property provisions of £0.9 million (2019: £0.8 million) relate to dilapidation provisions.

In 2019, the utilisation relates to a customer claim in Kuantan, Malaysia (£0.3 million), costs associated with the acquisition of Stadium (£0.1 million) and costs associated with the disposal of the Transportation Sensing and Control division in 2017 (£0.1 million). The release of £0.5 million relates to surplus costs provided on the disposal of the Transportation Sensing and Control division in 2017 and surplus property costs relating to a vacant site. The charge to the income statement (£0.7 million) relates to costs incurred in the integration of the Stadium and Precision businesses.

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20 Provisions continued
The Group has, on occasion, been required to enforce commercial contracts and to defend itself against proceedings brought by other parties. Provisions are made for the expected costs associated with such matters, based on past experience of similar items and other known factors, taking into account professional advice received, and represent management's best estimate of the likely outcome. The timing of utilisation of these provisions is frequently uncertain, reflecting the complexity of issues and the outcome of various court proceedings and negotiations. Contractual and other provisions represent the Directors' best estimate of the cost of settling future obligations although there is a higher degree of judgement involved. Unless specific evidence exists to the contrary, these provisions are shown as current.

No provision is made for proceedings which have been or might be brought by other parties against Group companies unless management, taking into account professional advice received, assesses that it is more likely than not that such proceedings may be successful. Contingent liabilities associated with such proceedings have been identified, but the Directors are of the opinion that any associated claims that might be brought can be resisted successfully, and therefore the possibility of any material outflow in settlement in excess of amounts provided is assessed as remote.

The timing of the utilisation of these amounts is uncertain as they are subject to commercial negotiation and legal process in different jurisdictions. Where possible the Group has purchased insurance cover to protect itself from these exposures.

21 Borrowings and lease obligations

£million	Maturity	Currency of denomination	Current	Non-current	Total
At 31 December 2020					
£180 million multi-currency revolving credit facility	**2023**	**GBP**	**–**	**117.0**	**117.0**
	2023	**USD**	**–**	**19.7**	**19.7**
Overdrafts			**1.2**	**–**	**1.2**
Lease liabilities			**3.6**	**12.3**	**15.9**
Other external loans			**1.1**	**0.3**	**1.4**
Loan arrangement fee			**–**	**(1.1)**	**(1.1)**
Total			**5.9**	**148.2**	**154.1**
At 31 December 2019					
£180 million multi-currency revolving credit facility	2023	GBP	–	95.5	95.5
	2023	USD	–	17.7	17.7
Overdrafts [1]			9.6	–	9.6
Lease liabilities			3.8	13.8	17.6
Loan arrangement fee			–	(1.5)	(1.5)
Total			13.4	125.5	138.9

1 'Cash and cash equivalents' and 'Borrowings' have been restated to meet the presentational requirements of IAS 32 as described in note 1h.

In May 2016 the Group signed a five-year £150 million multi-currency revolving credit facility and a further uncommitted incremental accordion facility of £30 million. In December 2018 the Group entered into an agreement to extend the facility with a syndicate of six banks comprising Barclays Bank, Bank of Ireland, Comerica Bank, Fifth Third Bank, HSBC Bank and National Westminster Bank. The maturity date of the facility was extended from May 2021 to November 2023. In addition, the facility size was increased from £150 million to £180 million, with the uncommitted accordion facility of £30 million. As at 31 December 2020, £136.7 million of the facility was drawn down. Arrangement fees with amortised cost of £1.1 million have been netted off against these borrowings.

The interest margin payable on the facility is based on the Group's compliance with financial covenants, Net debt/adjusted EBITDA (bank covenant) and is payable on a floating basis above £LIBOR, €LIBOR or $LIBOR depending on the currency of denomination of the loan.

Undrawn facilities
At 31 December 2020, the total borrowing facilities available to the Group amounted to £237.3 million (2019: £238.6 million). At 31 December 2020, the Group had available £46.6 million (2019: £70.1 million) of undrawn committed borrowing facilities (comprising the main facility £43.2 million (2019: £66.8 million) and China £3.4 million (2019: £3.3 million) and £39.2 million (2019: £39.2 million) of undrawn uncommitted borrowing facilities, representing overdraft lines and the accordion facility.

22 Financial risk management

The main risks arising from the Group's financial instruments are foreign exchange risk, interest rate risk, credit risk and liquidity 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 Chief Financial Officer. 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 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(p).

a) Derivatives, other financial instruments and risk management

The Group uses derivative financial instruments to manage certain exposures to fluctuations in exchange rates and interest rates. 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, hedging strategies are undertaken through the use of forward currency contracts for up to two years ahead.

The Group have designated £19.7 million (2019: £17.7 million) of loans in a net investment hedge of USD net assets. No ineffectiveness was recorded (2019: £nil) and a gain of £0.7m (2019: £0.7m) was taken to the translation reserve. The amount accumulated in this reserve in respect of gains/losses arising on hedging instruments designated in net investment hedges up to 31 December 2020 was an accumulated loss of £0.3 million (2019: accumulated loss of £0.2 million).

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 when appropriate and pre-approved by the Treasury Committee.

The forward currency contracts have been designated as cash flow hedges and the mark to market valuation of these derivatives at 31 December 2020 is taken to the hedging reserve within equity. The interest rate hedging instruments are floating to fixed rate interest rate swaps used to manage the Group's interest cost. At 31 December 2020, the Group had a net derivative financial asset of £5.7 million (2019: £1.2 million liability).

Further during the year ending 31 Dec 2020, the Group hedged foreign exchange exposure arising on the USD consideration from the acquisition of Torotel, Inc. using a foreign exchange option. This option was designated in a cash flow hedge relationship and resulted in adjustments to goodwill of £0.7 million (see Note 4).

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22 Financial risk management continued

Foreign exchange (FX) hedges	Notional Amount (£m)	Average Hedged Rate	Fair value (£m)	Type of hedge
31 December 2020				
USD:CNY	**62.3**	**7.02**	**3.3**	**CFH – Forward rate**
USD:GBP	**26.5**	**0.77**	**1.2**	**CFH – Forward rate**
USD:MXN	**17.8**	**23.43**	**2.3**	**CFH – Forward rate**
EUR:GBP	**16.9**	**0.90**	**(0.1)**	**CFH – Forward rate**
GBP:EUR	**9.9**	**1.12**	**0.1**	**CFH – Forward rate**
HKD:CNY	**7.6**	**0.89**	**0.3**	**CFH – Forward rate**
USD:MYR	**7.4**	**4.19**	**0.2**	**CFH – Forward rate**
GBP:USD	**7.3**	**1.27**	**(0.4)**	**CFH – Forward rate**
CNY:GBP	**6.0**	**0.11**	**(0.1)**	**CFH – Forward rate**
Other	**4.0**		**(0.1)**	**CFH – Forward rate**
Total	**165.7**		**6.7**	
31 December 2019				
USD:CNY	55.6	6.88	(1.1)	CFH – Forward rate
USD:GBP	30.1	0.76	–	CFH – Forward rate
USD:MXN	7.0	20.30	0.3	CFH – Forward rate
EUR:GBP	18.8	0.87	0.5	CFH – Forward rate
GBP:EUR	7.1	1.14	(0.1)	CFH – Forward rate
USD:MYR	5.1	4.14	–	CFH – Forward rate
GBP:USD	9.7	1.30	(0.3)	CFH – Forward rate
CNY:GBP	7.0	0.11	0.1	CFH – Forward rate
Other	3.3		(0.1)	CFH – Forward rate
Total	143.7		(0.7)	

The most common exchange rate risk is the transaction risk the Group takes when it invoices a customer or purchases from suppliers in a different currency to the underlying functional currency of the business. The Group policy is to review transactional foreign exchange exposures and place contracts on a quarterly basis. To the extent the cash flows associated with a transactional foreign exchange risk are committed the Group will hedge 100%. The notional values of the hedged transactions are disclosed in the above table. The group's policy is to hedge these transactions on a 1:1 ratio. Foreign currency basis spread of the derivative item is not designated and is therefore recognised in the income statement. The potential sources of ineffectiveness are timing of forecast transaction and credit risk. There was no hedge ineffectiveness incurred during the period.

The closing value of the hedging reserve in relation to FX hedges on 31 Dec 2020 was £6.4 million (2019: accumulated loss of £1.2 million). Despite the COVID-19 pandemic and the impact on the fair value of the instruments the transactions that have been designated as the hedged item in a cash flow hedge relationship are still considered highly probable forecasted transactions, during the year and at the yearend 31 December 2020.

Hedges with a notional amount of £42.8 million are due within 12 months with the remainder maturing within 24 months.

22 Financial risk management continued

Interest rate swaps	Notional amount (£ms)	Fair value (£ms)	Type of hedge
31 December 2020			
USD	**5.1**	**(0.3)**	**CFH – LIBOR**
GBP	**19.0**	**(0.7)**	**CFH – LIBOR**
	24.1	**(1.0)**	
31 December 2019			
USD	5.1	(0.2)	CFH – LIBOR
GBP	19.0	(0.3)	CFH – LIBOR
	24.1	(0.5)	

The Group hedges approximately 20% of the interest rate exposure of the Group. The Group holds interest rate swap instruments to fix the cost of LIBOR on borrowings under the bank facility. Under the terms of the swaps on the bank borrowings and excluding the bank margin, the Group will pay a weighted average fixed cost of approximately 1.6% until the swaps terminate in November 2023.

The average cost of the debt for the Group is expected to be approximately 2.0% over the next 12 months. The interest rate swaps are designated as cash flow hedges and were highly effective throughout 2020. The fair value of the contracts as at 31 December 2020 is disclosed in the table above. A net charge of £0.2 million was recognised within finance costs for the year ended 31 December 2020 (2019: £0.1 million) in the income statement with respect to the hedged items. For the year ending 31 December 2020 an accumulated loss of £0.2 million (2019: £0.1 million) was reclassified from the cash flow hedge reserve and included in the income statement as part of finance costs. A loss on the movement in fair value of the hedging instruments of £0.7 million was recognised within other comprehensive income. The closing value of the hedging reserve in relation to interest rate swaps on 31 December 2020 was a debit of £1.0 million (2019: debit of £0.5 million). Swaps with a notional value of £19.0 million and $7.0 million mature in May 2021. Swaps with a notional value of £19.0 million and $7.0 million mature in November 2023.

No ineffectiveness was recognised through the Income Statement in 2020 (2019: £nil) or is expected to be recognised in future periods.

The Group is exposed to the following interest rate benchmarks within its hedge accounting relationships, which are subject to interest rate benchmark reform: GBP LIBOR and USD LIBOR ("IBORs"). The hedged items are Sterling and US Dollar floating rate debt. The Group has closely monitored the market and the output from various industry working groups managing the transition to new benchmark interest rates. The FCA has made it clear that, at the end of 2021, it will no longer seek to persuade, or compel banks to submit to LIBOR.

In response to the announcements, the Group will begin dialogue with its banking group in respect of IBOR reform, with the expectation that the banking facility will transition to updated referenced benchmarked rates prior to the end of 2021. Details of the hedging instruments and hedged items in scope of the IFRS 9 amendments due to interest rate benchmark reform by hedge type are above. Only the hedges which mature after March 2021 will be impacted by the IBOR reform.

