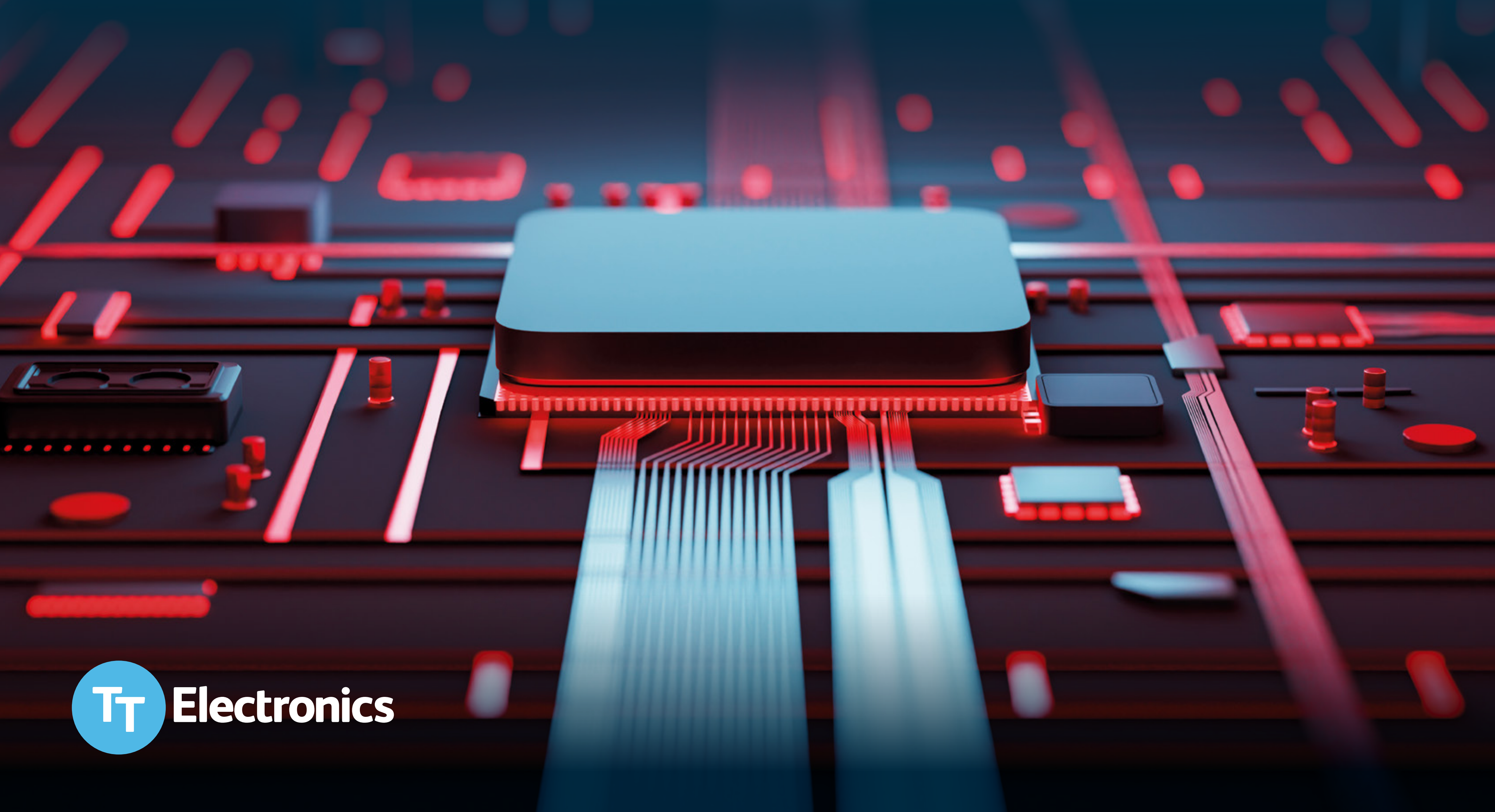
TT ELECTRONICS PLC

ANNUAL REPORT & ACCOUNTS 2023



TT Electronics

TT Electronics

WE ARE A GLOBAL PROVIDER OF DESIGN-LED, ADVANCED ELECTRONICS TECHNOLOGIES FOR PERFORMANCE-CRITICAL APPLICATIONS IN SPECIALISED MARKETS

We solve technology challenges for a sustainable world. We do this by delivering solutions for our customers that enable products that are cleaner, smarter and healthier, and that will benefit our planet and people. Our positioning and offering to customers in markets that are growing well, and our differentiated customer service, are driving strong top line growth for the Group.

Read our report online
www.ttelectronics.com/investors/annual-report/

IN THIS ANNUAL REPORT

Read more on page 4

CHAIRMAN'S STATEMENT

We have delivered against the strategic and operational priorities set for the year, including achieving a significant increase in adjusted operating profit margin to 8.6% and strong free cash flow.

Read more on page 7

CEO Q&A

TT has strong fundamentals: a solid business with leading technologies and great people. It has been a real pleasure meeting my colleagues at our various sites and discussing with them the opportunities we have for further growth and performance enhancements.

Read more on page 29

OUR PEOPLE, COMMUNITIES AND ENVIRONMENT

We are committed to having a positive impact on the world around us through our products and the way we do business.

Read more on page 68

GOVERNANCE

We have a strong governance platform that enables enhanced decision-making.

CONTENTS

2023 PERFORMANCE HIGHLIGHTS

- Excellent business development success, with 37 significant contract awards delivering c. £250 million of potential lifetime revenues
- Delivered an 18% reduction in Scope 1 & 2 emissions
- Broadened our customer offering by extending our capabilities in Mexico
- Successful transfer of Ferranti business to a modern facility in Greater Manchester
- Achieved employee engagement score in line with 3*** 'world class companies to work for'
- Agreement for sale of Cardiff, Hartlepool and Dongguan business units for £20.8 million on cash and debt free basis signed – expected to enhance margins and reduce leverage
- Environmental ratings of B- from CDP and AA from MSCI

REVENUE
£613.9m
2022: £617.0m

ORGANIC REVENUE GROWTH
1%
2022: 20%

RETURN ON INVESTED CAPITAL
12.0%
2022: 10.5%

ADJUSTED OPERATING PROFIT
£52.8m
2022: £47.1m

STATUTORY OPERATING PROFIT
£8.7m
2022: £(3.4)m loss

CASH CONVERSION
92%
2022: 33%

ADJUSTED OPERATING PROFIT MARGIN
8.6%
2022: 7.6%

STATUTORY OPERATING MARGIN
1.4%
2022: (0.6)%

LEVERAGE
1.7x
2022: 2.0x

ADJUSTED EPS
19.2p
2022: 18.2p

STATUTORY EPS
(3.9)p
2022: (7.5)p

DIVIDEND PER SHARE
6.8p
2022: 6.3p

Throughout this Annual Report we refer to a number of Alternative Performance Measures ("APMs") which have been adopted by the Directors to provide further information on underlying trends and the performance and position of the Group. Details of these APMs and a reconciliation to statutory measures can be found on pages 174 to 177.

INSIDE TT ELECTRONICS

WHO WE ARE

We solve technological challenges for a sustainable world.

OUR GLOBAL REACH

We service our global markets from 21 design and manufacturing facilities in Europe, North America and Asia.

Global breakdown

Europe: 9 primary locations
39% of Group revenue

North America: 9 primary locations
37% of Group revenue

Asia: 3 primary locations
24% of Group revenue

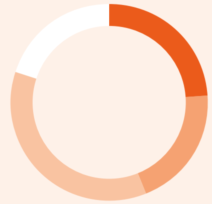
OUR KEY CAPABILITIES

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

Connectivity
Our products support the digitisation of industrial processes, smart infrastructure and automation.

Sensing
Our solutions improve the precision, speed and reliability of critical aspects of customer applications.

% GROUP REVENUE



Healthcare	24%
Aerospace & Defence	20%
Automation & Electrification	36%
Distribution sales channel	20%

OUR CUSTOMERS

Our customers range from start-up businesses to global multi-nationals operating in the healthcare, aerospace, defence, automation, electrification, electronics and energy sectors. We aim to work as part of the customer's team, driving solutions, and with our products and services integral to customers' designs.

Read more on page 16

PEOPLE AND CULTURE

Our talented team of design, engineering and manufacturing experts operate in a supportive culture that champions expertise, innovation, problem-solving and doing the right thing.

Read more on page 29

RESPONSIBLE BUSINESS

We are committed to having a positive impact on the world around us: creating value and enhancing sustainability through our products; the way we do business, including how we look after our employees; and by reducing our environmental footprint. This commitment is described in our purpose and embedded in our strategy as one of our four strategic priorities.

Read more on page 29

OUR DIVISIONS

Power and Connectivity

P&C designs and manufactures custom power and control systems, electromagnetics and connected devices that deliver size, weight and efficiency benefits for high-performance applications.

28% of Group revenue

Read more on page 22

Global Manufacturing Solutions

GMS provides manufacturing services and engineering solutions for our product divisions and to customers that often require a lower volume and higher mix of products, including complex integrated product assemblies and engineering services such as value-engineering and designing testing solutions.

49% of Group revenue

Read more on page 23

Sensors and Specialist Components

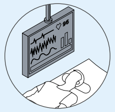
S&SC works with customers to develop high-specification, standard and customised solutions including sensors and power management devices that improve the precision, speed and reliability of applications.

23% of Group revenue

Read more on page 24

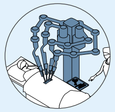
OUR MARKETS

HEALTHCARE



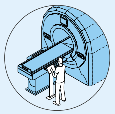
Direct patient care and monitoring

- Patient monitoring equipment, including remote applications
- Anaesthesia machines
- Surgical lighting
- Cardiopulmonary perfusion equipment
- Ventilators and defibrillators
- Fluid monitoring
- Wearable technologies



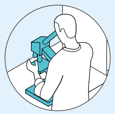
Advanced interventional and surgical devices

- Surgical navigation technology
- Implantable pacemakers and defibrillators
- Neuromodulators
- Implant programmers and chargers
- Ventricular assist systems
- Robotic assisted surgery



Innovative diagnostic and imaging

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



Laboratory and life sciences

- Therapeutic drug monitoring
- Gene sequencing
- Blood analysis
- Pill counting and dispensing
- Portable haemodialysis systems
- Scientific instrumentation

Read more on page 12

AEROSPACE & DEFENCE

Cockpit avionics and flight controls

- Avionics and display units
- Flight controls
- Landing gear
- Joystick controls
- Wing de-icing

Engine controls and fuel systems

- Engine control units
- Fuel distribution systems
- Engine ice protection
- Auxiliary power units

Electric propulsion

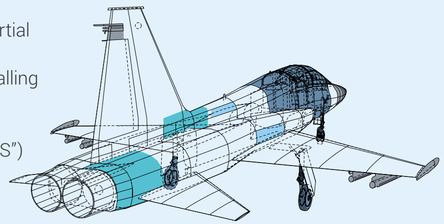
- On board systems for electric flight

Aircraft interiors

- Passenger control units
- In-flight entertainment systems
- Cabin signage
- Mood and ambient lighting

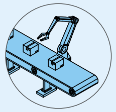
Precision guidance, communication and navigation systems

- Laser targeting and inertial navigation
- Communications, signalling and navigation
- Precision guidance
- Global positioning ("GPS")
- Radar and radar jammers



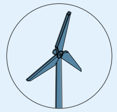
Read more on page 13

AUTOMATION & ELECTRIFICATION



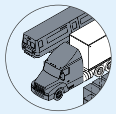
Factory automation and electrification

- Industrial robotics and automation equipment
- Power monitoring
- Industrial safety and security controls
- Smart packaging and labelling equipment
- Electric vehicle inverter technology



Clean energy and smart cities

- 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
- Energy-efficient home appliances



Smart infrastructure and industrial connectivity

- Transportation communication systems
- Electric vehicles and charging stations
- Railway signalling systems and temperature control
- Data centre power
- Asset tracking and inventory management systems
- Communication and cloud service connectivity

Read more on page 14

CHAIRMAN'S STATEMENT

CONTINUING PROGRESS

"I am very pleased to report a year of strong and improved operational and financial progress for TT. We have delivered against the strategic and operational priorities set for the year, including achieving a significant increase in adjusted operating profit margin to 8.6% and strong free cash flow. While mindful of the wider macroeconomic environment, the outlook for the Group is good, underpinned by the strength and visibility of our order book, robust demand and growth in our end markets, and planned operational and strategic initiatives under our new CEO, Peter France."