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22 Financial risk management continued
b) Foreign exchange risk
The Group's exposure to foreign currency before the impact of hedging is shown below:

£million	GBP	USD	Euro	Other	Total
31 December 2020					
Trade and other receivables	**–**	**13.6**	**1.8**	**0.6**	**16.0**
Cash and cash equivalents	**–**	**7.8**	**2.6**	**1.1**	**11.5**
Borrowings	**–**	**(19.7)**	**–**	**–**	**(19.7)**
Lease liabilities	**–**	**–**	**(0.1)**	**(1.3)**	**(1.4)**
Trade and other payables	**(0.3)**	**(9.9)**	**(1.1)**	**(2.8)**	**(14.1)**
Derivative financial instruments	**0.1**	**4.1**	**(0.1)**	**1.6**	**5.7**
Total	**(0.2)**	**(4.1)**	**3.1**	**(0.8)**	**(2.0)**
31 December 2019					
Trade and other receivables	–	15.8	2.8	0.1	18.7
Cash and cash equivalents [1]	0.6	10.8	1.5	2.5	15.4
Borrowings [1]	–	(21.4)	–	–	(21.4)
Lease liabilities	–	–	(0.2)	(1.7)	(1.9)
Trade and other payables	(0.1)	(9.7)	(1.5)	(2.9)	(14.2)
Derivative financial instruments	0.1	(1.4)	0.3	0.1	(0.9)
Total	0.6	(5.9)	2.9	(1.9)	(4.3)

1 'Cash and cash equivalents' and 'Borrowings' have been restated to meet the presentational requirements of IAS 32 as further described in note 1h.

A 10% strengthening of GBP against the following currencies at 31 December 2020 would have increased/(decreased) profit after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. 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. The Group's policy is to hedge 75% of foreign currency cash flows and the below analysis is after the impact of hedging.

£million	2020	2019
US dollar	**0.1**	0.3
Euro	**(0.1)**	0.1

A 10% strengthening of GBP against the following currencies at 31 December 2020 would have decreased equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The Group finances operations by obtaining funding through external borrowings and, where they are in foreign currencies, these borrowings may be designated as net investment hedges. This enables gains and losses arising on retranslation of these foreign currency borrowings to be charged to other comprehensive income, providing a partial offset in equity against the gains and losses arising on translation of the net assets of foreign operations. This has been considered in the analysis below.

£million	2020	2019
US dollar	**7.6**	5.1
Euro	**0.1**	0.1

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.

22 Financial risk management continued

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 Group's objective is to manage this interest rate exposure through the use of interest rate derivatives.

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**	**2020 total**
Financial assets				
Trade and other receivables	**–**	**–**	**60.2**	**60.2**
Cash and cash equivalents	**60.7**	**3.9**	**5.6**	**70.2**
Derivative financial instruments	**–**	**–**	**7.6**	**7.6**
Total financial assets	**60.7**	**3.9**	**73.4**	**138.0**
Financial liabilities				
Borrowings	**(113.8)**	**(25.5)**	**1.1**	**(138.2)**
Lease liabilities	**–**	**(15.9)**	**–**	**(15.9)**
Trade and other payables	**–**	**–**	**(77.1)**	**(77.1)**
Derivative financial instruments	**–**	**–**	**(1.9)**	**(1.9)**
Total financial liabilities	**(113.8)**	**(41.4)**	**(77.9)**	**(233.1)**

£million	Floating rate	Fixed rate	Non-interest bearing	2019 total
Financial assets				
Trade and other receivables	–	–	68.4	68.4
Cash and cash equivalents [1]	69.8	–	–	69.8
Derivative financial instruments	–	–	0.9	0.9
Total financial assets	69.8	–	69.3	139.1
Financial liabilities				
Borrowings [1]	(98.5)	(24.3)	1.5	(121.3)
Lease liabilities	–	(17.6)	–	(17.6)
Trade and other payables [2]	–	–	(81.1)	(81.1)
Derivative financial instruments	–	–	(2.1)	(2.1)
Total financial liabilities	(98.5)	(41.9)	(81.7)	(222.1)

1 'Cash and cash equivalents' and 'Borrowings' have been restated to meet the presentational requirements of IAS 32 as described in note 1h.
2 'Trade and other payables' have been restated as further described in note 1h.

At 31 December 2020, 18% of borrowings was at a fixed rate when including the effect of derivatives (2019: 20% of borrowings including the effect of derivatives and finance leases).

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 debt position of the Group at 31 December 2020, any increase in interest rates would result in a net loss in the consolidated income statement, and any decrease in interest rates would result in a net gain. The effect on profit after tax of a 1% movement in interest rate, based on the year end floating rate borrowings, with all other variables held constant, is estimated to be £0.4 million.

Notes to the consolidated financial statements
continued

22 Financial risk management continued

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.

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 ongoing basis. Letters of credit or payments in advance are obtained where customer credit quality is not considered strong enough for open credit. The Group operates the expected credit losses model when applying credit risk to receivables.

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, in the main, hedged through forward foreign currency exchange contracts.

There were no material impairments of trade receivables as at 31 December 2020 or 2019. 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	**2020**	2019
Europe (including UK)	**26.0**	35.9
North America	**22.6**	17.9
Asia	**8.8**	12.1
Rest of the World	**0.8**	0.5
	58.2	66.4

22 Financial risk management continued

(ii) Impairment losses

The ageing of trade receivables at 31 December was:

£million	Gross	2020 Impairment	Gross	2019 Impairment
Not past due	**52.9**	**(0.1)**	56.4	–
Past due 1 – 60 days	**4.8**	**–**	9.7	(0.1)
Past due 61 – 120 days	**0.5**	**(0.2)**	0.6	(0.2)
More than 120 days	**0.5**	**(0.2)**	0.1	(0.1)
	58.7	**(0.5)**	66.8	(0.4)

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

£million	2020	2019
At 1 January	**(0.4)**	(0.3)
Released	**0.2**	0.1
Charged to income statement	**(0.3)**	(0.2)
At 31 December	**(0.5)**	(0.4)

(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 monitored by the Group's Treasury department. The Group's policy on investment of cash and deposits are to only hold cash deposits with banks with a credit rating of investment grade and are reviewed on a regular basis to take account of developments in financial markets. Currently the Group has 12 counterparties to which it has credit risk exposure. The same process is undergone for counterparts with which the Group enters into hedging agreements. As such credit risk on these financial assets is calculated as £nil.

The expected credit risk model was applied to other receivables as described in note 2p where the credit risk was deemed immaterial.

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

£million	2020	2019 Restated [1]
Amounts owed by non-controlling interests	**2.0**	2.0
Cash and cash equivalents	**70.2**	69.8
Derivative financial instruments	**7.6**	0.9

1 'Cash and cash equivalents' has been restated to meet the presentational requirements of IAS 32 as further described in note 1h.

Notes to the consolidated financial statements

continued

22 Financial risk management continued

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 2020, the Group had £46.6 million of undrawn committed borrowing facilities (2019: £70.1 million) and £39.2 million (2019: £39.2 million) of undrawn uncommitted borrowing facilities.

Contractual cashflows of financial liabilities

The following are the contractual maturities of financial liabilities including contractual future interest payments and commitment fees:

£million	Carrying value	Contractual Cash Flows	On demand	Under 3 months	3 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
31 December 2020										
Borrowings (excl overdrafts)	**(137.0)**	**(146.9)**	**–**	**(0.8)**	**(3.4)**	**(3.4)**	**(139.3)**	**–**	**–**	**–**
Overdrafts	**(1.2)**	**(1.2)**	**(1.2)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Lease liabilities	**(15.9)**	**(27.0)**	**–**	**(1.2)**	**(3.2)**	**(4.2)**	**(3.4)**	**(2.9)**	**(2.7)**	**(9.4)**
Trade and other payables	**(77.1)**	**(77.1)**	**–**	**(72.9)**	**(4.2)**	**–**	**–**	**–**	**–**	**–**
Derivatives settled gross	**(0.9)**	**(26.2)**	**–**	**(3.2)**	**(15.9)**	**(7.1)**				
Interest rate swaps	**(1.0)**	**(1.7)**	**–**	**(0.1)**	**(0.5)**	**(0.6)**	**(0.5)**			
	(233.1)	**(280.1)**	**(1.2)**	**(78.2)**	**(27.2)**	**(15.3)**	**(143.2)**	**(2.9)**	**(2.7)**	**(9.4)**
31 December 2019										
Borrowings (excl overdrafts)	(111.7)	(125.4)	–	–	(3.2)	(2.4)	(2.4)	(117.4)		
Overdrafts	(9.6)	(9.6)	(9.6)	–	–	–	–	–	–	–
Lease liabilities	(17.6)	(19.1)	–	(1.2)	(3.5)	(4.1)	(3.1)	(2.4)	(2.2)	(2.6)
Trade and other payables [1]	(81.1)	(81.1)	–	(79.8)	(0.7)	(0.6)	–	–	–	–
Derivatives settled gross	(1.6)	(63.4)	–	(10.2)	(26.3)	(26.9)	–	–	–	–
Interest rate swaps	(0.5)	(2.2)	–	(0.1)	(0.4)	(0.6)	(0.6)	(0.5)	–	–
	(222.1)	(300.8)	(9.6)	(91.3)	(34.1)	(34.6)	(6.1)	(120.3)	(2.2)	(2.6)

1 'Trade and other payables' has been restated for an adjustment to meet the requirements of IFRS 15 as described in note 1h.

f) Fair value of financial assets and liabilities

IFRS 13 "Fair Value Measurement" requires an analysis of those financial instruments that are measured at fair value at the end of the year in a fair value hierarchy. In addition, IFRS 13 requires financial instruments not measured at fair value but for which fair value is disclosed to be analysed in the same fair value 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).

22 Financial risk management continued

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.

£million	Fair value hierarchy	2020 Carrying value	2020 Fair value	2019 Restated[1] Carrying value	2019 Restated[1] Fair value
Held at amortised cost					
Cash and cash equivalents	**n/a**	**70.2**	**70.2**	69.8	69.8
Trade and other receivables	**n/a**	**60.2**	**60.2**	68.4	68.4
Trade and other payables	**n/a**	**(77.1)**	**(77.1)**	(81.1)	(81.1)
Borrowings	**2**	**(138.2)**	**(138.2)**	(121.3)	(121.3)
Lease liabilities	**n/a**	**(15.9)**	**(15.9)**	(17.6)	(17.6)
Held at fair value					
Derivative financial instruments (assets)	**2**	**7.6**	**7.6**	0.9	0.9
Derivative financial instruments (liabilities)	**2**	**(1.9)**	**(1.9)**	(2.1)	(2.1)
Deferred consideration for acquisition of Power Partners [2]	**3**	**(0.4)**	**(0.4)**	(0.9)	(0.9)
Held at depreciated cost					
Investment properties	**3**	**1.8**	**1.8**	0.7	0.7

1 'Cash and cash equivalents', 'Borrowings', and 'Trade and other payables' have been restated as further described in note 1h.
2 Deferred consideration held within 'Other payables' which arose upon acquisition of Power Partners is further described in note 4.