Warren Tucker
Chairman

BUSINESS PERFORMANCE

In 2023 TT delivered on all priorities set at the beginning of the year. A strong order book was converted into revenue and double-digit operating profit growth; our margin increased by 110 bps at constant currency; and we saw an improved performance in the P&C business. From a balance sheet perspective, strong free cash flow generation resulted in reduced debt and a further reduction in leverage to 1.7x.

We also invested substantially in the business to enhance our pipeline of new products and build capacity to meet existing and future demand from customers. Organic investment in the business totalled £33.2 million, with £10.8 million spent on R&D and £22.4 million on capex, in particular to support the move to our new flagship P&C facility in Greater Manchester, UK and the expansion of manufacturing capacity in Mexicali, Mexico where we are seeing significant demand from some GMS customers looking to near-shore.

WHAT MAKES US DIFFERENT?

Our target markets have strong, long-term structural growth potential supported by the megatrends we are aligned to.

We have a culture of expertise and our teams are passionate about finding solutions to the world's toughest technology challenges.

We are focused on design-led technology, creating bespoke technology solutions for customer applications.

Our success has been built on engaging deeply with our customers and becoming real partners.

See Our markets on page 12 and **Our business model** on page 11

Our success has been built on engaging deeply with our customers to build long-term relationships where we collaborate right from the early stages of product development. This embeds us deeply in their value chains and creates the opportunity for multi-year revenues.

In 2023 we secured 37 significant contract wins with the potential to deliver c. £250 million of lifetime revenues across our three end markets. These wins included optical sensors for a new blood gas analysis device and a power module for a leading aerospace manufacturer that will advance electric propulsion in the sector (see page 6).

We are absolutely focused on continuing to develop our capabilities and our relationships with customers so that we are in the best position to take advantage of expected growth from the megatrends driving our markets.

APPOINTMENT OF NEW CEO

After a thorough and wide-ranging recruitment exercise, we were delighted that Peter France agreed to join us as our new CEO in October, with our prior succession planning being a meaningful accelerator.

Peter was quickly identified as the stand-out candidate for the role early in the search process with the undoubted calibre and experience to progress our change agenda in the coming years. He brings with him an unparalleled track record in the industrial engineering and manufacturing sector having been CEO of ASCO Group, and with a 28-year career at Rotork plc, including nine years as CEO. The Board is very much looking forward to working with Peter to build on our strong foundations and accelerate the execution of our strategy for sustainable disciplined growth.

On behalf of the Board, I express sincere thanks for the enormous contribution made by our outgoing CEO, Richard Tyson, to the Group. Richard served as CEO for over nine years and oversaw the transformation of the business to address higher growth market sectors and the development of the capabilities and culture that TT enjoys today. He leaves the Group with our very best wishes for the future.

PEOPLE AND CULTURE

TT is, at its heart, a people business. In a competitive marketplace we aim to make TT stand out as an employer where people are happy and proud to work because their needs are being met, whether that is the opportunity to work flexibly, feeling included at work, or career progression. I am proud of the incredible progress we are making in this area which is obvious at the sites visited by members of the Board in 2023.

The 3*** score achieved in our latest employee engagement survey (the highest rating possible) is testament to the efforts of everyone at TT to keep building our culture and make us a great place to work. We really focused on encouraging our employees to make their voice heard in the survey this year, concluding with a record 91% globally completing the survey, up from 86% in previous years.

NET ZERO

Thanks to our highly motivated teams we continue to advance our transition to Net Zero. We have developed a road map to Net Zero Scope 1 & 2 emissions in 2035 (page 45) and are on track with our operational emissions now down 62% from our 2019 baseline and renewable electricity at 53% of total electricity use. We have also completed assessment and measurement of our Scope 3 emissions with the intention of improving collection methods and validation in 2024. The Board was pleased that our first solar project in Kuantan, Malaysia came on stream during the year and to see the start of our next solar project in Mexicali, Mexico. Peter has visited both facilities, along with the vast majority of the sites in the Group.

We are pleased that our focus on ESG matters is recognised externally, with a rating of "AA" in the latest MSCI ESG Ratings assessment and a "B-" rating from CDP.

GOVERNANCE AND BOARD ACTIVITY

In addition to the appointment of Peter France, there were two changes to the Board in 2023 when we welcomed Michael Ord and Wendy McMillan as Non-executive Directors in January. We benefited during the year from their wealth of experience, particularly the valuable insight provided by Michael as a serving CEO of a UK listed company. We were saddened that, having accepted a new executive position with a third-party organisation, Wendy had to step down from the Board in November. TT has since engaged an external recruitment firm to start the process of identifying suitable candidates for the next phase of NED succession planning and we are hopeful that this will contribute further to our gender, ethnic and overall diversity on our Board in the future.

While a significant portion of Board time was spent on succession planning and appointments, the Board was able to spend a large amount of time on strategic initiatives which, in 2023, have included the continued strengthening of TT's capital structure; our deleveraging imperative; strengthening internal controls; investment in the business for future growth; delivery of organic growth; equality, diversity & inclusion ("ED&I"); and Health & Safety. We also continued to pay close attention to TT's sustainability agenda and our people and culture objectives, both of which are considered critical to future success.

Our 2023 Board evaluation exercise once again reinforced the positive working dynamics of the Board and its Committees, and I thank my colleagues for this and for all their support during the year.

"Our 2023 Board evaluation exercise once again reinforced the positive working dynamics of the Board and its Committees, and I thank my colleagues for this and for all their support during the year."

Read more about governance and board activity on page 72

DIVIDEND

Given our strong trading performance in 2023 and the positive outlook for 2024 and beyond, the Board is proposing a final dividend of 4.65 pence per share. When combined with our interim dividend of 2.15 pence per share this represents a dividend increase of 8% vs 2022.

Warren Tucker
Chairman
6 March 2024

CASE STUDY

INSIDE TT ELECTRONICS

TT SOLUTIONS DRIVING THE ELECTRIC FLIGHT REVOLUTION

Electric propulsion is rapidly revolutionising mobility technologies across industries, including flight, where a key UK aerospace OEM is a leader in the journey to "jet zero".

A new long-term partnership with the manufacturer has the potential to deliver revenue for TT in excess of £30 million over the course of the contract once fully in production and incorporated into a range of applications supporting electric flight and other low-carbon projects.

The cornerstone of the partnership is TT's development of a new power module to advance propulsion systems for electric aircraft applications. State-of-the-art technology in the E Drive 150 Power Module will enhance electrical switching functionalities in key on board systems such as electric starter generators, cabin air systems, electric pumps, and electric actuation for test, and later, production models. The E Drive 150 also has the potential for use in other sectors served by the company including urban air mobility and small modular nuclear reactors.

The agreement, furthermore, presents an opportunity for TT to expand its capabilities in silicon carbide power modules, a rapidly growing market segment becoming crucial in the drive to electrify aerospace and sectors such as energy storage.

TT was chosen as partner based on the collaborative approach demonstrated in our existing relationship, our power module expertise, and the team's determination to develop a solution to this complex challenge. The first order for work under the agreement was secured in November 2023 and we look forward to working on this new programme over many years.

The landmark agreement had the additional benefit of kickstarting an exciting opportunity for TT to participate in an ambitious collaboration with the product development facilities of the UK Driving the Electric Revolution ("DER") initiative. The DER is a UK government-funded programme supporting the acceleration of electrical power technology development and the creation of a resilient cross-sectoral UK manufacturing supply chain to underpin automotive electrification and the transition to a low-carbon economy.

LIFETIME REVENUE POTENTIAL

£30m+

The E Drive 150 also has the potential for use in other sectors served by the manufacturer including urban air mobility and small modular nuclear reactors.

STRATEGIC REPORT
GOVERNANCE & DIRECTORS' REPORT
FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

CHIEF EXECUTIVE OFFICER

Q&A

"The positive feeling from my initial review is that the business is in a good place with several structural improvements already made by the team. We have a strong foundation to launch our accelerated performance strategy that will deliver a stronger balance sheet, improved margins and disciplined growth."

Peter France
CEO

Q

What are your initial thoughts as you approach the end of your first 100 days?

Firstly on the business?

It is a great honour to have been appointed CEO of TT Electronics in early October. The role was attractive as I could see a company with a strong culture and highly technical products focused on attractive end markets.

As I have visited our various locations, it is clear that my initial thoughts were well founded. TT has strong fundamentals: a solid business with leading technologies and great people. It has been a real pleasure meeting my colleagues at our various sites and discussing with them the opportunities we have for further growth and performance enhancements. It has also been good to meet a number of other stakeholders including customers and shareholders and hear from them on how TT can support their objectives.

The partnership with our customers is something that has been evident during my first few months and our engineering expertise, along with our manufacturing capability, provides a solid platform to accelerate growth and improve execution.

On the people and culture?

The strength of the TT culture and the great people we employ has been evident as I visited our sites during my induction process. The depth of our domain knowledge and appreciation of this by key customers is also clear in my early conversations with some customers.

The TT Way ensures we take care of our teams around the world; I have been pleased to hear about a recent focus on employee welfare support, not just physical but also financial, through a range of schemes.

I will continue the focus on attracting and retaining diverse talent who can contribute to our success and

ADJUSTED OPERATING PROFIT MARGIN

8.6%

CHIEF EXECUTIVE OFFICER Q&A CONTINUED

who share our values. Looking after our people is critical and the focus on safety, talent and development providing interesting work and strong career paths is something that I am passionate about but is an area where we can still do more.

I was pleased to see the results of the recent Group-wide engagement survey indicating that we have a highly engaged workforce and I have seen that for myself during my site visits.

Q

What does sustainability mean to you?

Sustainability is an important topic personally and as a good corporate citizen it is important that we do all we can to protect the planet. For me, part of the attraction of joining TT was its ability to be part of the solution, be front and centre with the components and products we provide to our customers that enable them to meet their own sustainability objectives. We, as TT, need to ensure the opportunities presented to us by the move to a lower-carbon world are clearly understood whether it be by our customers, our investors or employees, and that it is an integral part of our purpose. On my visits I was able to hear about TT's work across a number of our sites with one of the world's leading engine manufacturers to spearhead the development of electronic power modules and electromagnetics to power a wide range of aircraft systems.

I have been impressed by the progress already made in reducing our own emissions and confirm that we will continue to prioritise our journey to Net Zero.

Q

Do you think that TT is exposed to the right end markets given your margin ambitions and need to deliver through cycle growth?

TT's end market exposure has been deliberately targeted towards those areas exposed to megatrends exhibiting structural growth: healthcare including life sciences, aerospace & defence, and automation & electrification.

I believe these markets are the right focus areas for growth and investment. We will continue to develop products and sales channels to maximise our position in these attractive end markets.

Q

What are the results of your business review?

We will explore the results of my in-depth business and strategy review at a Capital Markets Seminar in April.

The positive feeling from my initial review is that the business is in a good place, with several structural improvements already made by the team. The divestment of the business units in Hartlepool and Cardiff, UK and Dongguan, China is a great example of the simplification and value creation we can achieve. We have a strong platform from which to accelerate growth. Alongside this, I see a number of opportunities across the Group to create additional value, namely additional focus on operational excellence, commercial discipline and innovation.

Q

What are your thoughts on the strategy for the Company?

I think we are going in the right direction but we now need to focus on execution and speed of delivery. My thoughts and approach will be shared as part of our business review update.

2023 CONTRACT AWARDS

37
SIGNIFICANT AWARDS

CHIEF EXECUTIVE OFFICER Q&A CONTINUED

Q

What do you believe is the margin potential of the Group?

There are many Group initiatives already set in train throughout the business to create additional value and I will accelerate the delivery of these projects. A first step in driving improved margins is the recently announced divestment of business units in Hartlepool and Cardiff, UK and Dongguan, China. This together with our focus on costs and pricing discipline and the conclusion of pass-through margin impact, alongside operational leverage from growth, underpins our confidence in achieving 10% operating margin in 2024.

Q

Thoughts on the balance sheet?

Our attention in the short term is to strengthen the balance sheet and generate strong cash flow. In 2024 we will focus on maintaining capital discipline and careful use of the balance sheet to facilitate continued investment; M&A will be focused on in future years.

Q

What are you excited about as you look into 2024?

Given the strength and visibility of the order book, current end market activity and operational improvement initiatives that are underway, while mindful of the wider macro environment, we are on track to deliver a 10% operating margin in 2024. There is a lot to do but it will be an exciting journey.

THE TT MANAGEMENT BOARD

Our new Management Board ("TMB") replaced the previous Executive Leadership Team structure on 1 March 2024.