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 borrowings is estimated by discounting future cash flows using rates currently available for debt and remaining maturities;
- the fair value of derivative financial instrument assets (£7.6 million) and liabilities (£1.9 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 2); and
- the fair value of investment properties are based on market valuations obtained through third party valuations (level 3).
- The fair value of deferred consideration for the acquisition of Power Partners Inc is based upon the estimated amount payable to the seller as a result of the expected performance of Power Partners Inc as forecast by the Group. Due to materiality, the disclosures required by IFRS 13 for the level 3 items were not provided.

g) Capital management

The overriding 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 has a progressive dividend policy.

The Group has net debt of £83.9 million (2019: £69.1 million). Included within the debt facilities are certain financial covenants related to frozen IFRS net debt/adjusted. Adjusted EBITDA is EBITDA adjusted to exclude the items not included within adjusted operating profit/net finance charges for which compliance certificates are produced on a 12 month rolling basis every half year. All financial covenants were fully complied with during the year and up to the date of approval of the financial statements.

Notes to the consolidated financial statements
continued

23 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 continuing operations in respect of defined contribution schemes were £3.1 million (2019: £3.5 million).

Defined benefit schemes
At 31 December 2020 the Group operated two defined benefit schemes in the UK (the TT Group (1993) Pension Scheme and the Southern & Redfern Ltd Retirement Benefits Schemes) and overseas defined benefit schemes in the USA. These schemes are closed to new members and the UK schemes are closed to future accrual.

In the year ended 31 December 2019, in order to improve governance of the UK pension schemes, as well as drive cost efficiency, the Stadium Group Retirement Benefits Plan (1974) was merged into the TT Group (1993) Pension Scheme (the TT Group scheme) with effect from 29 March 2019.

The TT Group scheme commenced in 1993 and increased in size in 2006, 2007 and 2019 through the mergers of former UK schemes following a number of acquisitions. The parent company is the sponsoring employer in the TT Group scheme. The TT Group scheme is governed by TTG Pension Trustees Limited (the "Trustee") that has control over the operation, funding and investment strategy in consultation with the Group.

The TT Group scheme exposes the Group to actuarial risks such as longevity risk, currency risk, inflation risk, interest rate risk and market (investment) risk. The Group is not exposed to any unusual, entity specific or scheme specific risks, but given the material nature of the TT Group scheme, the Group has developed a comprehensive strategy covering the following areas to manage the financial risk associated with it:

- Maintaining a long term working partnership with the Trustee to ensure strong governance of risks within the TT Group scheme. The TT Group scheme is a long term undertaking and is managed accordingly, in order to provide security to members' benefits and value for money to the Group.
- A prudent investment strategy is pursued by seeking risk-rewarded long term returns whilst removing the majority of liability mismatching unrewarded risks. As such, the Group has in place financial hedging that aims to remove the majority of interest rate and inflation related risks. At the current level there is no significant impact on the reported accounting deficit of a 10bps fall in interest rates (which would be otherwise a circa £10 million increase if the hedge were not in place) thereby reducing volatility. This strategy has been in place for a number of years protecting the TT Group scheme's position since December 2013 when yields commenced a prolonged decline.
- The Group recognises that seeking rewarded risk returns in its investment strategy could lead to short term fluctuations in funding levels depending on market conditions. The Group considers that by maintaining a good relationship with the Trustee, it will be able to utilise flexibility in the funding regime to even out the impact of short term market underperformance to enhance predictability of Group pension contributions. This creates a suitable balance between the needs of the TT Group scheme, the Group, and the Members.

The Trustee's investment strategy mitigates the majority of these risks. Market (investment) risk is addressed by diversification across asset classes and managers within those asset classes. With regard to currency risk, where possible the Scheme fully hedges its currency risk with respect to fixed income and alternative assets, through investing in currency-hedged vehicles. The Scheme has equity exposure held on both a hedged, and unhedged basis. Whilst there is no specific currency hedging policy in place, the Scheme aims to hedge between 30-70% of its non-sterling currency exposure with respect to equity investments.

In addition, the Trustee has a framework in place to hedge a proportion of the Scheme's interest rate and inflation exposures. This framework is managed by investing in both physical and, for efficiency, derivative investments; and has a target to hedge 80% of the interest rate and 85% of the inflation linked liabilities measured on an economic basis. The target hedge level is kept under review and any change would be in consultation with the Group.

During the year ending 31 December 2020, global financial markets have experienced and may continue to experience, significant volatility resulting from the spread of a COVID-19. The outbreak of COVID-19 has resulted in travel and border restrictions, quarantines, supply chain disruptions, lower consumer demand and general market uncertainty. The effects of COVID-19 have and continue to adversely affect the global economy and the economies of certain nations which may negatively impact investment returns generally. The Scheme's investment strategy has been assessed as being low risk as it largely matches changes in the assessed value of the Schemes liabilities due to changes in interest rates and inflationary expectations.

23 Retirement benefit schemes continued

The Trustee does not currently hedge the longevity risk, although prudent assumptions are made regarding anticipated longevity for the purposes of the statutory funding actuarial valuation.

The weekly monitoring evidence published by the CMI during the COVID-19 pandemic indicates that COVID-19 has caused significant excess mortality during 2020, corresponding to around a 13% increase in annual mortality relative to 2019. The longer-term implications of COVID-19 on mortality expectations are unclear. It is possible to make arguments for faster improvements in mortality rates (e.g. due to survivors of COVID-19 being "healthier" than the previous population or increased spending on healthcare as a result of the pandemic), or for slower improvements in mortality rates (e.g. due to the "ripple effect" of delayed medical interventions or the possible adverse economic impact of recession on health and wellbeing). The Trustees and Company keep the potential implications of this risk under review.

The Trustee, in conjunction with the Group, has a duty to ensure that the TT Group scheme has an appropriate funding strategy in place that meets any local statutory requirements. The objective, which has been negotiated and agreed between the Group and the Trustee, is that the TT Group scheme should target and then maintain 100% funding on a basis that should ensure benefits can be paid as they fall due. Any shortfall in the assets relative to the funding target will be financed over a period that ensures the contributions are reasonably affordable to the Group.

The weighted average duration of the TT Group scheme defined benefit obligation is around 16 years.

The Trustee allocates the TT Group scheme's assets across a range of investments to help diversify and manage risks. In particular a significant portion of the assets are in investments that aim to broadly match the term and nature of the liabilities.

UK legislation requires the Trustee to carry out a statutory funding valuation at least every three years and to target full funding against a basis that prudently reflects the TT Group scheme's risk exposure.

The triennial valuation of the TT Group scheme as at April 2019 showed a net surplus of £0.3 million against the Trustee's statutory funding objective. As the scheme was fully funded at the 2019 triennial valuation date, there is no requirement for the Company to pay pension contributions. In addition to the statutory funding objective, the Trustee and Company agreed to move towards a 'self-sufficiency' funding target, under which once full funding is achieved the likelihood of the Trustee requiring subsequent contributions from the Company is significantly reduced. To support the scheme's long-term funding target of self-sufficiency the Company agreed to pay additional fixed contributions of £5.5 million, £5.7 million and £4.4 million in the years 2021 to 2023 respectively.

In the year ended 31 December 2020 the Group made contributions of £5.3 million to the TT Group scheme and £0.1 million to the Southern & Redfern Ltd Retirement Benefits Schemes.

In the year ended 31 December 2019, the outstanding deficit contribution payments due under the Stadium Group Retirement Benefits Plan (1974)'s recovery plan were accelerated and £3.4 million was paid into the scheme immediately prior to the merger. The total payments made in the year ended 31 December 2019 in respect of UK defined benefit schemes was £8.6 million.

In addition, the Company has set aside £2.5 million under a legal agreement to be utilised in agreement with the Trustee for reducing the long-term liabilities of the TT Group scheme.

A High Court judgment regarding the equalisation of GMP was published on 26 October 2018. The judgment itself related to the Lloyds Banking Group's pension schemes and requirements to equalise scheme benefits, to address the inherent inequality between genders caused by GMP legislation. GMP is the minimum benefit that must be provided by a pension scheme to a member who had been contracted out of the State Earnings-Related Pension Scheme (SERPS) between 6 April 1978 and 5 April 1997. This ruling has implications for all occupational pension schemes; including the Group's UK schemes; that were contracted out of SERPS on a defined benefit basis between 17 May 1990 and 5 April 1997.

In the year ended 31 December 2019 £0.4 million was recognised for the potential cost of the GMP equalisation. These allowances have been recognised in the income statement within items excluded from adjusted operating profit. The assumptions underpinning the estimate were based on market conditions at the time of the judgement, namely a discount rate of 2.8%, RPI inflation of 3.4%, CPI inflation of 2.4% and using S2 mortality tables.

Following a High Court ruling on 20 November 2020, transfers out of the Plan between May 1990 and October 2018 need to be revisited and equalised for GMP (if applicable). In the year ended 31 December 2020 an additional £1.0 million was recognised as an allowance for potential cost of the GMP equalisation of historic transfers out of the Scheme. These allowances have been recognised in the income statement within items excluded from adjusted operating profit.

Notes to the consolidated financial statements
continued

23 Retirement benefit schemes continued
An actuarial valuation of the USA defined benefit schemes was carried out by independent qualified actuaries in 2020 using the projected unit credit method. Pension scheme assets are stated at their market value at 31 December 2020.

An analysis of the pension surplus/(deficit) by scheme is shown below:

£million	2020	2019
TT Group (1993)	**35.4**	21.2
Southern & Redfern	**–**	–
USA schemes	**(4.9)**	(4.6)
Net surplus	**30.5**	16.6

Given the nature of the Group's control of the TT Group under the Scheme rules, the Group considers that it has an unconditional right to refund of surplus in the event of the Scheme's wind-up. Based on these rights, any pension surpluses have been recognised in full under IFRIC 14.

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

%	TT Group 2020	TT Group 2019
Discount rate	**1.40**	2.00
Inflation rate (RPI)	**3.10**	3.10
Increases to pensions in payment (LPI 5% pension increases)	**2.95**	3.00
Increases to deferred pensions (CPI)	**2.40**	2.20

The mortality tables applied by the actuaries at 31 December 2020 for the TT Group Scheme were S2 tables with 105% (male)/106% (female) weighting for pensioners and 108% (male)/105% (female) weighting for non-pensioners with a 1.5% long-term rate of improvement in conjunction with the CMI 2019 projection model. The assumptions are equivalent to life expectancies as follows:

Current pensioner aged 65: 87 years (male), 89 years (female).

Risk and sensitivity
Future retiree currently aged 40: 89 years (male), 91 years (female). A decrease in the discount rate by 0.1% per annum increases the liabilities by approximately £10.3 million. An increase by 0.1% per annum in the inflation rate increases the liabilities by approximately £5.1 million. An increase in the life expectancy of 1 year increases the liabilities by approximately £26.8 million.

The sensitivities above consider the impact of the single change shown, with the other assumptions unchanged. The inflation sensitivities allow for the consequential impact on the relevant pension increase assumptions. The sensitivity analyses have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

23 Retirement benefit schemes continued

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

£million		2020	2019
Equities			
UK	Quoted	**–**	–
	Unquoted	**6.2**	8.7
Overseas	Quoted	**4.1**	3.8
	Unquoted	**93.2**	106.1
Government bonds			
UK	Fixed	**183.0**	172.6
	Index-linked	**135.0**	116.7
Overseas		**7.3**	8.3
Corporate bonds		**97.1**	73.8
Cash and cash equivalents		**30.0**	17.9
Derivatives		**11.4**	4.0
Insured assets		**15.6**	15.6
Other		**65.8**	55.6
Fair value of assets		**648.7**	583.1
Present value of defined benefit obligation		**(618.2)**	(566.5)
Net surplus recognised in the consolidated balance sheet		**30.5**	16.6

The schemes' assets are unquoted unless otherwise stated and do not include the Group's financial instruments nor any property occupied by, or other assets used by the Group. All of the funds included in the asset split are pooled investment vehicles for which due diligence has been completed. We have classified all of the Scheme's investments other than the cash held at the custodian, government bonds and the exchange traded funds (ETFs) as unquoted assets. Derivatives include 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	2020	2019
Scheme administration costs	**1.7**	1.0
Past service cost and settlements (excluded from adjusted operating profit)	**0.8**	0.4
Net interest credit	**0.4**	0.6

Amounts recognised in the consolidated statement of comprehensive income are a gain of £8.6 million (2019: loss of £9.1 million) which comprises of; the actual return on scheme assets, a gain of £70.9 million (2019: gain of £51.8 million) and the remeasurement of the schemes obligations, an increase of £62.3 million (increase of £60.9 million).

Notes to the consolidated financial statements
continued

23 Retirement benefit schemes continued
Changes in the present value of the defined benefit obligation are:

£million	2020	2019
Defined benefit obligation at 1 January	**566.5**	525.1
Past service charge and settlements	**0.8**	0.4
Interest on obligation	**11.2**	14.9
Remeasurements:		
Effect of changes in demographic assumptions	**5.0**	(5.2)
Effect of changes in financial assumptions	**57.3**	70.7
Effect of experience adjustments	**–**	(4.6)
Benefits paid	**(22.2)**	(34.2)
Exchange	**(0.4)**	(0.6)
Defined benefit obligation at 31 December	**618.2**	566.5
TT Group (1993)	**604.8**	553.3
Southern & Redfern	**1.0**	1.0
USA schemes	**12.4**	12.2
	618.2	566.5

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

£million	2020	2019
Fair value of schemes' assets at 1 January	**583.1**	541.6
Interest income on defined benefit scheme assets	**11.6**	15.5
Return on scheme assets, excluding interest income	**70.9**	51.8
Contributions by employer	**7.2**	9.8
Pension scheme expenses	**(1.7)**	(1.0)
Annuity purchase loss	**(0.1)**	(0.1)
Benefits paid	**(22.2)**	(34.2)
Exchange	**(0.1)**	(0.3)
Fair value of schemes' assets at 31 December	**648.7**	583.1

24 Share capital and other reserves

Share capital

£million	**2020**	2019
Issued and fully paid		
174,580,743 (2019: 164,038,978) ordinary shares of 25p each	**43.6**	41.0

On the 22 September 2020 the Group issued 10,000,000 ordinary shares to fund the acquisition of Torotel. The consideration received was £19.5 million (after fees of £0.5 million which were recorded within share premium) which was represented by a £2.5 million increase in share capital and a £17.0 million increase in share premium.

During the period the Company issued 455,265 ordinary shares as a result of share options being exercised under the Sharesave scheme and Share Purchase plans. The aggregate consideration received was £0.7 million, which was represented by a £0.1 million increase in share capital and a £0.6 million increase in share premium.

The performance conditions of the Long-term Incentive Plan awards issued in 2017 and Restricted Share Plan awards issued in 2018, 2019 and 2020 were met and shares were allocated to award holders from existing shares held by an Employee Benefit Trust for £nil consideration. 86,500 new shares were also issued at par value of 25 pence to settle the vesting of part of the 2017 scheme.

Other reserves

£million	Share Based Payment Reserve	Employee Benefit Trust	**Share options reserve**	Hedging Reserve	Merger reserve	**Total**
At 1 January 2019	1.8	(2.5)	**(0.7)**	(1.8)	3.4	**0.9**
Share based payment charge	3.0	–	**3.0**	–	–	**3.0**
Awards made to employees – equity settled	(1.9)	1.9	**–**	–	–	**–**
Awards made to employees – cash settled	(2.8)		**(2.8)**	–	–	**(2.8)**
Deferred tax on share based payments	0.1	–	**0.1**	–	–	**0.1**
Purchase of shares	–	(2.5)	**(2.5)**	–	–	**(2.5)**
Sales of shares	–	0.7	**0.7**	–	–	**0.7**
Gain on cash flow hedges taken to equity less amounts taken to income statement	–	–	**–**	0.1	–	**0.1**
At 31 December 2019	0.2	(2.4)	**(2.2)**	(1.7)	3.4	**(0.5)**
Share based payment charge	1.0		**1.0**	–	–	**1.0**
Awards made to employees – equity settled	(2.2)	2.2	**–**	–	–	**–**
Awards made to employees – cash settled	(1.8)	–	**(1.8)**	–	–	**(1.8)**
Deferred tax on share based payments	(0.3)	–	**(0.3)**	–	–	**(0.3)**
Gain on cash flow hedges taken to equity less amounts taken to income statement	–	–	**–**	7.1	–	**7.1**
At 31 December 2020	(3.1)	(0.2)	**(3.3)**	5.4	3.4	**5.5**

Notes to the consolidated financial statements

continued

25 Share-based payment plans

The Company has the following share-based payment plans in operation at 31 December 2020:

- Long-term Incentive Plan ("LTIP") for senior executives;
- Restricted Share Plan for certain senior executives; and
- Sharesave plans for UK employees and a Share Purchase plan for US employees.

a) Long-term Incentive Plans

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

	2020 Number of share awards	2019 Number of share awards
At 1 January	**4,697,301**	5,425,034
Granted	**2,003,776**	2,030,515
Forfeited	**(106,490)**	(1,076,673)
Exercised/Vested	**(1,562,666)**	(1,681,575)
At 31 December	**5,031,921**	4,697,301
Exercisable at 31 December	**–**	–

During 2020 grants of awards were made under the LTIP for the issue of shares in 2023. An 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 100.

On 13 March 2020 and 17 September 2020 grants of awards were made under the LTIP for the issue of up to 1,981,406 and 22,370 shares respectively in 2023.

On 16 January 2019, 11 March 2019 and 13 December 2019 grants of awards were made under the LTIP for the issue of up to 84,798 shares, 1,922,225 shares and 23,492 shares respectively in 2022.

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:

	2020		2019		
	Shares with a 17 September 2020 grant date	**Shares with a 13 March 2020 grant date**	Shares with a 13 December 2019 grant date	Shares with a 11 March 2019 grant date	Shares with a 16 January 2019 grant date
Number of awards	**22,370**	**1,981,406**	23,492	1,922,225	84,798
Fair value at grant date	**175.8p**	**161.3p**	193.4p	166.3p	164.6p
Share price at grant date	**212.0p**	**194.5p**	235.0p	202.0p	197.8p
Exercise price	**£nil**	**£nil**	£nil	£nil	£nil
Expected volatility	**35%**	**35%**	35%	35%	33%
Expected weighted average life at 31 December (years)	**2.8**	**2.2**	3.0	2.2	0.1

25 Share-based payment plans continued

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 historical share price movements.

On 13 March 2020 48,070 (11 March 2019: 45,761) notional share awards were granted to senior executives which will ultimately be settled in cash. This award is subject to the same vesting criteria as the 13 March 2020 LTIP grant.

The performance conditions of the LTIP grants made in 2016 that reached the end of their performance periods in 2019 were met and shares were allocated to award holders from existing shares held by an Employee Benefit Trust for £nil consideration.

b) Restricted Share Plan

On 16 January 2019 the Group granted 92,926 shares under the restricted plan. The award is subject to continuing employment with the Group, 57,157 shares vested in June 2019 with the remaining 35,769 shares vesting in June 2020.

On 11 March 2019 the Group granted 82,750 shares under the restricted plan. The award is subject to continuing employment with the Group, vesting in March 2020.

On 26 April 2019 the Group granted 51,458 shares under the restricted plan. The award is subject to continuing employment with the Group, with one half vesting in February 2020 and half vesting in February 2021.

On 8 August 2019 the Group granted 9,677 shares under the restricted plan. The award is subject to continuing employment with the Group, vesting in July 2021.

On 13 January 2020 the Group granted 79,597 shares under the restricted plan. The award is subject to continuing employment with the Group, 10,612 shares vested in November 2020, 31,839 will vest in January 2021, 5,307 in November 2021 and 31,839 in January 2022.

On 17 September 2020 the Group granted 184,321 shares under the restricted plan. The award is subject to continuing employment with the Group, and its vesting percentage will be reduced by the percentage which the EPS element of the 2018 LTIP scheme vests. 184,321 shares will vest in September 2022.

On 17 September 2020 the Group granted 249,222 shares under the restricted plan. The award is subject to continuing employment with the Group, and its vesting percentage will be reduced by the percentage which the EPS element of the 2019 LTIP scheme vests. 249,222 shares will vest in September 2023.

On 17 September 2020 the Group granted 141,933 shares under the restricted plan. The award is subject to continuing employment with the Group, with 51,633 vesting in September 2022 and 90,300 vesting in September 2023.

On 24 September 2020 the Group granted 99,891 shares under the restricted plan. The award is subject to continuing employment with the Group, and its vesting percentage will be reduced by the percentage which the EPS element of the 2018 LTIP scheme vests. 99,891 shares will vest in September 2022.

On 17 September 2020 42,092 notional share awards were granted to senior executives which will ultimately be settled in cash. This award is subject to the same vesting criteria as the 17 September 2020 grants with 32,092 awards being subject to clawback based upon the vesting of the EPS element of the 2018 and 2019 LTIP schemes.

On 24 September 2020 the Group granted 19,284 shares under the restricted plan. The award is subject to continuing employment with the Group and additional performance obligations, vesting in December 2022.

On 24 September 2020 the Group granted 531,474 shares under the restricted plan. The award is subject to continuing employment with the Group, vesting in December 2023.

On 5 November 2020 the Group granted 20,000 shares under the restricted plan. The award is subject to continuing employment with the Group, with one half vesting in September 2022 and the other half vesting in September 2023.

Notes to the consolidated financial statements
continued

25 Share-based payment plans continued
Details of the restricted share plan awards outstanding during the year are as follows:

	2020 Number of share awards	2019 Number of share awards
At 1 January	**284,106**	104,452
Granted	**1,367,814**	236,811
Vested	**(165,950)**	(57,157)
At 31 December	**1,485,970**	284,106
Exercisable at 31 December	**–**	–

c) Sharesave schemes
The Group operates a Sharesave scheme for participating employees in the UK under a three-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 £6,000 in any one year. Monthly contributions are saved with Lloyds Bank 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 three years from commencement of the savings contract. Options become exercisable on completion of the three-year term or within six months of leaving in certain circumstances.

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

Date price set	Market price	Option price	Options outstanding
24 August 2017	220.5p	178.0p	77,114
31 August 2018	260.0p	215.0p	404,674
30 August 2019	237.0p	190.0p	696,993
30 August 2020	187.0p	151.0p	1,581,646

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

	2020 Number of share awards	2019 Number of share awards
At 1 January	**1,874,080**	1,867,255
Granted	**1,599,526**	874,391
Forfeited	**(341,672)**	(244,662)
Exercised	**(371,507)**	(622,904)
At 31 December	**2,760,427**	1,874,080
Exercisable at 31 December	**149,172**	25,458

The Group operates 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 a social security credit of £0.1 million (2019: £0.6 million charge) arising from the above share scheme plans was £1.0 million (2019: £3.0 million).