Peter France
Chief Executive Officer

Mark Hoad
Chief Financial Officer

Mike Leahan
EVP Commercial

Stewart Partridge
EVP Operations

Ian Buckley
Group General Counsel and Company Secretary (designate)

Clare Nicholls
EVP Human Resources

An EVP Engineering will be appointed to the TMB in the near future

EXTERNAL RECOGNITION

We are pleased to continue to receive external recognition for ESG matters

AA

We received a rating of "AA" in the 2023 MSCI ESG Ratings assessment, placing TT in the leading companies in its sector group

B-

We also participate in CDP's annual climate change survey. We received a "B-" (management level) rating in 2023 for our 2022 data submission

CASE STUDY

INSIDE TT ELECTRONICS

SUPPORTING THE UK'S FUTURE AS A GLOBAL LEADER IN INTEGRATED AIR COMBAT

Building on existing work on the UK Tempest programme, TT was awarded a further contract during 2023 to support feasibility studies for advanced electrical power solutions on the sixth-generation Tempest fighter aircraft entering service from 2035 in the UK's future combat air system ("FCAS").

The Team Tempest consortium is composed of the UK Ministry of Defence and industry partners BAE Systems, Rolls-Royce, Leonardo UK and MBDA, working together to deliver an FCAS that pioneers advanced technology including deep learning AI, the ability to fly unmanned, and a virtual helmet cockpit to stay ahead of evolving threats.

This award expands the longstanding business relationship and multiple development and manufacturing touchpoints between TT and BAE Systems on the Tempest and other new military aircraft as well as a range of other high-profile military platforms in the UK and Europe. These include the Boxer mechanised infantry vehicle programme for which we provide primary power assemblies including battery control units and command display units for signalling and communication, and electrical cable harnesses; CV-90 armoured combat vehicles for which we provide control panels; the prototype Challenger 3 main battle tank for the British Army; and next-generation naval radar systems.

> **"We are exceptionally proud to support Team Tempest. Our working relationship with BAE Systems is truly collaborative and this win provides an excellent opportunity to strengthen our ties and become more deeply embedded in the value chain of this incredible next-generation platform."**
>
> **Matt Yeates**
> SVP Strategy & Programmes

CASE STUDY

INSIDE TT ELECTRONICS

TECHNOLOGY IMPROVING PATIENT OUTCOMES

TT's US team is continuing to work in partnership with a medical device company on complex optical sensors for use in blood analyser technology.

The two sensors will be used in the disposable test vessel cartridges designed for our partner's blood gas analyser. The sensors detect the proper loading of the cartridge to ensure alignment with the analyser optics and correct spectral measurements, making them essential for proper execution of the test. The test can be used to measure, for example, blood gases, pH, electrolytes or metabolites.

TT designed a custom assembly for the applications and will be the sole source supplier for an estimated 15-year product life. As the vendor of choice, we are now moving forward with the design of new assemblies for the next generation of machines.

OUR BUSINESS MODEL

STRONG PLATFORM

We are a business with high-quality assets and a differentiated offer aligned with global megatrends. We create value by helping our customers to succeed in growing markets by solving their technology challenges and contributing to their sustainability goals; investing in and creating opportunities for our people; and doing business responsibly and with integrity.

OUR ASSETS

Engineering and manufacturing capability

- Deep domain knowledge, years of experience across our global footprint.
- Design and manufacturing skills that make end products smaller, lighter and more energy-efficient.
- Specialists in low-volume, high-mix products, offering customisation and flexibility to customers.

Research and development

- R&D capability with IP and specialist product development skills.
- Agile development model brings products quickly to market.
- Know-how and experience in complex regulatory approvals.

Access to our customers

- Customer credibility and long-term, value-creating partnerships.
- Business development organisation that fosters inter-Group collaboration and cross-selling.

People and culture

- Talented designers, engineers and manufacturing experts passionate about what they do.
- Caring, supportive and service-driven teams.
- Always guided by our TT Way values.

Read more about our TT Way values on page 31

WHAT MAKES US DIFFERENT

Cleaner, smarter, healthier
Our target markets offer strong long-term structural growth supported by global megatrends pushing for the development of cleaner, smarter and healthier products and applications as we move towards a more sustainable world.

Culture of expertise
Passionate teams finding solutions to the world's toughest technology challenges. We champion knowledge, skills, innovation, problem-solving and service, and attract and promote talented people and develop expertise at all levels.

Design-led technology
We design and manufacture bespoke technology solutions for specific applications. We work from initial concept to production at scale, and from single component to complete device manufacture. We seek single source and designed-in development opportunities that enable us to move up the value chain and create long-term revenue streams.

True partners
We engage deeply with our customers to become true partners. Customer intimacy enables us to leverage our capabilities to respond to their unique requirements and become a critical contributor to their teams and products.

OUR STRATEGY

Our strategy leverages our assets and differentiators to generate optimum returns for all our stakeholders while maintaining strong capital discipline, a focus on cash generation, and careful use of the balance sheet to facilitate investment.

OUR STRATEGIC PRIORITIES

TECHNOLOGY AND CAPITAL INVESTMENT SUPPORTING R&D and new programmes to drive growth and consolidate customer positions

MARGIN ENHANCEMENT through portfolio change, operational leverage and self-help actions

TARGETED AND COMPLEMENTARY M&A to expand technology capabilities and customer and market reach

ESG to drive sustainability into decision-making and business practices, from product development to recruitment

Read more about our strategy on page 15

THE VALUE WE CREATE

Customers and suppliers

- Critical products and services; solving tough technology challenges.
- £33.2 million R&D and capex investment in 2023.
- Fair treatment of suppliers.

Our people

- Employee safety and wellbeing a priority.
- Investment to build skills, experience and create development opportunities.
- Equality, diversity and inclusion considered a positive business driver.

Environment and our communities

- Cleaner, smarter and healthier products.
- 62% reduction in Scope 1 & 2 emissions in four years.
- Committed to social responsibility, ethical business practices and community support.

Shareholders

- 19.2p adjusted earnings per share.
- Increased ROIC by 150 bps to 12.0%
- 6.8p dividend per share.

Read more about our stakeholders and how we engage with them on page 57

OUR MARKETS

HEALTHCARE

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.

The ageing of populations in most developed countries with continued increases in life expectancy (the world's population of over 60s is expected to double by 2050) has major implications on healthcare costs. The ability to deliver healthcare to these populations is a structural driver of growth forcing the acceleration of the pace of innovation in healthcare. Furthermore, the pandemic significantly increased demand for remote healthcare solutions, including home-based care and telemedicine. The growing need to expand healthcare access and reduce the burden on medical resources through the use of technology in medical devices is driving an expected CAGR of 7% through to 2027. Beyond this, it is likely that growth will continue as medtech offers cost-efficiency and convenience for both patients and providers.

McKinsey recently reported that technological change is one of the biggest developments forcing structural change in healthcare, particularly the incorporation of AI into medtech and healthcare and the use of data and analytics to improve care and productivity. There has been a rapid increase in healthcare innovations which are benefiting society by enhancing quality of life, fighting disease and promoting wellbeing.

Our power, connectivity and sensor technologies span the modern surgical suite, from patient monitoring and therapeutic devices to surgical navigation, diagnostic equipment and life sciences. According to New Venture Research, monitoring and surgical equipment are set to experience the strongest growth in the sector, followed by medical diagnostics technologies.

TT is focused on growing in three areas where we are well placed to capitalise on this increasing demand for high-complexity products driven by technological advancement.

Robotic surgery

Minimally invasive surgical procedures are good for both patient and doctor given the reduced risk and faster recoveries. It is estimated that fewer than 10% of procedures today are carried out using the aid of a robot, despite resulting in greater precision and improved overall patient outcomes. These are markets measured in the billions of dollars and increased penetration equates to huge growth potential over the next few decades. We are pushing boundaries in this area by enabling sensor miniaturisation, increased sensor precision and highly effective integration of sensor and device.

TT sensors attached to surgical instruments provide real-time positioning and orientation information and we are a market leader in the smallest electro-magnetic micro-coil sensors for these applications.

Implantable devices

There is increasing use of wearable devices to track health, as well as remote patient monitoring, including devices that can conduct ECGs, detect high blood pressure and monitor mental health indicators. TT products also help deliver therapy directly to patients through implantable devices such as pacemakers and defibrillators. Implantables are now also competing with pharmaceutical solutions for issues like hypertension and sleep apnoea and are able to support other external applications requiring high-reliability power and sensor-enabled communication.

Life sciences and laboratory equipment

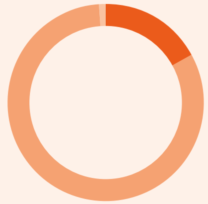
We are continuing to expand our involvement in life sciences and laboratory equipment, supporting new ultra-low temperature freezers and gaining momentum in automated sample storage systems. By supporting our partners in this area, we are collectively improving laboratory automation systems and enabling samples to be collected and analysed with minimal human intervention, the benefits of which are improved data reliability and accuracy, less waste, and time-efficient results.

> **"We are pushing boundaries in robotic surgery by enabling sensor miniaturisation, increased sensor precision and highly effective integration of sensor and device."**

TELEHEALTH AND REMOTE PATIENT MONITORING EXPECTED SECTOR CAGR TO 2027

+7%

REVENUE BY DIVISION



Power and Connectivity	17%
Global Manufacturing Solutions	82%
Sensors and Specialist Components	1%

AEROSPACE & DEFENCE

We provide solutions for high-reliability applications across a broad range of platforms operating on land, air and sea. Growth for TT is driven by increasing electrification of these platforms, which supports fuel efficiency and safety.

Megatrends impacting this market are the climate crisis, global power shift, rapid urbanisation, demographic changes, innovative technological change and global connectedness. All these factors are driving a multi-year up cycle in the aerospace and defence sectors.

Being challenging industries to decarbonise, aerospace and defence players have been at the forefront of adopting new and advanced manufacturing technologies, which can help address the sustainability challenge. The industry is likely to move towards using sustainable aviation fuels ("SAF") at scale and new propulsion technologies such as electric, hydrogen and hybrid. In its efforts to advance decarbonisation, the sector will likely establish multiple partnerships comprising technology investors, energy companies, airlines and government agencies.

Via our innovative solutions and systems with proven mission-critical, high-reliability characteristics aimed at commercial and military aircraft, defence products and space programmes, we expect to grow in these markets.

Aerospace

Air travel is rebounding strongly to pre-COVID levels with continuing tailwinds given a growing, global middle-class population which exhibits a greater propensity to travel. Robust activity levels span both aftermarket and, increasingly, original equipment (narrow body predominantly) as supply chains continue to show signs, albeit slowly, of steady improvement.

Fundamentally, the need for safer, more efficient and more environmentally friendly aircraft remains. Moves to "conscious" or digital aircraft will require a large increase in interconnected control systems with an increased focus on cyber security. Growth in new technologies such as advanced air mobility ("AAM") and evolving business models in the space sector are also at the forefront of industry development. This drives demand for increasingly advanced electronic systems and applications, all of which are supported by TT technologies. We are growing capabilities in electrical power conversion and related sub-systems and collaborating with aerospace companies in the development of high efficiency, high power density converters as well as technologies for the next generation of higher voltage platforms.

The pace of growth continues in the space sector too, both non-commercial, which is driving developments in technology and capabilities, and commercial space with NASA, SpaceX, Blue Origin and Virgin Galactic all targeting lunar orbits. TT provides components for satellites, space vehicles, and for power management.

> **"Fundamentally, the need for safer, more efficient and more environmentally friendly aircraft remains."**

Defence

With the focus of global growth shifting, creating more powerful national economies in different regions, there will be greater resources to protect, and greater resources available to invest in security and defence. This rising tide looks set to support strong, sustainable compound growth over the next decade, with priorities shifting to intelligence and multi-domain integration. Active conflict and geopolitical tensions have increased weapons demand and replenishment of stores. This is compounded by elevated security concerns in several regions.

Aerospace guidance production, particularly in the imaging, signal processing and smart weapons categories, will continue to expand as military budgets increase, with a large percentage of funding being directed to modern electronics technology. Hypersonic missile developments are gaining pace with significant investment expected.

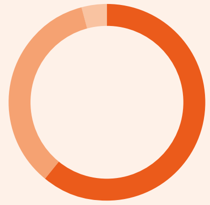
In 2023 the global defence electronics manufacturing market is expected to have expanded by around 2.5%. This is a pace reflective of the past seven years, all of which have seen consistent, moderate expansion, as governments invest to maintain state-of-the-art capabilities, with a high level of upgrades on existing platforms to meet the pace of demand. It is likely that there will be a pickup in growth from here, with estimates suggesting an additional $1 trillion in global defence spending over the next decade, and further investment in R&D, mostly in the US and Europe.