26 Reconciliation of net cash flow to movement in net debt

£million	Net cash	Lease liabilities	Borrowings	Net debt
As at 1 January 2019	40.6	(0.6)	(81.7)	(41.7)
Adjustment on initial application of IFRS 16	–	(21.3)	–	(21.3)
Adjusted balance as at 1 January 2019	40.6	(21.9)	(81.7)	(63.0)
Cash flow	21.6	–	–	21.6
Businesses acquired	–	(0.2)	–	(0.2)
Proceeds from borrowings	–	–	(30.4)	(30.4)
Payment of lease liabilities	–	4.4	–	4.4
New leases	–	(0.7)	–	(0.7)
Amortisation of loan arrangement fees	–	–	(0.4)	(0.4)
Lease disposal	–	0.4	–	0.4
Exchange differences	(2.0)	0.4	0.8	(0.8)
At 1 January 2020	**60.2**	**(17.6)**	**(111.7)**	**(69.1)**
Cash flow	**9.7**	**–**	**–**	**9.7**
Businesses acquired	**–**	**(2.0)**	**(3.0)**	**(5.0)**
Repayment of borrowings	**–**	**–**	**27.2**	**27.2**
Proceeds from borrowings	**–**	**–**	**(49.8)**	**(49.8)**
Payment of lease liabilities	**–**	**4.1**	**–**	**4.1**
Reassessment of lease liability	**–**	**(0.1)**	**–**	**(0.1)**
New leases	**–**	**(0.5)**	**–**	**(0.5)**
Amortisation of loan arrangement fees	**–**	**–**	**(0.4)**	**(0.4)**
Exchange differences	**(0.9)**	**0.2**	**0.7**	**–**
At 31 December 2020	**69.0**	**(15.9)**	**(137.0)**	**(83.9)**

Net cash of £69.0 million (2019: £60.2 million) comprises cash at bank and in hand of £70.2 million (2019: £69.8 million) and overdrafts of £1.2 million (2019: £9.6 million).

Notes to the consolidated financial statements
continued

27 Changes in liabilities arising from financing activities

£million	Lease liabilities	Borrowings	Interest rate swaps	Liabilities arising from financing activities
As at 1 January 2019	(0.6)	(81.7)	(0.1)	(82.4)
Adjustment on initial application of IFRS 16	(21.3)	–	–	(21.3)
Adjusted balance as at 1 January 2019	(21.9)	(81.7)	(0.1)	(103.7)
Cash movements				
Cash flows	5.4	(27.5)	0.1	(22.0)
Non cash movements				
Businesses acquired	(0.2)	–	–	(0.2)
Fair value movements	–	–	(0.5)	(0.5)
Other movements	(1.3)	(3.3)	–	(4.6)
Exchange differences	0.4	0.8	–	1.2
At 1 January 2020	**(17.6)**	**(111.7)**	**(0.5)**	**(129.8)**
Cash movements				–
Cash flows	**4.9**	**(20.1)**	**0.2**	**(15.0)**
Non cash movements				**–**
Businesses acquired	**(2.0)**	**(3.0)**	**–**	**(5.0)**
Fair value movements	**–**	**–**	**(0.7)**	**(0.7)**
Other movements	**(1.4)**	**(2.9)**	**–**	**(4.3)**
Exchange differences	**0.2**	**0.7**	**–**	**0.9**
At 31 December 2020	**(15.9)**	**(137.0)**	**(1.0)**	**(153.9)**

28 Contingent liabilities
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 20, the Directors consider the likelihood of any other claims giving rise to a significant liability to be remote.

29 Capital commitments

£million	2020	2019
Contractual commitments for the purchase of property, plant and equipment	**5.2**	1.2

The Group has contractual commitments of £5.2 million primarily relating to purchase orders and contracts for the development and improvement of sites as part of the Group's restructuring activities.

30 Leases
The total cash outflow for leases is £4.9 million (2019: £5.6 million) comprising lease repayments of £4.1 million (2019: £4.4 million), interest on lease liabilities of £0.8 million (2019: £1.0 million). The income statement cost of short term and low value leases was £0.2 million (2019: £0.2 million).

Interest on lease liabilities is shown in note 6, the maturity of the lease liabilities is shown in note 22(e) and the corresponding assets to which the lease liabilities relate are shown in note 13.

31 Cash and cash equivalents
Within cash and cash equivalents the Group has set aside £2.5 million (2019: £2.5 million) under a legal agreement to be utilised in agreement with the Trustee for reducing liabilities of the pension scheme. Further details of the scheme are provided in note 23 to the Group financial statements.

32 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 2021 or 2020 that have affected the financial position or performance of the Group.

Key management personnel and Directors' emoluments are disclosed in note 12.

Company statement of financial position

at 31 December 2020

£million	Note	**2020**	2019
Fixed assets			
Right-of-use assets	2	**0.8**	1.0
Tangible assets	2	**0.8**	1.0
Intangible assets	2	**2.5**	3.6
Investments	3	**174.2**	189.3
Deferred tax asset	11	**3.1**	2.9
Pensions	10	**35.4**	21.2
Total fixed assets		**216.8**	219.0
Current assets			
Debtors	4	**197.7**	190.7
Cash at bank and in hand	13	**3.9**	2.6
Total current assets		**201.6**	193.3
Current liabilities			
Lease liabilities	6	**0.2**	0.2
Creditors: amounts falling due within one year	5	**121.9**	130.1
Total current liabilities		**122.1**	130.3
Net current assets		**79.5**	63.0
Non current liabilities			
Lease liabilities	6	**0.8**	1.0
Deferred tax liability	11	**6.6**	3.6
Total non current liabilities		**7.4**	4.6
Net assets		**288.9**	277.4
Capital and reserves			
Called up share capital	7	**43.6**	41.0
Share premium account	7	**21.7**	4.1
Share options reserve	8	**(3.3)**	(2.2)
Merger reserve		**3.4**	3.4
Profit and loss account	9	**223.5**	231.1
Shareholders' funds		**288.9**	277.4

The Company reported a loss for the financial year ended 31 December 2020 of £14.9 million (2019: profit of £153.6 million).

Approved by the Board of Directors on 9 March 2021 and signed on their behalf by:

Richard Tyson
Director

Mark Hoad
Director

Company statement of changes in equity

at 31 December 2020

£million	Share capital	Share premium	Merger reserve	Share options reserve	Profit and loss account	Total
At 1 January 2019	40.8	3.4	3.4	(0.7)	95.1	142.0
Profit for the year	–	–	–	–	153.6	153.6
Other comprehensive income						
Remeasurement of defined benefit pension schemes	–	–	–	–	(8.3)	(8.3)
Tax on remeasurement of defined benefit pension schemes	–	–	–	–	1.6	1.6
Total comprehensive income	–	–	–	–	146.9	146.9
Transactions with owners recorded directly in equity						
Dividends paid by the Company	–	–	–	–	(10.9)	(10.9)
Share-based payments	–	–	–	0.2	–	0.2
Purchase of shares	–	–	–	(2.5)	0.7	(1.8)
Sale of shares				0.7	(0.7)	–
Deferred tax on share-based payments	–	–	–	0.1	–	0.1
New shares issued	0.2	0.7	–	–	–	0.9
At 31 December 2019	**41.0**	**4.1**	**3.4**	**(2.2)**	**231.1**	**277.4**
Loss for the year	**–**	**–**	**–**		**(14.9)**	**(14.9)**
Other comprehensive income						
Remeasurement of defined benefit pension schemes	**–**	**–**	**–**	**–**	**9.5**	**9.5**
Tax on remeasurement of defined benefit pension schemes	**–**	**–**	**–**	**–**	**(2.2)**	**(2.2)**
Total comprehensive income	**–**	**–**	**–**	**–**	**(7.6)**	**(7.6)**
Transactions with owners recorded directly in equity						
Share-based payments	**–**	**–**	**–**	**(0.8)**	**–**	**(0.8)**
Deferred tax on share-based payments	**–**	**–**	**–**	**(0.3)**	**–**	**(0.3)**
New shares issued	**2.6**	**17.6**	**–**	**–**	**–**	**20.2**
At 31 December 2020	**43.6**	**21.7**	**3.4**	**(3.3)**	**223.5**	**288.9**

Notes to the Company financial statements

1 Significant accounting policies

a) Basis of preparation

The financial statements of TT Electronics plc (the "Company") were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of Key Management Personnel;
- comparable movement tables for tangible and intangible fixed assets; and
- disclosures in respect of leases

The accounting policies set out in Note 2 of the Consolidated financial statements have, unless otherwise stated, been applied in the preparation of the Company financial statements.

Change in accounting policy

There have been no changes to accounting policies during the year. Adoption of new and amendments to published standards and interpretations effective for the Group for the year ended 31 December 2020 did not have any impact on the financial position or performance of the Group.

b) Estimation uncertainty

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are as follows:

- Note 23 – Defined benefit pension obligations. The defined benefit obligations in respect of the plans are discounted at rates set by reference to market yields on high quality corporate bonds. Significant estimation is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds to include are the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. In addition, assumptions are made in determining mortality and inflation rates to be used when valuing the plan's defined benefit obligations. Whilst actual movements might be different to sensitivities shown, there is a reasonably possible change that could occur. At 31 December 2020, the retirement benefit plan was in a surplus of £35.4 million (31 December 2019: £21.2 million). Note 23 outlines the significant assumptions and associated sensitivities. The pension deficit has been calculated using the assumptions set out in note 23 of the Consolidated financial statements;
- An impairment of £15.1 million (2019: £nil) was recognised to reduce the investment in Aero Stanrew Limited to its carrying value of £23.7 million. The significant assumptions in determining the impairment are the future cash flows and the discount rate. A 10% improvement in future cash flows would have reduced the impairment by £3.0 million and a 10% worsening of cashflows would have increased the impairment by £3.0 million. An increase in the discount rate by 1.0% would have increased the impairment by £2.9 million and a 1.0% reduction in the discount rate would have decreased the impairment by £3.6 million.

Details of the Directors' assessment of the Company's ability to continue in operational existence for at least twelve months from the date of signing these financial statements are shown in note 1 of the Consolidated financial statements and in the Governance and Directors' Report on page 82.

d) Investments

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

e) 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 Fixed assets

£million	Intangible Assets	Plant, equipment and vehicles	Right-of-use assets
Cost			
At 1 January 2020	18.9	1.2	1.2
Additions	0.3	–	–
At 31 December 2020	**19.2**	**1.2**	**1.2**
Depreciation			
At 1 January 2020	15.3	0.2	0.2
Depreciation charge	1.4	0.2	0.2
At 31 December 2020	**16.7**	**0.4**	**0.4**
Net book value			
At 31 December 2020	**2.5**	**0.8**	**0.8**
At 31 December 2019	3.6	1.0	1.0

3 Fixed asset investments

£million	Subsidiary undertakings
Cost	
At 1 January 2020	253.0
At 31 December 2020	253.0
Provisions	
At 1 January 2020	63.7
Impairment	15.1
At 31 December 2020	78.8
Net book value	
At 31 December 2020	**174.2**
At 31 December 2019	189.3

An impairment of £15.1 million (2019: £nil) was recognised to reduce the investment in Aero Stanrew Limited to its carrying value of £23.7 million.

The significant assumptions in determining the impairment are the future cash flows and the discount rate. A 10% improvement in future cash flows would have reduced the impairment by £3.0 million and a 10% worsening of cashflows would have increased the impairment by £3.0 million. An increase in the discount rate by 1.0% would have increased the impairment by £2.9 million and a 1.0% reduction in the discount rate would have decreased the impairment by £3.6 million.

The Company's subsidiary undertakings and their locations are shown in note 15. Shareholdings are held indirectly for all principal operating subsidiary undertakings.

Notes to the Company financial statements
continued

4 Debtors

£million	2020	2019
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	**195.6**	190.0
Prepayments, accrued income and other receivables	**2.1**	0.7
	197.7	190.7

'Amounts owed by subsidiary undertakings' are payable on demand. The balance has been considered for impairment using the expected credit losses model but due to the insignificant credit risk no impairment was recognised.

5 Creditors

£million	2020	2019
Amounts falling due within one year		
Trade creditors	**2.3**	2.4
Amounts owed to subsidiary undertakings	**115.5**	122.1
Taxation and social security	**0.8**	1.0
Accruals and deferred income	**3.3**	4.6
	121.9	130.1

6 Lease obligations

£million	Current lease liabilities	Non-current lease liabilities	Total
At 31 December 2019	0.2	1.0	1.2
Capital repayments	–	(0.2)	(0.2)
At 31 December 2020	**0.2**	**0.8**	**1.0**

7 Share capital

£million	2020	2019
Issued, called up and fully paid		
174,580,743 (2019: 164,038,978) ordinary shares of 25p each	**43.6**	41.0

On the 22 September 2020 the Group issued 10,000,000 ordinary shares to fund the acquisition of Torotel. The consideration received was £19.5 million (after fees of £0.5 million which were recorded within admin expenses) which was represented by a £2.5 million increase in share capital and a £17.0 million increase in share premium.

During the period the Company issued 455,265 ordinary shares as a result of share options being exercised under the Sharesave scheme and Share Purchase plans. The aggregate consideration received was £0.7 million, which was represented by a £0.1 million increase in share capital and a £0.6 million increase in share premium.

The performance conditions of the Long-term Incentive Plan awards issued in 2017 and Restricted Share Plan awards issued in 2018, 2019 and 2020 were met and shares were allocated to award holders from existing shares held by an Employee Benefit Trust for £nil consideration. 86,500 new shares were also issued at par value of 25 pence to settle the vesting of part of the 2017 scheme.

8 Share-based payments
Details of share-based payments are shown in note 25 of the Consolidated financial statements.

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 loss after tax of the Company for the year was £14.9 million (2019: £153.6 million). The auditor's remuneration for audit services is disclosed in note 7 to the Consolidated financial statements.

10 Pension schemes

Defined benefit scheme

In the year ending 31 December 2019 the TT Group pension scheme merged with the Stadium Group pension scheme and the Company assumed the net liabilities of £1.0 million for no consideration at that date.

The triennial valuation of the TT Group scheme as at April 2019 showed a net surplus of £0.3 million against the Trustee's funding objective compared with a deficit of £46.0 million at April 2016. As the scheme was fully funded at the 2019 triennial valuation date, there is no requirement for the Company to pay pension contributions. In addition to the statutory funding objective, the Trustee and Company have agreed to move towards a 'self-sufficient' funding target, under which once full funding is achieved the likelihood of the Trustee requiring subsequent contributions from the Company is significantly reduced. To support the scheme's long-term funding target of self-sufficiency the Company has agreed to pay additional fixed contributions extending to 2023 to the TT Group scheme. These planned contributions amount to £5.5 million, £5.7 million and £4.4 million to be paid in the years 2021 to 2023.

In the year ended 31 December 2020 the Group made contributions of £5.3 million to the TT Group scheme.

In addition, the Company has set aside £2.5 million under a legal agreement to be utilised in agreement with the Trustee for reducing the long-term liabilities of the scheme. Further details of the scheme are provided in note 23 to the Group 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 including employee salary exchange contributions in respect of the year ended 31 December 2020 were £0.6 million (2019: £0.6 million).

11 Deferred tax

The deferred tax asset of £3.1 million comprises £0.7 million in respect of share-based payments (2019: £1.3 million) the movement in which has been recognised in equity (£0.3 million) and profit (£0.3 million) ; £1.3 million in respect of non-current assets (2019: £1.2 million) the movement in which has been recognised in profit (£0.1 million); and £1.1 million in respect of tax losses (2019: £0.4 million) the movement in which has been recognised in profit (£0.7 million).

The deferred tax liability of £6.6 million is in respect of the pension asset (2019: £3.6 million), the movement in which has been recognised in equity (£2.2 million) and profit (£0.8 million).

12 Employee information

The average number of full time equivalent employees (including Directors) during the year was 64.

13 Cash at bank and in hand

Within cash and cash equivalents the Group has set aside £2.5 million (2019: £2.5 million) under a legal agreement to be utilised in agreement with the Trustee for reducing liabilities of the pension scheme. Further details of the scheme are provided in note 23 to the Group financial statements.

14 Related party transactions

During 2020 and 2019, the Company did not have any related party transactions other than with wholly owned subsidiaries.

Notes to the Company financial statements
continued

15 Subsidiary undertakings
The following entities are 100% owned with only ordinary shares in issue, unless otherwise stated. The country of incorporation matches the country in which the registered office/principal place of business is located.

Name of subsidiary undertaking	Registered office/principal place of business
TT Electronics Ltd	(1)
Dongguan Arlec Electrical Products Co. Limited (capital contribution)	(2)
Shanghai Hongbian Electronics Co. Limited (capital contribution)	(3)
TT Electronics Integrated Manufacturing Services (Suzhou) Co., Ltd	(4)
Ying Si Ke Electrical Products Co. Limited (capital contribution)	(2)
TT Electronics SAS	(5)
TT Electronics GmbH	(6)
Precision International Holdings Limited	(7)
Stadium Asia Limited	(8)
STMC Limited	(8)
TT Electronics Srl	(9)
BI Technologies Corporation SDN BHD (ordinary and preference shares)	(10)
BI Technologies S.A. de C.V.	(11)
Optron de Mexico S.A. de C.V.	(12)
TT Electronics Roxspur (Poland) Sp. z o. o.	(13)
TT Electronics Asia Pte Ltd	(14)
TT Electronics Sweden AB	(15)
Aero Stanrew SARL	(16)
AB Connectors Limited	(17)
AB Electronic Components Limited	(18)
Abtest Limited	(19)
Aero Stanrew Group Limited (ordinary and preference shares) [1,2]	(20)
Aero Stanrew Limited	(20)
Automotive Electronic Systems Limited [1]	(18)
BI Technologies Limited [2]	(18)
Cable Realisations Limited (in liquidation)	(18)
Commendshaw Limited [1]	(18)
Controls Direct Limited [2]	(18)
Crystalate Electronics Limited	(18)
Dale Electric International Limited [1,2]	(18)
Deltight Washers Limited [2]	(18)
Ferrus Power Limited [2]	(18)
Fox Industries Limited [2]	(18)
Hale End Holdings Limited [2]	(18)
Kingslo Limited [2]	(18)
KRP Power Source (UK) Limited [2]	(18)
Linton and Hirst Group Limited [2]	(18)
Midland Electronics Limited	(18)
MMG Linton and Hirst Limited [2]	(18)
Nulectrohms Limited [2]	(18)
Rodco Limited (60% owned) [1,2]	(18)
Roxspur Measurement & Control Limited	(18)
Semelab Limited	(21)
Sensit Limited [2]	(18)
Stadium Electrical Holdings Limited [2]	(18)
Stadium Electronics Limited [2]	(18)

15 Subsidiary undertakings continued

Name of subsidiary undertaking	Registered office/principal place of business
Stadium IGT Limited	(18)
Stadium Power Limited	(18)
Stadium United Wireless Limited [2]	(18)
Stadium Wireless Devices Limited [2]	(18)
Stadium Zirkon UK Limited [2]	(18)
Stontronics Limited [2]	(18)
The Brearley Group Limited [2]	(18)
TT Asia Holdings Limited	(18)
TT Automotive Electronics Limited [2]	(18)
TT Electronics Advanced Technology Centre (Nottingham) Limited	(18)
TT Electronics Europe Limited [1,2]	(18)
TT Electronics Fairford Limited	(22)
TT Electronics Group Holdings Limited [1]	(18)
TT Electronics Holdco Limited	(18)
TT Electronics Integrated Manufacturing Services Limited	(19)
TT Electronics IoT Solutions Limited [1]	(18)
TT Group Limited [2]	(18)
TT Power Solutions Limited [2]	(18)
TTE Trustees Limited [1,2]	(18)
TTG Investments Limited [1]	(18)
TTG Nominees Limited [1,2]	(18)
TTG Pension Trustees Limited [1,2]	(18)
TTG Properties Limited [1]	(18)
TT-UR Precision Resistors Limited	(18)
Valuegolden Limited [2]	(18)
Welwyn Components Limited	(23)
Welwyn Electronics Limited [2]	(18)
Wolsey Comcare Limited [2]	(18)
Zirkon Holdings Limited [2]	(18)
AB Interconnect, Inc.	(24)
Apsco Holdings, Inc	(24)
BI Technologies Corporation	(24)
Cletronics N.A. Inc,	(25)
International Resistive Company Inc	(24)
International Resistive Company of Texas, LLC	(26)
Optek Technology Inc	(24)
Power Partners, Inc	(27)
Precision, Inc	(28)
Stadium Group, Inc	(25)
Torotel, Inc	(29)
Torotel Products, Inc	(29)
TT Electronics Integrated Manufacturing Services, Inc	(30)
TT Electronics Power Solutions (US), Inc	(25)
TT Group Industries, Inc.	(24)

Notes to the Company financial statements
continued

15 Subsidiary undertakings continued

(1) Newton Industrial Park, Christchurch, Barbados, West Indies
(2) 4th Building, F Zone, Zheng Wei Science Park, Dongkeng Town, Dongguan City, Guangdong, China
(3) Room 404-A69, East of Building 1, 29 Jia Tai Road, China (Shanghai) Pilot Free Trade Zone, China
(4) 158-24 Hua Shan Road, Snd Suzhou, 215129, China
(5) 4 place Louis Armand, 75012 Paris, France
(6) Max-Lehner-Strasse 31, 85354, Freising, Germany
(7) Room RA21, 6th Floor, Woon Lee Commercial Building, No. 7-9 Austin Avenue, Tsim Sha Tsui, Kowloon, Hong Kong
(8) Unit A, 3/F, Bamboos Centre, 52 Hung To Road, Kwun Tong, Kowloon, Hong Kong
(9) Via Santa Redegonda N. 11, Milano, Italy
(10) Lot 6.05, Level 6, KPMG tower, 8 First Avenue, Bandar Utama 47800 Petaling Jaya, Selangor, Darul Ehsan, Malaysia
(11) Ave Circulo de la Amistad No.102, Parque Industrial Mexicali IV, Mexico
(12) Ave Rio Bravo 1551-a, Parque Industrial Rio Bravo, CD. Juarez Chihuahua, Mexico
(13) Williama Heerleina Lindleya St. 16, Warsaw, 02-013, Poland
(14) 2 Shenton Way, #18-01 SGX Centre 1, 068804, Singapore
(15) Gullfossgatan 3, 164 40 Kista, Sweden
(16) 60 avenue de l'Uma, La Soukra 2036, Tunisia
(17) Abercynon, Mountain Ash, Rhondda Cynon Taff, CF45 4SF, Wales
(18) Fourth Floor, St Andrews House, West Street, Woking, Surrey, GU21 6EB, England
(19) Unit 1, Tregwilym Industrial Estate, Rogerstone, Newport, Gwent, NP10 9YA, Wales
(20) Unit 1 Gratton Way, Roundswell Business Park, Barnstaple, Devon, EX31 3AR, England
(21) Coventry Road, Lutterworth, Leicestershire, LE17 4JB, England
(22) London Road, Fairford, Gloucestershire, GL7 4DS, England
(23) Welwyn Electronics Park, Bedlington, Northumberland, NE22 7AA, England
(24) Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, United States
(25) CT Corporation System, Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States
(26) Corporation Service Company, 211 East 7th Street, Suite 620, Austin, TX 78701-3218, United States
(27) 43 Broad Street, Suite B206, Hudson, MA01749, United States
(28) 1700 Freeway Boulevard, Minneapolis, MN 55430, United States
(29) 520 N Rogers Road, Olathe, KS66062, United States
(30) CT Corporation System, 4400 Easton Commons Way, Suite 125, Columbus, OH43219, United States