In defence, we are focused on next-generation requirements for high-density power electronics and electrical machines through the development of technologies that reduce size, weight, power and cost ("SWaP-C"), while simultaneously enhancing command, control, communications, computing, intelligence, surveillance and reconnaissance ("C4ISR") capabilities. Integrated sensing is a key growth area in global defence spending with combat vehicle platforms representing the highest upside.

ESTIMATED ADDITIONAL GLOBAL DEFENCE SPENDING OVER NEXT 5 YEARS

$1.5TN

REVENUE BY DIVISION



Power and Connectivity	60%
Global Manufacturing Solutions	36%
Sensors and Specialist Components	4%

OUR MARKETS CONTINUED

AUTOMATION & ELECTRIFICATION

Customers rely on us to help solve their toughest automation and electrification challenges; streamlining their supply chains; increasing their efficiency; and helping them bring smart, new products to market.

Digitalisation is a megatrend in its own right as it permeates every industry and offers solutions for many of the challenges faced. Industrial automation is the backbone of manufacturing and production processes that support economies and, with increased focus on climate change and natural resources, there is continuing pressure to facilitate higher efficiency and productivity.

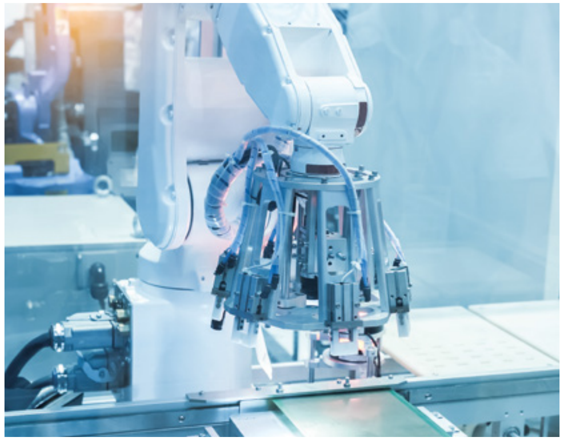
We support increased demand for digitalisation through the design and manufacture of connectivity solutions. Given the wide scope of these markets, performance correlates strongly with global economic growth, with key indicators being GDP growth and the Purchasing Managers' Index ("PMI"), but the digitisation and proliferation of electronics and electrification means markets will grow faster than these indicators. The electronics manufacturing market is estimated to have grown by over 5% globally in 2023.

The pandemic significantly disrupted global supply chains, highlighting the importance of digital technologies, for example the Internet of Things ("IoT"), to ensure operational continuity. While a globally connected industry stimulates competition and innovation, locating production close to markets – known as nearshoring or local-for-local business – makes local economies more resilient and sustainable. This megatrend is described as glocalisation, the success of which is dependent on access to digital technology and its prerequisites of economic freedom, standardisation, a reduction of technical barriers to trade, and government policies that support the digital economy.

Furthermore, the increasing trend of re-shoring manufacturing capability, or moves to regions with less expensive labour, will increase the demand for AI, augmented reality, IoT and other aspects of digitalisation. The enactment of the CHIPS Act in the US has triggered investments in semiconductor manufacturing in the country, with the first plant expected to begin production in 2024.

Our positioning in sub-segments such as electrification and industrial automation are good contributors to growth.

Urbanisation is another megatrend that drives these sectors. Megacities are on the rise. Today, the world has 33 cities with more than 10 million inhabitants and some of those – including Tokyo, Shanghai and New Delhi – are home to more than 20 million people. Forecasts suggest that, by 2030, there will be a total of 43 megacities, with most of the expansion occurring in developing countries.



Growing cities will require smart buildings, hospitals, schools, and communication networks that provide connectivity and edge computing. Software-based optimisation and intelligent hardware technologies will help reduce energy consumption and boost the efficiency of buildings and factories.

For TT, the opportunity in electrification is our ability to protect and ensure the efficiency of electronic systems. The broad trend of electrification is in turn driving more power and data usage. As electrification prevails, the increasing installed base of electrical equipment will require protection and connection and electrified, digitalised industries and applications will need an increasing number of data centres and connected products. This megatrend has popularly been referred to as the "electrification of everything'" spanning the modernisation and decarbonisation of the grid, the expansion of broadband with 5G, and the shift to electric vehicles, among ongoing transitions.

> **"Our positioning in sub-segments such as electrification and industrial automation are good contributors to growth."**

ESTIMATED GROWTH IN ELECTRONICS MANUFACTURING MARKET IN 2024

+10%

REVENUE BY DIVISION

Power and Connectivity	25%
Global Manufacturing Solutions	61%
Sensors and Specialist Components	14%

OUR STRATEGY

DRIVING VALUE

Our strategy is designed to leverage our assets and differentiators to generate optimum returns for all our stakeholders while maintaining strong capital discipline, a focus on cash generation, and careful use of the balance sheet to facilitate continued investment in the quality of our assets and growing our exposure to long-term growth markets.

STRATEGIC PRIORITY	2023 ACHIEVEMENTS
TECHNOLOGY AND CAPITAL INVESTMENT SUPPORTING R&D and new programmes to drive growth and consolidate customer positions	– £33.2 million investment in technology and capital to support higher growth, innovative and sustainable products. R&D investment at 3.4% of the aggregate revenue of our product businesses. – 37 significant contract awards delivering circa £250 million of potential lifetime revenues. – Collaboration with a prime defence contractor on power supplies for TEMPEST. – Opened new Ferranti facility in Greater Manchester for the design and manufacture of advanced electronic and electromechanical power units. – Enabled the expansion of the use of electromagnetic tracking for new medical procedures through TT sensor technology. – As one of two strategic manufacturing partners supporting the Honeywell Anthem avionics suite, advanced the development of prototypes. – Mexicali footprint expansion for our customer needs, replicating previous successful expansion into Kuantan. – Investment in Kuantan solar (commissioned in 2023); commenced solar at Mexicali for commissioning in 2024.
MARGIN ENHANCEMENT through portfolio change, operational leverage and self-help actions	– Increased programme volume throughput (resumption of growth in civil aero and defence markets) improving operational leverage and hence margin in P&C. – Delivered final cost savings from self-help programme. – Ramped up production in new clean rooms at Minneapolis and Bedlington. – Operational improvements to achieve process efficiencies, including further easing of supply chains and automation improvements. – Offset cost headwinds with efficiency and focus on appropriate pricing. – Continued development of high-value New Product Initiatives ("NPI").
TARGETED AND COMPLEMENTARY M&A to expand technology capabilities and customer and market reach	– Completed integration and relocation of Ferranti business to flagship Power Solutions facility in Greater Manchester. – Leverage reduced to 1.7x. Focus on reduction to lower end of 1–2x target range before recommencing M&A.
ESG driving sustainability into decision-making and business practices, from product development to recruitment	– Continued focus on building out technology and product opportunities that support energy transition and zero-carbon global goals. – Completed climate risk and opportunities scenario analysis. – Scope 1 & 2 emissions reduced by 62% (against revised 2019 baseline), with 53% of electricity now from renewable sources. – Solar initiated at Kuantan and Mexicali and continued to assess further on-site solar projects. – Engagement survey results in line with the 3*** "world class companies to work for" Best Companies Ltd benchmark. – Maintained a strong governance framework and processes across the organisation.

STRATEGIC BUSINESS WINS

HEALTHCARE

New healthcare customer in Cleveland
In our Cleveland facility we have won a new healthcare customer which reflects our credentials in partnering with OEMs in highly regulated markets, such as healthcare. We will work on a new, innovative, infant feeding device for premature babies and will support the project to meet the stringent regulatory requirements of ISO 13485 and FDA (Food & Drug Administration) registration. This novel neonatal medical device will improve neurological development with the aim of reducing the length of stay in neonatal intensive care units and hence costs.

Life sciences contract in Malaysia
The next stage of our GMS expansion into our Kuantan site in Malaysia is evidenced by a life sciences contract win to provide printed circuit board assemblies (PCBAs) and systems integration for a mass spectrometer. Such machines are used in spectrometry elemental isotope analysis to understand the chemistry and composition of materials used in healthcare and life sciences. We are currently undertaking sample builds (first articles) with volume production expected to commence in H2 2024. This work was secured given our proven, 10+ year customer partnership and demonstrates the success of our global manufacturing footprint expansion strategy.

Optical sensor opportunities in US
The US team secured two different optical sensor opportunities with a medical device company, for use in a blood gas analyser. These sensors are used in the disposable test vessel cartridges designed for the device which is used for rapid blood analysis in laboratories and at point of care to measure, for example, blood gases, pH, electrolytes, metabolites and CO-Oximetry. The sensors are critical to detect the proper loading of the cartridge as its alignment with the analyser optics, for spectral measurements, is essential for proper execution of the test.

AEROSPACE AND DEFENCE

Development of new power module
We secured the first order for the development of a new power module as part of a long term collaborative agreement with a leading commercial aircraft engine manufacturer, aimed at advancing electric propulsion systems for electric aircraft applications. The cornerstone of this partnership revolves around the E Drive 150 Power Module which enhances various electrical switching functionalities, critical for vital aircraft systems. These include electric starter generators, cabin air systems, electric pumps, and electric actuation with future potential for use in Urban Air Mobility and Small Modular (Nuclear) Reactors. We believe our power module expertise, along with our persistence in finding a solution, were key factors in securing this win.

Design and manufacture of custom AC/DC devices
An example of TT moving up the value chain and engineering power solutions being used in highly efficient, cutting-edge platforms is a new win with a global aerospace and defence innovator. TT will design and manufacture two novel custom AC/DC converters that will meet SWaP-C and electrical requirements for airborne applications. This multi-million dollar win showcases our ability to align our tech roadmap with our customers and provide an airborne solution that has never been seen in the market before. This technology is being designed and built in Kansas City.

Tempest Fighter contract in UK
Building on existing work on the UK Tempest programme, TT was awarded a further contract during 2023 to support feasibility studies for advanced electrical power solutions on the sixth-generation Tempest fighter aircraft entering service from 2035 in the UK's future combat air system ("FCAS"). The Team Tempest consortium is composed of the UK Ministry of Defence and industry partners BAE Systems, Rolls-Royce, Leonardo UK and MBDA, working together to deliver a FCAS that pioneers advanced technology including deep learning AI, ability to fly unmanned, and a virtual helmet cockpit to stay ahead of evolving threats. This award expands the longstanding business relationship and multiple development and manufacturing touch points between TT and BAE Systems on the Tempest military aircraft.

Complex PCBAs for military air
We have secured a multi-million, five year contract with defence innovator, Marotta Controls, to provide complex printed circuit board assemblies for production of high-reliability electronics on a next generation military air platform. Our ability to scale to meet the customer and market demand was a key factor in this award.

AUTOMATION AND ELECTRIFICATION

Signalling solutions contract in China
In Suzhou we have won a contract with Casco, a TT customer of over 10 years, for signalling solutions across the Urban Rail network in China. We will provide complex, high level assembly build cabinets and electronics solutions. The majority of Casco projects are focused on China, where it is the number one player in the domestic rail transit market. This win is further recognition of the success of our China for Asia strategy.

Collaboration with Tier-1 customer in India
Our focus on working with our customers to bring smart, sustainable products to market is illustrated by a collaboration with one of the largest Tier-1 companies in India which supplies manual and hydraulic steering systems to all major commercial vehicle manufacturers in the country. TT is supplying an Electronic Power Steering ("EPS") sensor which is used to measure required torque and desired angle of the steering system by the driver. The steering torque and position sensor is mounted in line with the steering shaft of a vehicle and is a critical part of the EPS assembly. We started supporting the customer at an early design stage and provided technical assistance to complete the design and build stage of the EPS system for the company's 4W Electric Vehicles commercial segment. Our ability to provide the required customisation of our sensor established us as the right partner, leading to a growing business and technology relationship that has positioned TT as the single source of supply for all this customer's EPS projects.

Securing customers in Mexico
Two long-standing customers in the Automation and Electrification sector are secured for our new Mexicali facility as they leverage the best-cost geography while retaining manufacturing footprint in the Americas to serve local markets.

DISTRIBUTION SALES CHANNEL

We grew our revenues through distributors again in 2023 and this area now represents 20% of our overall sales. The demand from distributors comes from a very wide range of customers and end markets but is, in large part, driven by the same megatrends supporting our focus end markets including rapid technological change and digital transformation.

CFO REVIEW

PRIORITIES DELIVERED

"We have delivered against all of our priorities set for the year with strong free cash generation, a further reduction in leverage, good operating margin progression, and order book execution."