1 Shares held directly by TT Electronics plc
2 Dormant UK subsidiary

Five year record

£million (unless otherwise stated)	**2020**	2019 [4] [5]	2018 [5]	2017 [1]	2016 [2] [5]
Revenue	**431.8**	478.2	429.5	361.1	332.7
Operating profit [5]	**6.6**	16.9	16.5	20.0	18.8
Adjusted operating profit [3] [5]	**27.5**	38.1	33.4	24.3	20.6
Profit before taxation [5]	**2.9**	13.2	14.6	17.7	14.3
Adjusted profit before taxation [3] [5]	**23.8**	34.4	31.5	22.0	16.1
Earnings (continuing) [5]	**1.3**	12.4	13.0	15.7	11.9
Adjusted earnings [3] [5]	**19.5**	29.0	26.2	19.4	10.3
Earnings per share – continuing (pence) [5]	**0.8**	7.6	8.0	9.7	7.3
Adjusted earnings per share (pence) [3] [5]	**11.7**	17.8	16.2	10.9	6.4
Dividends – paid and proposed	**8.2**	11.4	10.5	9.4	9.0
Dividend per share – paid and proposed (pence)	**4.7**	7.0	6.5	5.8	5.6
Average number of shares in issue	**166.5**	163.1	161.8	161.7	162.2
Net (debt)/funds	**(83.9)**	(69.1)	(41.7)	47.0	(55.4)
Total equity [4] [5]	**298.0**	268.0	280.1	267.5	233.4

Notes
1 Results for 2017 have been restated for IFRS 15.
2 Results for 2016 have been restated for IFRS 15 and re-presented to exclude discontinued operations.
3 Adjusted operating profit, profit before taxation, adjusted earnings and adjusted earnings per share exclude the impact of restructuring costs, asset impairments and acquisition and disposal related costs.
4 Equity for 2019 has been restated for an adjustment to the assessment of IFRS15 as described in note 1h.
5 Profit measures for 2019 and equity for 2019 and 2018 have been as described in note 1h.

Reconciliation of KPIs and non IFRS measures

In accordance with the Guidelines on APMs issued by the European Securities and Markets Authority (ESMA), additional information is provided on the APMs used by the Group below.

To assist with the understanding of earnings trends, the Group has included within its financial statements APMs including adjusted operating profit and adjusted profit. The APMs used are not defined terms under IFRS and therefore may not be comparable to similar measures used by other companies. They are not intended to be a substitute for, or superior to, GAAP measures.

Management uses adjusted measures to assess the operating performance of the Group, having adjusted for specific items as detailed in note 8. They form the basis of internal management accounts and are used for decision making, including capital allocation, with a subset also forming the basis of internal incentive arrangements. By using adjusted measures in segmental reporting, this enables readers of the financial statements to recognise how incentive performance is targeted. Adjusted measures are also presented in this announcement because the Directors believe they provide additional useful information to shareholders on comparable trends over time. Finally, this presentation allows for separate disclosure and specific narrative to be included concerning the adjusting items; this helps to ensure performance in any one year can be more clearly understood by the user of the financial statements.

Income statement measures:

Alternative Performance Measure	Closest equivalent statutory measure	Note reference to reconciliation to statutory measure	Definition and purpose
Adjusted operating profit	Operating profit	Adjusting items as disclosed in note 8	Operating profit from continuing operations excluding the impacts of significant restructuring programmes; significant one-off items including property disposals, business acquisition and divestment related activity; and the amortisation of intangible assets recognised on acquisition. Business acquisition and divestment related items include the writing off of the pre-acquisition profit element of inventory written up on acquisition, other direct costs associated with business combinations and adjustments to contingent consideration related to acquired businesses. Costs arising from significant changes in footprint (including movement of production facilities) and significant costs of management changes are also excluded. To provide a measure of the operating profits excluding the impacts of significant items such as restructuring or acquisition related activity and other items such as amortisation of intangibles which may not be present in peer companies which have grown organically.
Adjusted operating margin	Operating profit margin	Adjusting items as disclosed in note 8	Adjusted operating profit as a percentage of revenue. To provide a measure of the operating profits excluding the impacts of significant items such as restructuring or acquisition related activity and other items such as amortisation of intangibles which may not be present in peer companies which have grown organically.
Adjusted earnings per share	Earnings per share	See note 11 for the reconciliation and calculation of adjusted earnings per share	The profit for the year attributable to the owners of the Group adjusted to exclude the items not included within adjusted operating profit divided by the weighted average number of shares in issue during the year. To provide a measure of Earnings per Share excluding the impacts of significant items such as restructuring or acquisition related activity and other items such as amortisation of intangibles which may not be present in peer companies which have grown organically.

Income statement measures continued:

Alternative Performance Measure	Closest equivalent statutory measure	Note reference to reconciliation to statutory measure	Definition and purpose
Adjusted diluted earnings per share	Diluted earnings per share	See note 11 for the reconciliation and calculation of adjusted diluted earnings per share	The profit for the year attributable to the owners of the Group adjusted to exclude the items not included within adjusted operating profit divided by the weighted average number of shares in issue during the year, adjusted for the effects of any potentially dilutive options. To provide a measure of Earnings per Share excluding the impacts of significant items such as restructuring or acquisition related activity and other items such as amortisation of intangibles which may not be present in peer companies which have grown organically.
Organic revenue	Revenue	See note APM 1	This is the percentage change in revenue from continuing operations in the current year compared to the prior year, excluding the effects of currency movements, acquisitions and disposals. This measures the underlying growth or decline of the business. To provide a comparable view of the revenue growth of the business from period to period excluding acquisition impacts.
Adjusted effective tax charge	Effective tax charge	See note APM 2	Tax charge adjusted to exclude tax on items not included within adjusted operating profit divided by adjusted profit before tax, which is also adjusted to exclude the items not included within adjusted operating profit. To provide a tax rate which excludes the impact of adjusting items such as restructuring or acquisition related activity and other items such as amortisation of intangibles which may not be present in peer companies which have grown organically.
Return on invested capital	None	See note APM 3	Adjusted operating profit for the year divided by average invested capital for the year. Average invested capital excludes pensions, provisions, tax balances, derivative financial assets and liabilities, cash and borrowings and is calculated at average rates taking 12 monthly balances. This measures how efficiently assets are utilised to generate returns with the target of exceeding the cost to hold the assets

Reconciliation of KPIs and non IFRS measures

continued

Statement of financial position measures:

Alternative Performance Measure	Closest equivalent statutory measure	Note reference to reconciliation to statutory measure	Definition and purpose
Net debt	Cash and cash equivalents less borrowings and lease liabilities	Reconciliation of net cash flow to movement in net (debt)/ funds (note 26)	Net debt comprises cash and cash equivalents and borrowings including lease liabilities. This is additional information provided which may be helpful to the user in understanding the liquidity and financial structure of the business.
Leverage (bank covenant)	Cash and cash equivalents less borrowings	N/A	Leverage is the net debt defined as per the banking covenants (net debt (excluding lease liabilities) adjusted for certain terms as per the bank covenants) divided by EBITDA excluding items removed from adjusted profit and further adjusted for certain terms as per the bank covenants. Provides additional information over the Group's financial covenants to assist with assessing solvency and liquidity.
Net capital and development expenditure (net capex)	None	See note APM 4	Purchase of property, plant and equipment net of government grants (excluding property disposals), purchase of intangibles (excluding acquisition intangibles) and capitalised development. A measure of the Group's investments in capex and development to support longer term growth.
Dividend per share	Dividend per share	Not applicable	Amounts payable by dividend in terms of pence per share. Provides the dividend return per share to shareholders.

Statement of cash flows measures:

Alternative Performance Measure	Closest equivalent statutory measure	Note reference to reconciliation to statutory measure	Definition and purpose
Adjusted operating cash flow	Operating cash flow	See note APM 5	Adjusted operating profit, excluding depreciation of property, plant and equipment (depreciation of right-of-use assets is not excluded) and amortisation of intangible assets (amortisation of acquisition intangibles is not excluded) less working capital and other non-cash movements. An additional measure to help understand the Group's operating cash generation.
Adjusted operating cash flow post capex	Operating cash flow	See note APM 6	Adjusted operating cash flow less net capital and development expenditure. An additional measure to help understand the Group's operating cash generation after the deduction of capex.
Working capital cashflow	Cashflow – inventories payables, provisions and receivables	See note APM 7	Working capital comprises of three statutory cashflow figures: (increase)/decrease in inventories, increase/(decrease) in payables and provisions, and (increase)/decrease in receivables. To provide users a measure of how effectively the group is managing its working capital and the resultant impact on liquidity.
Free cash flow	Net increase/ decrease in cash and cash equivalents	See note APM 8	Free cash flow represents cash generated from trading after all costs including restructuring, pension contributions, tax and interest payments. Cashflows to settle LTIP schemes are excluded. Free cash flow provides a measure of how successful the company is in creating cash during the period which is then able to be used by the Group at its discretion.
Cash conversion	None	See note APM 9	Adjusted operating cash flow post capex (less any property disposals which were part of restructuring programmes) divided by adjusted operating profit Cash conversion measures how effectively we convert profit into cash and tracks the management of our working capital and capital expenditure.
R&D cash spend as a percentage of revenue	None	See note APM 10	R&D cash spend and R&D investment as a percentage of revenue excludes Global Manufacturing Solutions which is a manufacturing services business and therefore has no R&D. To provide a measure of the company's expenditure on R&D relative to its overall size which may be helpful in considering the Group's longer term investment in future product pipeline.

Reconciliation of KPIs and non IFRS measures

continued

Non-financial measures:

Alternative Performance Measure	Closest equivalent statutory measure	Note reference to reconciliation to statutory measure	Definition
Employee engagement	Not applicable	Not applicable	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 (as surveyed by Best Companies Ltd). Provides a measure of employee sentiment and engagement.
Safety performance	Not applicable	Not applicable	Safety performance is defined as 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 our facilities worldwide, reflecting our commitment to raising standards globally. Provides users additional information about the Group's commitment and achievements in the area of health and safety.