Mark Hoad
Chief Financial Officer

OVERVIEW

Revenue for the year was £613.9 million, 1 per cent higher than the prior year at constant currency and 3 per cent higher excluding the impact of the unwind of pass-through revenues. Reported revenue included £19.9 million of zero margin pass-through revenues, a £10.4 million reduction on 2022 at constant currency. This relates to materials where we experienced very significant cost inflation which was being transparently passed on to customers with no margin mark-up.

Adjusted operating profit was £52.8 million, 16 per cent higher than the prior year at constant currency, reflecting the benefits of volume growth, improved pricing and the balance of the benefits of our self-help programme.

The adjusted operating margin was 8.6 per cent. Excluding zero margin pass-through revenues, adjusted operating margin was 8.9 per cent. After the impact of adjusting items, including restructuring, pension, acquisition and disposal costs, and a non-cash asset write-down, the Group's full-year statutory operating profit was £8.7 million. The non-cash write-down of £32.5 million relates to the recently announced disposal of businesses in the Power and Connectivity and GMS divisions, referred to internally as "Project Albert". Cash flow impacting adjusting items totalled £4.0 million.

ADJUSTED OPERATING PROFIT AT CONSTANT CURRENCY

+16%

Read more on page 19

CFO REVIEW CONTINUED

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

£million (unless otherwise stated)	Adjusted results[1] 2023	2022	Change	Change constant FX	Statutory results 2023	2022
Revenue	**613.9**	617.0	(1)%	1%	**613.9**	617.0
Operating profit/(loss)	**52.8**	47.1	12%	16%	**8.7**	(3.4)
Operating profit margin	**8.6%**	7.6%	100bps	110bps	**1.4%**	(0.6)%
Profit/(loss) before taxation	**43.0**	40.4	6%	11%	**(1.1)**	(10.1)
Earnings/(loss) per share	**19.2p**	18.2p	5%	10%	**(3.9)p**	(7.5)p
Return on invested capital	**12.0%**	10.5%				
Cash conversion	**92%**	33%				
Free cash flow[1]					**23.9**	(13.1)
Net debt[1]					**126.2**	138.4
Leverage[1]					**1.7x**	2.0x
Dividend per share					**6.8p**	6.3p

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 provide additional information on the underlying trends, performance and position of the Group with further details set out on pages 27 to 28. The adjusted measures used are set out in the "Reconciliation of KPIs and non IFRS measures" section on pages 174 to 177.

Adjusted earnings per share (EPS) increased to 19.2 pence (2022: 18.2 pence), reflecting the improved adjusted operating profit in the period offset by higher interest charges. Basic EPS was a loss of 3.9 pence (2022: 7.5 pence loss).

Cash conversion returned to target levels, at 92 per cent (2022: 33 per cent) and with significantly reduced cash impacting adjusting items and a pension surplus refund (see below), cash generation has inflected resulting in a free cash inflow of £23.9 million (2022: outflow £13.1 million). Adjusted operating cash inflow post capital expenditure during the period was £48.8 million (2022: £15.7 million). On a statutory basis, cash flow from operating activities was £62.9 million (2022: £12.7 million).

Following the buy-in of our UK defined benefit pension scheme (the "Scheme") in November 2022, the Scheme is de-risked with scheme liabilities now matched by the buy-in insurance policy. Given the higher level of confidence over there ultimately being a surplus in the Scheme at the point of wind-up, in December, the Scheme made an initial surplus refund to the Company of £5.0 million less tax (£3.2 million net).

We ended the year with net debt of £126.2 million (2022: £138.4 million), including lease liabilities of £20.8 million (2022: £23.1 million). Year-end leverage was 1.7 times (2022: 2.0 times), within the Board's target leverage range of 1-2 times. We are confident this downward trajectory will continue as EBITDA increases and as we deliver further strong free cash flow in 2024.

Our return on invested capital was 12.0 per cent in 2023, increasing by 150 basis points due to the growth in adjusted operating profit, combined with the high cash conversion which meant there was only a limited increase in invested capital.

On 4 March 2024 we announced that we had agreed to divest our business units in Cardiff and Hartlepool, UK and Dongguan, China for £20.8 million on a cash and debt free basis. These assets were classified as held for sale at 31 December 2023 and were written down by £32.5 million reflecting fair value and costs to sell. The disposal is expected to complete by the end of Q1 2024 and is expected to enhance group margins and improve leverage.

On track to deliver 10% margins in 2024

The pursuit of higher margins remains core to the Group's strategy. In 2023 the Group made good progress delivering a 110 basis point improvement in adjusted operating margin to 8.6 per cent. Excluding the impact of pass-through revenues, adjusted operating margin was 8.9 per cent. We anticipate pass-through revenues becoming significantly less pronounced in 2024.

The reduction in pass-through revenues, the recently announced business unit disposal and our focus on efficiency, costs and pricing discipline alongside operational leverage on growth, where we have good visibility from our order book, all underpin our confidence in achieving a 10% operating margin in 2024.

Revenue

Group revenue was £613.9 million (2022: £617.0 million). This included a currency translation headwind of £11.3 million. Group revenue was 1 per cent higher than the prior year at constant currency. Excluding the zero margin pass-through revenues, organic growth was 3 per cent, split approximately 1 per cent volume growth and 2 per cent pricing. Sales volumes across our key markets have been buoyant and the strength of our order book, and the pipeline of new business opportunities, gives us confidence that organic growth will continue despite the headwind to headline organic growth from the further unwind of pass-through revenue.

CASH CONVERSION

92%

RETURN ON INVESTED CAPITAL

12%

CFO REVIEW CONTINUED

Operating profit and margin

The Group's adjusted operating profit was £52.8 million (2022: £47.1 million) and statutory operating profit was £8.7 million (2022: £3.4 million loss) after a charge for items excluded from adjusted operating profit of £44.1 million (2022: £50.5 million) including:

- Restructuring costs of £2.0 million (2022: £6.4 million) largely comprising costs associated with the relocation of production facilities from our US site in Covina to Kansas, representing the last stage of the self-help programme which started in 2020.
- Pension restructuring costs of £1.9 million (2022: £13.8 million) relating mainly to work to prepare the UK defined benefit scheme for buy-out.
- Acquisition and disposal costs totalled £3.1 million (2022: £1.2 million) comprising £1.3 million (2022: £1.1 million) of integration costs relating primarily to the Ferranti acquisition, which was acquired early in 2022; £1.2 million (2022: £nil) in preparing assets held for sale; £0.4 million (2022: £0.1 million) relating to integration activities for the acquisition of Torotel, Inc. and £0.2m (2022: £nil) of other costs.
- Amortisation of intangible assets arising on business combinations of £4.6 million (2022: £6.0 million).
- Non-cash write-down costs totalled £32.5 million relating to businesses held for sale in our IoT Solutions and GMS CGUs (2022: £23.1 million relating to the impairment of goodwill and other assets in the IoT Solutions business).

The adjusted operating margin of 8.6 per cent (2022: 7.6 per cent) reflects the benefits of operational leverage and our self-help programme. We successfully offset increases in input costs through price increases.

Finance costs and taxation

The net finance cost was £9.8 million (2022: £6.7 million) with the increase being due to a combination of higher base rates and higher drawn debt levels. The Group's overall tax charge was £5.7 million (2022: £3.1 million), including a £3.5 million credit (2022: £5.3 million credit) on items excluded from adjusted profit. The adjusted tax charge was £9.2 million (2022: £8.4 million), resulting in an effective adjusted tax rate of 21.4 per cent (2022: 20.8 per cent).

Earnings per share

Adjusted EPS increased to 19.2 pence (2022: 18.2 pence), reflecting the improved adjusted operating profit in the period. Basic EPS was a loss of 3.9 pence (2022: 7.5 pence loss). Adjusted operating cash inflow after capex was £48.8 million (2022: £15.7 million inflow). The improvement was as a result of increased profitability and significantly reduced working capital outflow both of which more than offset increased investment in capital expenditure.

Cash flow

Capital and development expenditure of £24.0 million (2022: £14.0 million) reflected investment to support growth. This resulted in adjusted operating cash conversion of 92 per cent (2022: 33 per cent). On a statutory basis, cash flow from operating activities was £62.9 million (2022: £12.7 million). There was a free cash inflow of £23.9 million (2022: outflow £13.1 million), net of £4.0 million of restructuring and acquisition related costs (2022: £11.1 million) primarily relating to integration costs of the Ferranti acquisition (£1.3 million), restructuring costs to move our facility in Covina, US to Kansas, US (£1.0 million), costs incurred in preparing assets held for sale (£0.9 million), pension costs (£0.2 million) and other costs (£0.6 million). There was a £3.2 million pension surplus refund from the UK Scheme (2022: £nil). Dividend payments totalled £11.3 million (2022: £10.2 million).

In June 2022 the Group re-financed its bank revolving credit facility (RCF) with a syndicate of five relationship banks at commercially attractive rates. This £147.4 million facility had a four-year tenure with a one-year extension option. In the first half of 2023 we exercised £15 million of a £32.6 million accordion, thereby increasing the facility size to £162.4 million, and we also exercised the one-year extension, taking the facility maturity out to June 2027. The RCF is complemented by £75 million of private placement fixed rate loan notes, which were issued in December 2021, with 7 and 10 year maturities.

CASH FLOW, NET DEBT AND LEVERAGE

£million	**2023**	2022
Adjusted operating profit	**52.8**	47.1
Depreciation and amortisation	**16.5**	16.1
Net capital expenditure [1]	**(22.4)**	(11.7)
Capitalised development expenditure	**(1.6)**	(2.3)
Working capital	**(0.5)**	(38.8)
Other	**4.0**	5.3
Adjusted operating cash flow after capex.	**48.8**	15.7
Adjusted operating cash conversion	**92%**	33%
Net interest and tax	**(19.7)**	(13.4)
Lease payments	**(4.4)**	(4.3)
Restructuring, acquisition and disposal related costs	**(4.0)**	(11.1)
Retirement benefit schemes	**3.2**	–
Free cash flow	**23.9**	(13.1)
Dividends	**(11.3)**	(10.2)
Lease payments	**4.4**	4.3
Equity issued/acquired	**1.3**	0.4
Acquisitions	**–**	(8.3)
Cash transferred to assets held for sale	**(3.6)**	–
Other	**(1.2)**	(3.0)
Increase in net debt	**13.5**	(29.9)
Opening net debt	**(138.4)**	(102.5)
New, acquired, modified and surrendered leases	**(3.4)**	(2.3)
Leases acquired	**–**	(0.2)
Leases transferred to liabilities held for sale	**2.6**	–
FX and other	**(1.5)**	(3.5)
Closing net debt as per balance sheet	**(127.2)**	(138.4)
Cash and leases held within assets and liabilities held for sale	**1.0**	–
Closing net debt including assets and liabilities held for sale	**(126.2)**	(138.4)

CFO REVIEW CONTINUED

Net debt

At 31 December 2023, the Group's net debt was £126.2 million (31 December 2022: £138.4 million), including £20.8 million of lease liabilities (31 December 2022: £23.1 million). Leverage at 31 December 2023, consistent with the bank covenants, was 1.7 times (31 December 2022: 2.0 times).

Pension buy-in

Following the buy-in of our UK defined benefit pension scheme (the "Scheme") in November 2022, the Scheme is de-risked with scheme liabilities now matched by the buy-in insurance policy. The Scheme had a surplus of £25.3 million at December 2023 (December 2022: £31.3 million). Given the higher level of confidence over there ultimately being a surplus in the Scheme at the point of wind-up, in December the Scheme made an initial surplus refund to the Company of £5.0 million less tax (£3.2 million net). TT is, in collaboration with the Scheme Trustee, in the process of preparing the scheme for buy-out, which is expected to be concluded by late 2024 or early 2025. Shortly after the year-end, we completed the buy-out of one of our much smaller US defined benefit pension schemes at a cash cost of £1.8 million. The net surplus across all Group schemes (including some smaller defined benefit schemes in the US) at 31 December 2023 was £22.2 million (2022: £28.4 million).

Continued investment in the business

Organic investment in technology and capital is important to support new project growth and totalled £33.2 million in 2023. This in part results in us becoming firmly embedded with our customers as valued partners, enabling us to stay ahead of customers' needs and meet the challenges they set us. Our investment is focused on bringing higher growth, innovative, sustainable products to market. These typically yield higher returns and development is often undertaken in partnership with our customers.

CASE STUDY

Kuantan's new high-speed SMT line has increased production capacity to meet rising demand from TT's healthcare and industrial customers

INVESTMENT TO ADD:

75,000

square foot in Mexico

INSIDE TT ELECTRONICS

EXPANDING OUR GLOBAL FOOTPRINT

We continue to invest in our global facilities to support customer growth and further our solid reputation for delivering agile solutions and excellent customer service.

In 2023 GMS expanded its footprint in the Americas by opening a new state-of-the-art facility in Mexicali, Mexico, adjacent to our existing S&SC facility. The project utilised spare capacity in the existing site and therefore required minimal capital spend as well as building on our reputation as an employer of choice in the region.

The new 75,000-square-foot operation will employ around 250 people and has capacity for up-to-six highly automated surface mount technology ("SMT") lines, the process by which electronic components are mounted directly onto the surface of a printed circuit board. Offering fully integrated electronics manufacturing solutions, including system integration and testing, the new facility complements our operations in Cleveland, Ohio and started operating in early 2024.

The expansion complemented similar investment which increased our capability in Kuantan, Malaysia. Here we installed a high-speed SMT line which increased production capacity for high-level assembly manufacturing solutions in response to rising demand from healthcare and industrial customers.

These key investments support growth in customer demand while, at the same time, providing mitigation against risk arising from geopolitical uncertainty. Manufacturing more closely to our end markets also reduces the carbon footprint of our products for customers. With locations in the United States, Mexico and Malaysia we are now well placed to collaborate with customers on their re-shoring activities.

> "Manufacturing more closely to our end markets also reduces the carbon footprint of our products for customers."

CFO REVIEW CONTINUED

Our R&D cash investment in the year was £10.8 million (2022: £11.0 million), representing 3.4 per cent (2022: 3.7 per cent) of the aggregate revenue of our product businesses. Capital expenditure totalled £22.4 million (2022: £11.7 million).

In the second half of 2023 we relocated our Ferranti business to a new flagship Power Solutions facility in Greater Manchester. We are also expanding our GMS offering in existing TT facilities. This started in 2020 with Kuantan, Malaysia and we are now adopting the same low capital intensity approach in Mexicali, Mexico to support growth programmes for our customers and to enable their re-shoring priorities.

Outlook

2023 was a year of strong operational and financial progress. The Group has delivered against the priorities that were set for the year: strong free cash generation has led to further reduction in leverage, and our strong order book was converted into double-digit operating profit growth, with good operating margin progression underpinned by a recovery in our P&C business.

Based on the strength and level of visibility in our order book, current end market activity and operational improvement initiatives that are underway, while mindful of the wider macro environment, we are confident we are on track to deliver a 10% operating margin in 2024.

CASE STUDY

INSIDE TT ELECTRONICS

TRANSITIONING COMMERCIAL VEHICLES TO ELECTRIC

Our focus is on working with our customers to bring smart, sustainable products to market.

This is illustrated by a collaboration with one of the largest Tier-1 companies in India which supplies manual and hydraulic steering systems to all major commercial vehicle manufacturers in the country. The company is now developing electronic power steering ("EPS") systems for commercial vehicles.

TT is supplying an EPS sensor for the steering systems which is used to measure required torque and desired angle of the system by the driver. The steering torque and position sensor is mounted in line with the steering shaft and is a critical part of the EPS assembly.

We started working with the customer at an early design stage and provided technical assistance to complete the design and build stage of the EPS system for the company's 4W Electric Vehicles commercial segment. Our ability to provide the required customisation of our sensor established us as the right partner, leading to a growing business and technology relationship that has positioned TT as the single source of supply for all EPS projects.

Our Mexicali facility recently secured a five-year, c.£600k contract for EPS sensors for three- and four-wheeler small commercial electric vehicles.

> **"We started working with the customer at an early design stage and provided technical assistance to complete the design and build stage."**

R&D AS % OF SALES

3.4%

CFO REVIEW CONTINUED

POWER AND CONNECTIVITY

Revenue increased by £15.5 million to £169.7 million (2022: £154.2 million) and includes a currency headwind of £0.4 million. Organic revenue was 10 per cent higher with good growth from healthcare and aerospace & defence in particular, reflecting increased market demand and previous business win successes.

Adjusted operating profit increased by £6.4 million to £14.3 million (2022: £7.9 million). Included within this was a £0.1 million foreign exchange headwind. The material step up in operating profit reflects very healthy levels of drop through on the revenue growth, price increases which more than offset cost inflation and operational efficiencies. The adjusted operating margin was up 330 basis points to 8.4 per cent (2022: 5.1 per cent) for the full year and was 9.4 per cent in the second half.

Order intake has been good in the year and continues to exceed growing revenues giving us confidence for further growth and margin expansion in 2024.

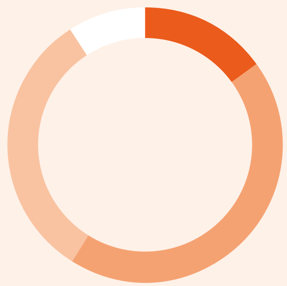
In 2023 we have invested in and transferred production to a new facility for the acquired Ferranti Power and Control business, based in Greater Manchester, which designs and manufactures mission-critical complex power and control sub-assemblies for blue chip customers in high-reliability and high-performance end markets, primarily aerospace and defence.

FINANCIAL HIGHLIGHTS

	2023	2022	Change	Change constant fx
Revenue	**£169.7m**	£154.2m	10%	10%
Adjusted operating profit [1]	**£14.3m**	£7.9m	81%	83%
Adjusted operating profit margin [1]	**8.4%**	5.1%	330bps	330bps

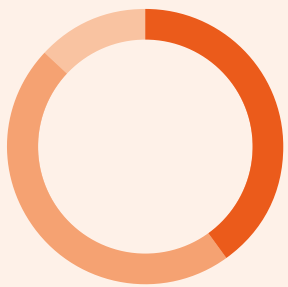
1 See note 1 on page 3 for an explanation of alternative performance measures. Adjusting items are not allocated to divisions for reporting purposes. For further discussion of these items please refer to the section titled "Reconciliation of KPIs and non IFRS measures" on pages 174 to 177 of this document.

REVENUE BREAKDOWN



Revenue by market (%)

Healthcare	15%
Aerospace & Defence	44%
Automation & Electrification	32%
Distribution sales channel	9%



Revenue by geography (%)

North America	40%
Europe	47%
Asia and RoW	13%

CFO REVIEW CONTINUED

GLOBAL MANUFACTURING SOLUTIONS

Revenue decreased, as expected, by £23.8 million to £299.2 million (2022: £323.0 million) of which the currency headwind was £10.9 million, with organic revenue 4 per cent lower. Excluding currency effects and the unwind of pass-through revenues, total revenue was broadly unchanged as anticipated with 2023 a year of consolidation following two years of exceptionally strong growth. Pass-through revenue was £12.5 million lower in the second half, against the second half of 2022 and £10.4 million lower for the full year, which has created a head-wind to top line growth.

Adjusted operating profit increased by £2.4 million to £27.6 million (2022: £25.2 million), including a £1.5 million foreign exchange headwind. The constant currency increase reflects operational efficiencies and the benefit of improved pricing. The adjusted operating profit margin was 9.2 per cent (2022: 7.8 per cent), impacted by the pass-through revenues, without which margins would have been 9.9 per cent.

This division performed well in 2023, reflecting the momentum built from customers who are winners in their own markets and provide opportunities to grow share of wallet. The order book remains strong with long visibility and in 2023 GMS has made incremental capital investment to expand its capabilities into an existing TT facility in Mexicali, Mexico. This follows the successful addition of GMS capability to the Kuantan site in Malaysia, back in 2020, which added value through the regional expansion of our high-level assembly capabilities to a variety of key customers. The division's planned revenues for 2024 are fully covered and it has started to secure revenue for 2025.

The order book position has been underpinned by several multi-million-pound wins, a number of which extend beyond 12 months. We continue to improve our understanding of how to leverage these opportunities from the customer perspective. Whether customers are seeking best-value-geographies for their product, risk mitigation against geopolitical uncertainties, or looking to reduce their carbon footprint by manufacturing locally to the end market, TT is well-positioned to support their needs.

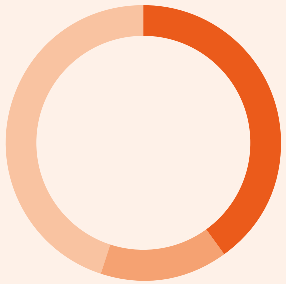
Overall, the GMS division is in excellent shape and our enhanced customer relationships and business development initiatives are delivering strong order intake. GMS has achieved a step change in its margin profile over recent years, reflecting the value of the service we bring to our customers, reliability, and the value engineering and testing capability we offer. We believe GMS margins can improve incrementally with growth.

FINANCIAL HIGHLIGHTS

	2023	2022	Change	Change constant fx
Revenue	**£299.2m**	£323.0m	(7)%	(4)%
Adjusted operating profit [1]	**£27.6m**	£25.2m	10%	16%
Adjusted operating profit margin [1]	**9.2%**	7.8%	140bps	160bps

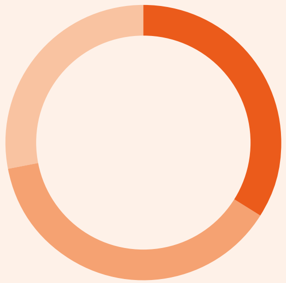
1 See note 1 on page 3 for an explanation of alternative performance measures. Adjusting items are not allocated to divisions for reporting purposes. For further discussion of these items please refer to the section titled "Reconciliation of KPIs and non IFRS measures" on pages 174 to 177 of this document.

REVENUE BREAKDOWN



Revenue by market (%)

Healthcare	40%
Aerospace & Defence	15%
Automation & Electrification	45%



Revenue by geography (%)

North America	34%
Europe	38%
Asia	28%

CFO REVIEW CONTINUED

SENSORS AND SPECIALIST COMPONENTS

Revenue increased by £5.2 million to £145.0 million (2022: £139.8 million) and the currency impact was neutral. Organic revenue was 4 per cent higher, with good growth through the division's distribution partners a key driver. This business is in the sweet spot of enabling our customers to reach their sustainability goals with components for smart energy & city infrastructure and factory automation.

Adjusted operating profit decreased by £2.8 million to £19.0 million (2022: £21.8 million) with no currency impact. The reduction in profit is attributable to the one-off impact of the breakdown of the HVAC system in our Plano facility.

The permanent fix to the HVAC system at Plano, essential to the operation of our clean room, took longer to achieve than anticipated given delays in receiving parts. The facility is now operating as expected. We have undertaken a full review of the viability of the system to ensure it is fit for purpose and identified some control software and physical improvements which will be implemented before the return of warm weather.

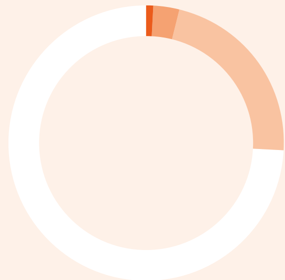
We monitor the stock levels in our distribution channels and saw them increase in 2023. We are now starting to see them reduce and expect them to return to more normal levels in the first half of 2024. While order intake from distributors therefore remains somewhat subdued, we achieved new business wins from a number of blue-chip customers in 2023 which is benefiting our order intake in 2024.

FINANCIAL HIGHLIGHTS

	2023	2022	Change	Change constant fx
Revenue	**£145.0m**	£139.8m	4%	4%
Adjusted operating profit [1]	**£19.0m**	£21.8m	(13)%	(13)%
Adjusted operating profit margin [1]	**13.1%**	15.6%	(250)bps	(250)bps

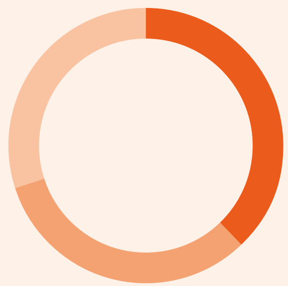
1 See note 1 on page 3 for an explanation of alternative performance measures. Adjusting items are not allocated to divisions for reporting purposes. For further discussion of these items please refer to the section titled "Reconciliation of KPIs and non IFRS measures" on pages 174 to 177 of this document.

REVENUE BREAKDOWN



Revenue by market (%)

Healthcare	1%
Aerospace & Defence	3%
Automation & Electrification	22%
Distribution sales channel	74%



Revenue by geography (%)

North America	38%
Europe	32%
Asia	30%

CFO REVIEW CONTINUED

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 62 to 66, and the overall risk profile of the Group.

The Group's ability to pay a dividend is supported 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 2023, TT Electronics plc had £199.7 million (2022: £202.8 million) of distributable reserves, sufficient to pay dividends for the foreseeable future. The parent Company Balance Sheet is set out on page 167.