APM 1 – Organic revenue:

£million	Power and Connectivity	Global Manufacturing Solutions	Sensors and Specialist Components	Total
				2020
2020 revenue	**125.1**	**197.5**	**109.2**	**431.8**
Acquisitions	**11.1**	**–**	**–**	**11.1**
2020 revenue (excluding acquisitions)	**114.0**	**197.5**	**109.2**	**420.7**
2019 revenue	138.2	213.2	126.8	478.2
Foreign exchange impact	(0.1)	(1.1)	(0.2)	(1.4)
2019 revenue at 2020 exchange rates	138.1	212.1	126.6	476.8
Organic revenue decline (%)	**(17%)**	**(7%)**	**(14%)**	**(12%)**

APM 2 – Effective tax charge:

£million	2020	2019 Restated [1]
Adjusted operating profit	**27.5**	38.1
Net interest	**(3.7)**	(3.7)
Adjusted profit before tax	**23.8**	34.4
Adjusted tax	**4.3**	(5.4)
Adjusted effective tax rate	**18.1%**	15.7%

1 'Adjusted operating profit' and 'adjusted tax' have been restated in the comparative period as described in note 1h.

APM 3 – Return on invested capital:

£million	2020	2019 Restated [1]
Adjusted operating profit	**27.5**	38.1
Average invested capital	**357.3**	352.1
Return on invested capital	**7.7%**	10.8%

1 'Adjusted operating profit', 'Average invested capital' and 'Return on invested capital' have been restated in the comparative period as described in note 1h.

APM 4 – Net capital and development expenditure (net capex):

£million	2020	2019
Purchase of property, plant and equipment	**(9.3)**	(14.0)
Proceeds from sale of investment property, plant and equipment and capital grants received	**3.4**	0.4
Capitalised development expenditure	**(3.3)**	(3.9)
Purchase of other intangibles	**(0.8)**	(0.7)
Net capital and development expenditure	**(10.0)**	(18.2)

APM 5 – Adjusted operating cash flow:

£million	2020	2019 Restated [1]
Adjusted operating profit	**27.5**	38.1
Adjustments for:	**–**	–
Depreciation	**14.0**	13.9
Amortisation of intangible assets	**3.0**	4.1
Impairment of property, plant and equipment and intangible assets	**0.2**	–
Other items	**0.7**	2.5
Decrease/(increase) in inventories	**4.2**	(7.6)
Decrease/(increase) in receivables	**11.2**	(4.0)
(Decrease)/increase in payables and provisions	**(11.8)**	10.4
Adjusted operating cash flow	**49.0**	57.4

1 'Adjusted operating profit' and 'Decrease/(increase) in receivables' have been restated in the comparative period as described in note 1h.'Adjusted operating cash flow' remains unchanged.

Reconciliation of KPIs and non IFRS measures

continued

APM 6 – Adjusted operating cash flow post capex:

£million	2020	2019
Adjusted operating cash flow	**49.0**	57.4
Purchase of property, plant and equipment	**(9.3)**	(14.0)
Proceeds from sale of property, plant and equipment and government grants received	**3.4**	0.4
Capitalised development expenditure	**(3.3)**	(3.9)
Purchase of other intangibles	**(0.8)**	(0.7)
Adjusted operating cash flow post capex	**39.0**	39.2

APM 7 – Working capital cashflow:

£million	2020	2019 Restated [1]
Decrease/(increase) in inventories	**4.2**	(7.6)
Decrease/(increase) in receivables	**11.2**	(4.0)
(Decrease)/increase in payables and provisions	**(11.8)**	10.4
Working capital cashflow	**3.6**	(1.2)

1 'Decrease/(increase) in inventories' and 'Working capital cashflow' have been restated in the comparative period as described in note 1h.

APM 8 – Free cash flow:

£million	2020	2019
Net cash flow from operating activities	**28.2**	35.9
Add back: Bonus paid to employees of Torotel which crystallised upon acquisition	**3.8**	–
Net cash flow from investing activities	**(51.9)**	(21.7)
Add back: Acquisition of business	**43.3**	2.4
Add back: Cash with acquired businesses	**(1.4)**	(0.1)
Add back: Tax arising from disposal of subsidiaries	**–**	1.2
Payment of lease liabilities previously reported as operating leases	**(4.1)**	(4.0)
Interest paid	**(3.5)**	(4.0)
Free cash flow	**14.4**	9.7

APM 9 – Cash conversion:

£million	2020	2019 Restated [1]
Adjusted operating profit	**27.5**	38.1
Adjusted operating cash flow post capex	**39.0**	39.2
Exclude: Property disposal proceeds as part of restructuring programmes	**(3.2)**	–
Adjusted operating cash flow used to calculate cash conversion	**35.8**	39.2
Cash conversion	**130%**	103%

1 'Adjusted operating profit' and 'Cash conversion' have been restated in the comparative period as described in note 1h.

APM 10 – R&D cash spend as a percentage of revenue:

£million	2020	2019
Revenue (excluding GMS)	**234.3**	265.0
R&D cash spend	**11.2**	13.5
R&D cash spend as a percentage of revenue	**4.8%**	5.1%

SHAREHOLDER INFORMATION

Ex-dividend date for final dividend	29 April 2021
Record date for final dividend	30 April 2021
AGM and trading update	13 May 20201
Final dividend payment	21 May 2021
2021 half-year results	5 August 2021
Preliminary announcement of 2021 results	March 2022
Annual Report 2021	April 2022

Dividends
See page 47 for details on the dividend amount per share.

Annual General Meeting ("AGM")
In 2020, the UK Government's "Stay at Home measures" resulted in attendance at the AGM in person being limited to two shareholders (the CFO and the Company Secretary), with shareholders being encouraged to vote by proxy and to submit questions in advance by email. The next AGM will be held on 13 May 2021 at 11.30am. Details of the AGM procedure for 2021 are set out in detail in the enclosed Notice of Annual General Meeting.

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

Share capital
The Company's issued share capital comprises a single class of share capital divided into ordinary shares of 25 pence each. All issued shares are fully paid. The share capital during the year is shown in note 24 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, a copy of which can be obtained from Companies House in the United Kingdom or by writing to the Group General Counsel and Company Secretary. Subject to applicable statutes, shares may be issued with such rights and restrictions as the Company may decide by ordinary resolution, 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.

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. You can find further details regarding voting at the Annual General Meeting in the Notice of the Annual General Meeting which accompanies this document. None of the ordinary shares carries 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 their 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 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 grounds 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 or the Market Abuse Regulations 2015); 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.

Share dealing services

Shareview Dealing is a telephone and internet service provided by Equiniti. It offers 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 8.00 am and 4.30 pm, Monday to Friday (except bank holidays), for more information about this service and for details of the rates and charges. Please note that telephone lines remain open until 6.00 pm for enquiries.

A daily postal dealing service is also available and a form, together with terms and conditions, can be obtained by calling 0371 384 2248*. Commission is 1.90 per cent with a minimum charge of £70.

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.

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.

If you would like any multiple accounts combined into one account, please write to Equiniti Limited at the address given on this page.

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 8 March 2021 and 31 December 2020.

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.

Shareholder enquiries

Equiniti maintains 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 0371 384 2396*
(or +44 121 415 7047 if calling from outside the United Kingdom)

Equiniti also offers a range of shareholder information on-line at www.shareview.co.uk

Website

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

* Lines are open from 8.30 am to 5.30 pm, Monday to Friday (except bank holidays).

	8 March 2021		31 December 2020	
	Number	%	Number	%
BlackRock, Inc	16,966,544	9.7	16,893,315	9.7
Aberforth Partners LLP	14,832,779	9.1	14,832,779	9.1
M&G plc	8,417,742	5.1	8,417,742	5.1
Polar Capital LLP	8,628,496	5.0	8,628,496	5.0
Aberdeen Asset Management Ltd	7,835,077	4.8	7,835,077	4.8
NN Group N.V.	7,815,000	4.8	7,815,000	4.8
Franklin Templeton Management Ltd	7,590,000	4.6	7,590,000	4.6

GLOSSARY

AGM	Annual General Meeting
BE Inspired	a TT initiative to deliver improved employee performance
BE Lean	a TT initiative to improve operational efficiency
BE TT	Build Expertise in TT
BD	Business Development
bn	billion
bps	basis point
CAGR	Compound Annual Growth Rate
CBI	Confederation of British Industry
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash Generating Unit
CNI	Communications, Navigation and Identification
CPI	Consumer Prices Index
CREST	Certificateless Registry for Electronic Share Transfer
DC	Direct Current
EBT	Employee Benefit Trust
ED&I	Equality, Diversity and Inclusion
ELT	Executive Leadership Team
FX	Foreign Exchange
EICC	Electronics Industry Citizenship Coalition
ELT	Executive Leadership Team
EPS	Earnings Per Share
ESG	Environmental, Social and Governance
EU	European Union
EVP	Executive Vice President
FBU	Fair, Balanced and Understandable
FRC	Financial Reporting Council
FRS	Financial Reporting Standards
FTSE	Financial Times Stock Exchange
GAAP	Generally Accepted Accounting Principles
GBP	Pounds Sterling (£)
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GMS	Global Manufacturing Solutions
GPS	Global Positioning System
H&S	Health & Safety
H	Half (year)
HFM	Hyperion Financial Management
HR	Human Resources
HSE	Health Safety & Environmental
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IoT	Internet of Things
IT	Information Technology
KPI	Key Performance Indicator

LED	Light Emitting Diode
LVA	Left Ventricular Assist
LIBOR	London Interbank Offered Rate
LLP	Limited liability partnership
LTIP	Long Term Incentive Plan
M&A	Mergers and Acquisitions
M	million
MRI	Magnetic Resonance Imaging
MSCI	Morgan Stanley Capital International
MWh	Megawatt-hour
NED	Non-Executive Director
NPI	New Product Introduction
OECD	Organisation for Economic Co-operation and Development
OEM	Original Equipment Manufacturer
PBT	Profit Before Tax
PLC	Public Limited Company
PPE	Personal Protective Equipment
PSEE	People, Social, Environmental and Ethics
Q	Quarter (year)
R&D	Research and Development
RBA	Responsible Business Alliance
RCF	Revolving Credit Facility
REGO	Renewable Energy Guarantees of Origin
RiSK	Risk in the Supply Chain
RMB	Chinese Yuan
RNS	Regulatory News Service
ROIC	Return on Invested Capital
RPI	Retail Price Index
RSP	Restricted Share Plan
SEC	Securities Exchange Commission
SERC	Streamlined Energy and Carbon Reporting
STIP	Short Term Incentive Plan
STEM	Science, Technology, Engineering and Mathematics
TETS	Transcutaneous Energy Transfer System
TFCD	Task Force on Climate Financial Disclosures
the Board	The Board of Directors of TT Electronics plc
the Code	UK Corporate Governance Code
the Company	TT Electronics plc
the Directors	The Directors of TT Electronics plc
the Group	TT Electronics plc and its subsidiaries
TSR	Total Shareholder Return
TT	TT Electronics plc
TT Way	TT's aspired culture
UK	United Kingdom of Great Britain and Northern Ireland
UN	United Nations
Underlying EBITDA	Underlying Earnings Before Interest, Taxes, Depreciation and Amortisation
USA/US	United States of America

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