Given our strong trading performance in 2023 and the positive outlook for 2024 and beyond, the Board is proposing a final dividend of 4.65 pence per share. The total cash cost of this dividend will be approximately £8.2 million. This, when combined with the interim dividend of 2.15 pence per share gives an increase of 8 per cent in the total dividend to 6.8 pence (2022: 6.3 pence per share). Payment of the dividend will be made on 15 May 2024, to shareholders on the register at 12 April 2024.

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 £22.2 million (2022: £28.4 million). The main driver of the decrease was a £5.0 million refund repayment (£3.2 million after tax suffered by the scheme) and the scheme supporting its own expenses of £3.2 million.

Net accounting pension surplus

Following the buy-in of the TT Group scheme in November 2022, the principal financial risk the scheme is exposed to is the credit risk associated with the insurer, which is assessed to be very low.

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

£million	**2023**	2022
Fair value of assets	**363.5**	396.8
Liabilities	**341.3**	368.4
UK scheme (surplus)	**25.3**	31.3
Overseas schemes (deficit)	**(3.1)**	(2.9)
Total Group surplus	**22.2**	28.4

The triennial valuation of the TT Group scheme as at April 2022 showed a net surplus of £45.4 million against the Trustee's funding objective compared with a surplus of £0.3 million at April 2019.

Further details of the Group's defined benefit schemes are in Note 22 on page 159 of the Consolidated Financial Statements.

FINANCIAL RISK MANAGEMENT AND TREASURY POLICIES

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.

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. The Group manages transactional foreign exchange positions by hedging a minimum of 75 per cent of expected net cash flow exposures for the next 12 months and 50 per cent of expected net cash flow exposures for the period from 12 to 24 months.

More details of the Group's Treasury operations are set out in Note 21 on page 153 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.

NET DEBT AND GEARING

At 31 December 2023 the Group's net debt was £126.2 million (including cash of £3.6 million included in assets held for sale) (31 December 2022: £138.4 million). Included within net debt was £20.8 million of lease liabilities (including £2.6 million included in liabilities held for sale) (31 December 2022: £23.1 million).

Consistent with the Group's borrowing agreements, which exclude the impact of IFRS 16 Leases, leverage ratio was 1.7 times at 31 December 2023 (31 December 2022: 2.0 times). Net interest cover was 6.1 times (31 December 2022: 7.4 times). The Group's debt covenants state that the leverage ratio must not exceed 3.0 times and that interest cover must be more than 4.0 times.

At 31 December 2023 the Group had available undrawn committed facilities of £56.9 million. In addition, the Group had available uncommitted facilities of £22.6 million. The Group's borrowings are in the form of a multi-currency Revolving Credit Facility ("RCF") and private placement ("PP") fixed rate loan notes. The RCF matures in June 2027 and the PP notes, issued in December 2021, are split between 7- and 10- year maturities with covenants in line with our bank facility.

The Group's leverage is usually expressed in terms of its net debt/adjusted EBITDA ratio. The Group's main financial covenants in its RCF and PP notes 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 1.7 times is within the Group's target range of 1–2 times. 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.

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 20 on page 153 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	**2023**	2022
Income Statement		Average rate
$/£	**1.24**	1.25
RMB/£	**8.78**	8.34
Balance Sheet		Closing rate
$/£	**1.27**	1.20
RMB/£	**9.04**	8.36

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 67 for the Going concern statement.

HOW WE ARE PERFORMING

OUR KPIs

FINANCIAL

KPI DESCRIPTION AND WHY IT IS IMPORTANT	MEDIUM-TERM TARGET	FIVE-YEAR PERFORMANCE CHART	2023 PROGRESS	LINK TO STRATEGY
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. Sustainable organic revenue growth is an indicator of value creation. It reflects a combination of conditions in our markets and our success in gaining market share from serving our customers better.	**4–6% organic revenue growth annually over the medium term**	**1%** 2022: 20% **2023** 1% 2022 20% 2021 10% 2020 (12)% 2019 4%	After two years of strong growth, organic revenue was up 1%. Organic revenue growth, excluding pass-through revenues, was 3%.	Technology investment and R&D
Adjusted operating profit margin (%) Adjusted operating profit as a percentage of revenue. 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.	**Double-digit margin**	**8.6%** 2022: 7.6% **2023** 8.6% 2022 7.6% 2021 7.3% 2020 6.4% 2019 8.0%	Adjusted operating profit margin was up 100 bps to 8.6% reflecting strong recovery in Power & Connectivity. Excluding zero-margin pass through revenues, adjusted operating margin was 8.9%.	Technology investment and R&D Margin enhancement
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. Adjusted EPS summarises the overall financial performance of the Group, including revenue growth, operating margin, the cost of debt finance and the rate of underlying taxation.	**Double-digit adjusted EPS growth annually at constant currency over the medium term**	**19.2p** 2022: 18.2p **2023** 19.2p 2022 18.2p 2021 14.5p 2020 11.7p 2019 17.8p	Adjusted EPS increased to 19.2p reflecting improved adjusted operating profit offset by higher net finance costs and taxation	Technology investment and R&D Margin enhancement Targeted and complementary M&A
Cash conversion (%) Adjusted operating cash flow including capital expenditure, divided by adjusted operating profit. Cash conversion measures how effectively profit is converted into cash and, within this, reflects the management of working capital and capital expenditure. A high level of cash conversion aids investment in the business, enables the Group to deliver increased returns for shareholders and supports a strong balance sheet.	**90%+ cash conversion annually over the medium term**	**92%** 2022: 33% **2023** 92% 2022 33% 2021 65% 2020 130% 2019 103%	Much improved cash conversion of 92% reflects both increased adjusted operating profit and higher adjusted operating cash flow due to a much reduced working capital outflow.	Margin enhancement

Our KPIs include a number of Alternative Performance Measures (APMs) which have been adopted by the Directors to provide further information on underlying trends and the performance and position of the Group. Details of these APMs and a reconciliation to statutory measures can be found on pages 174 to 177.

FINANCIAL

KPI DESCRIPTION AND WHY IT IS IMPORTANT	MEDIUM-TERM TARGET	FIVE-YEAR PERFORMANCE CHART	2023 PROGRESS	LINK TO STRATEGY
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. Return on invested capital is a measure of how efficiently the Group is utilising its assets, relative to profitability, in generating shareholder returns.	**Exceed the cost of holding assets with year-on-year increases**	**12.0%** **2022:** 10.5% **2023** 12.0% 2022 10.5% 2021 9.1% 2020 7.7% 2019* 10.8%	ROIC increased by 150 bps due to the growth in adjusted operating profit.	Technology investment and R&D Margin enhancement Targeted and complementary M&A

NON-FINANCIAL

KPI DESCRIPTION AND WHY IT IS IMPORTANT	MEDIUM-TERM TARGET	FIVE-YEAR PERFORMANCE CHART	2023 PROGRESS	LINK TO STRATEGY
R&D investment as a % of sales R&D cash investment as a percentage of revenue. This metric excludes GMS which is a manufacturing services business and has no R&D. A consistent and sustainable level of R&D investment enables us to introduce new products that increase our revenue and deliver on our purpose to solve technology challenges for a sustainable world.	**Maintain R&D investment at around 5 per cent of revenue annually over the medium term**	**3.4%** **2022:** 3.7% **2023** 3.4% 2022 3.7% 2021 4.5% 2020 4.8% 2019 5.1%	In 2023 we supported our customers with organic investment in a new facility in Greater Manchester and an expansion of our capabilities in Mexicali.	Technology investment and R&D
Safety performance (number of three-day lost-time incidents) The number of workplace health and safety incidents that resulted in employees, contractors or visitors needing to be off work for three days or more. The number of incidents measures how well we are executing on our commitment to raise safety standards globally and protect our people on our journey to zero harm.	**Year-on-year reduction in incidents, ultimately leading to zero harm**	**3** **2022:** 2 **2023** 3 2022 2 2021 5 2020 5 2019 4	Safety performance has improved significantly in recent years as we have matured our framework and increased accountability. 85% of TT locations have achieved at least one or more years without a lost-time incident.	ESG
Employee engagement score Results from a Best Companies Ltd third party survey which gathers anonymous employee feedback and scores against eight success factors. Having engaged employees is crucial to attracting and maintaining the talent we need to execute our strategy.	**Survey-on-survey increase in the Group's engagement score over the medium term**	**771.7** **2021:** 718.5 **2023** 771.7 2022 Interim pulse surveys 2021 718.5 2020 694.8 2019* Interim pulse surveys	In 2023 we were delighted to attain an engagement score in line with the 3*** "world class companies to work for" Best Companies Ltd benchmark.	ESG
Scope 1 & 2 emissions Total amount of carbon dioxide equivalent tonnes (tCO_2e) of Scope 1 & 2 emissions from operations. Details of the calculation method are set out on page 46. Reducing our Scope 1 & 2 emissions is a critical part of reducing our environmental footprint. See footnotes on page 46 for emission recalculations during 2023.	**Annual reductions vs our 2019 baseline. 50% reduction by 2023 vs 2019 and Net Zero by 2035**	**62%** **reduction since 2019** **2023** 10,533 2022 12,782 2021 15,740 2020 20,875 2019 27,545	We made good further progress on reducing our Scope 1 & 2 emissions due to further site rationalisation, transferring capacity to modern, green facilities and local site energy saving initiatives.	ESG

OUR PEOPLE, COMMUNITIES AND ENVIRONMENT

A POSITIVE IMPACT

We intend to have a positive impact on the world around us: creating value and enhancing sustainability through our products; the way we do business, including how we look after our employees and interact with our communities; and by reducing our environmental impact.

OUR PURPOSE

We solve technology challenges for a sustainable world

We do this by delivering solutions for our customers that enable products that are cleaner, smarter and healthier and that will benefit our planet and people.

Environment, social and governance and sustainability matters are integrated into our strategy and day-to-day decision-making at all levels of the organisation to reduce risk and grow our business opportunities. These activities are important to all of our stakeholders including our customers, and especially to our employees who we want to be proud of our culture and our goals.

TT technologies address key sustainability megatrends in our target markets and bring environmental and social benefits to society. Whether improving fuel efficiency through the development of lighter aircraft power supplies, manufacturing complex factory automation equipment to drive productivity gains, or improving health and patient outcomes through our highly precise medical device technologies, sustainability is at the very core of what we do.

We are committed to helping our customers to develop cleaner, lighter, more efficient and durable solutions that help combat climate change and resource scarcity. This focus is a key differentiator of our customer offer and drives our approach not only to R&D but to the way we develop, design, engineer and manufacture our products and use raw materials and other resource inputs in the most efficient way. We have an ambitious agenda to reduce our environmental footprint and carbon emissions and we are building a safer, more inclusive and engaged organisation right across the world.

Governance and risk management

Environment and people matters including culture, strategy, compliance, risk and internal controls are governed as part of our overall governance and risk management frameworks, ultimately overseen by the Board. An update on key people, safety and environmental metrics and activities is provided at Board meetings and in-depth reviews are undertaken on at least an annual basis.

Non-financial reporting regulations

In accordance with Sections 414CA and 414CB of the Companies Act 2006, our non-financial information can be found on the following pages of this 2023 Annual Report: relating to environment matters pages 42 to 46; social matters pages 29 to 41; employees pages 29 to 40; human rights page 30; and anti-corruption and anti-bribery page 30.

Read more about ethics on page 30

Read more about our people and culture on page 31

Read more about our communities on page 41

Read more about our environmental commitments and progress on page 42

AN ETHICAL COMPANY

We are an ethical company, acting worldwide with integrity and within the law. The fundamental principles of fairness, honesty and common sense are at the heart of our philosophy and corporate standards. We have one ethical standard worldwide to create an environment where TT businesses can flourish within an appropriate compliance and risk management framework in line with our TT Way values.

Our Statement of Values and Business Ethics Code sets out these standards and covers a comprehensive range of ethical matters including the working environment, standards of behaviour, avoiding conflicts of interest, hospitality and entertainment, bribery, intellectual property protection and fair competition. We do not tolerate fraud, corrupt practices or behaviour not in line with our standards and have in place systems and processes to effectively detect and deal with any contraventions of our code.

Any concerns relating to matters covered by the code and behaviour more generally can be reported, either to management or by using our anonymous, multi-lingual whistle-blower hotline either by telephone or using our ethics and integrity portal. Reports are investigated thoroughly, and any significant concerns are reported to the Audit Committee. Our Whistleblowing Policy describes how employees should raise matters of concern, our approach to dealing with concerns, and examples of the types of issue employees should bring to our attention.

Day-to-day oversight of ethical matters is the responsibility of our People, Social, Environmental and Ethics ("PSEE") Committee (see page 75). An Ethics Committee of our senior leaders can also be convened on an as-needed basis. Mandatory ethics training is provided for relevant employees on an annual basis. The Q&A section of the Audit Committee Report provides details of the measures taken in 2023 to strengthen the control environment to mitigate fraud risks and deliver fraud awareness training, supported by the introduction of a new Fraud Prevention Policy.

Regulatory requirements are different around the world, so we have a core structure which Group businesses comply with, beyond which they are empowered to tailor their approach to local needs. The nature of our business and the markets we work in means that legal and regulatory compliance is a principal risk for TT.

Human rights

Upholding human rights is the responsibility of everyone at TT and, as part of our ethics framework, human rights are treated as an equal priority to other business issues. We are an associate member of the Responsible Business Alliance, pursuant to which we make a formal commitment to uphold the human rights of workers (at all points in our supply chains) and to treat them with dignity and respect as understood by the international community. Our approach is taken from the industry standard (Responsible Business Alliance Code of Conduct) and covers expected standards for the treatment of workers.

Supply chain

We procure from a wide network of suppliers and distributors through global supply chains. It is important to us that our suppliers share our values and our approach, and we seek out those that do.

Our Corporate and Social Responsibilities – Supplier Requirements policy sets out our required standard with regard to supplier social and environmental practices. The policy is provided to all suppliers with purchase orders. We carry out regular assessments of our suppliers to ensure compliance with our requirements and we will not do business with suppliers that violate them.

Our Procurement Code of Conduct outlines the standards expected for the purchase of goods and services across the Group. This code focuses on the approval process required for the appointment of new suppliers, together with our ongoing supplier monitoring process which include the application of a digital supplier risk rating tool.

Our Supply Chain Council forum meets on a monthly basis and comprises a senior group of executives with responsibility for global purchasing and supply chain activities across TT. The Council considers ethical matters including modern slavery as part of its remit.

Modern slavery

We have 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.

We recognise that the rights of individual workers can, potentially, be violated within our supply chain and other partnerships. We have had a Modern Slavery Policy since 2016 which applies to all persons working for TT and its subsidiaries or acting on its behalf in any capacity. The Policy is reviewed each year.

Our approach to addressing the challenge of modern slavery is to ensure that there is transparency in our own business and throughout our supply chains. We expect the same high standards from all our contractors, suppliers, distributors and other business partners, consistent with our obligations under the Modern Slavery Act 2015. We include specific prohibitions in our contracting processes against the use of forced, compulsory or trafficked labour, or any other activity that amounts to an unreasonable restriction on the free movement of workers, and we expect that our suppliers will hold their own suppliers to the same high standards.

Our Modern Slavery Statement and our Modern Slavery Policy are published on our website.

Our business activities and the way we operate are closely aligned to seven of the UN's 17 Sustainable Development Goals

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PEOPLE AND CULTURE

"Our TT culture gives us a true competitive advantage and makes us a great company to work for and with. Walk onto any of our sites – regardless of location, product or market focus – and you will meet open and caring people, proud of what they do and who work together to bring out the best in each other."

Clare Nicholls
EVP Human Resources

TT Electronics is truly a people business. The passion, expertise and values of our people drives our success, and our most critical job is to value them and support them to achieve great things for our business, our customers and the communities we serve.

Our TT culture gives us a true competitive advantage and makes us a great company to work for and with. Walk onto any of our sites – regardless of location, product or market focus – and you will meet open and caring people, proud of what they do and who work together to bring out the best in each other. We are incredibly proud of the work we have done over the last few years to build this culture, through our focus on safety, pay and benefits, recognition, community and leadership.

Our TT leaders succeed when they achieve results through creating a local working environment where our people feel trusted, empowered to contribute, and feel able to bring their whole selves to work. We are thrilled with the exceptional results of this year's Engagement Survey, achieving a benchmark level of participation and a rating in line with the 3*** Best Company rating for the Group as a whole, two of our divisions and six of our sites. This is a testament to the efforts of our leaders and the trust and partnership they have built with employees over the past five years.

As we look forward, we will continue to focus on those tangible things that are valued by our employees and that make TT a great place to work.

Our culture and values
Being a great company to work for enables us to attract and retain talented people, grow productivity, build strong partnerships with our customers and, ultimately, deliver our business goals.

TT's culture is overseen and supported by the Board. While some aspects, such as ethics and safety, are aligned and reinforced by policy, others are governed by frameworks originated at the centre which empower our sites to work appropriately in their jurisdictions and according to local needs and norms.

Our TT Way values connect us all and guide how we work with each other and our stakeholders every day. They are supported by our focus on leadership, knowledge and performance to drive progress, innovation and service as well as build respectful, happy and supportive work environments.

We evaluate our culture and employee engagement every two years through our Employee Engagement Survey using Best Companies Ltd methodology and metrics. We use pulse surveys for the latest feedback and an indication of progress. Results from these surveys drive HR and local planning in the form of targeted action plans created by site management teams in response to their results. Each manager receives a personal engagement score relating to their team, and we use these results, and the wider engagement results, when considering management discretionary incentive payments.

We were delighted to record continued development in our overall Group engagement score this year as well as celebrating progress at the majority of our sites and exceptional progress at some. The survey response rate of 91% was notably high versus a big company all sector average of 64%.

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

EMPLOYEE ENGAGEMENT SURVEY RESPONSE RATE

91%
vs big company all sector average of 64%

Read more about our employee engagement survey on page 32

2023 EMPLOYEE ENGAGEMENT SURVEY

3***

Our June 2023 Employee Engagement Survey results signalled a further improvement in employee engagement at TT. We received a rating in line with a 3*** rating for the first time in the Best Companies Ltd "outstanding companies to work for" benchmark.

OVERALL SURVEY RESPONSE RATE

91%
Up from 86% in 2020 and 2021 vs a big company all sector average of 64%

YEAR-ON-YEAR RATING IMPROVEMENT

2023: 3***

2021: 2**

2020: 1*

There was no survey in 2022

IMPROVEMENT IN EIGHT FACTORS OF ENGAGEMENT VS 2021

+8%
Fair deal

+7%
Leadership, My company

+6%
Personal growth, Wellbeing, My manager, Giving something back

+5%
My team

HIGHEST SCORES

My team

My company

Leadership

Wellbeing

TWO DIVISIONS ACHIEVED 3***

S&SC and GMS
Both scored 3*** with higher scores than 2021

SIX SITES 3*** RATING

3***
6 sites

2**
4 sites

1*
3 sites

One to watch (OTW)
6 sites
Unaccredited 2 sites

HUGE IMPROVEMENT AT THREE SITES

Cardiff
(not accredited in 2021 to 3*** in 2023)

Juarez
(OTW in 2021 to 3*** in 2023)

Barnstaple
(Unaccredited in 2021 to 2** in 2023)

OUR PEOPLE, COMMUNITIES AND ENVIRONMENT CONTINUED

EMPLOYEE ENGAGEMENT AND COMMUNICATION

We communicate frequently and openly with employees using a range of methods. At Group level, our intranet, ConnecTT, enables employees to communicate with each other and easily find and share resources and news in their local language. We regularly publish news items celebrating business and personal successes as well as reporting on events across the Group. ConnecTT also hosts employee communities for skill specialisms, equality, diversity & inclusion progress, and personal interests.

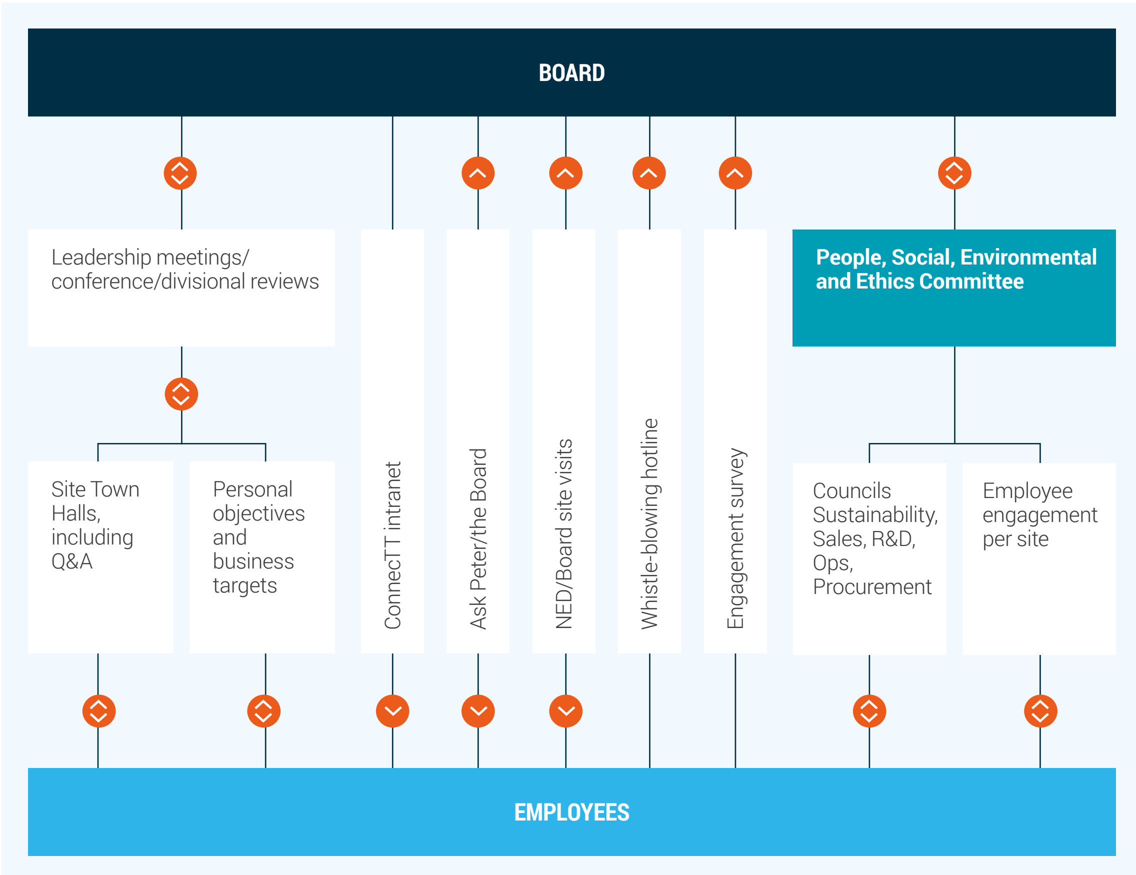
Regular communication is critical to the success of our sites. Activities include regular all-hands meetings, Gemba walks to cover safety and wellbeing topics, daily stand-ups to drive productivity and team meetings. Several of our sites have established employee forums to ensure robust two-way communication and feedback.

CEO Peter France visits our site in Kuantan, Malaysia

Social and fundraising events are also a big part of our culture, helping to create strong personal and social bonds both within our sites and with our local communities. Members of the senior leadership team regularly visit, giving Town Halls, walking the floor and recognising outstanding performance and improvement. Members of our Board also take the time to visit TT locations and the whole Board visited our Plano and Kansas sites in 2023.

Employee voice at the Board

It is important that the employee voice is heard at the highest levels of the organisation. The results of our engagement surveys are reviewed by the Board so that findings can be acted upon and TT's Senior Independent Director, Jack Boyer, participates directly in people matters through his membership of the PSEE Committee. The strong links described in the diagram below ensure that the Board is aware of the views and needs of our most important stakeholders and can guide company actions accordingly. For the purposes of the UK Corporate Governance Code, Jack Boyer is the designated Non-executive Director for engagement with the workforce.



LOCATIONS VISITED BY WHOLE BOARD IN 2023

2

CASE STUDY

INSIDE TT ELECTRONICS

TT BARNSTAPLE: THE POWER OF A WELL-EXECUTED PLAN

After scoring the lowest of all TT sites in our 2021 employee engagement survey and facing a rapidly growing order book, wholesale change was required to set the TT Barnstaple team back on the path to success.

In 2023 the team celebrated an enormous leap in the site's employee engagement score to 2** as well as quantified business benefits including an increase in productivity and capacity usage, an increase in customer on time in full (OTIF), and improved safety performance.

Determining the path to success

After digesting the 2021 survey results the leadership team set about defining what good looked like and creating a plan of action for the site which included:

– Restructuring the leadership team to bring in people-centric leaders.
– Preparing and communicating a clear leadership purpose statement.
– Embedding engagement into the objectives of the leadership team.
– Relaunching regular two-way communication activities including quarterly all-hands meetings and team talks for real-time feedback.
– Piloting a four-day week for all employees.
– Deploying TT's bite-sized line manager training programme and ED&I training for all.
– Investing in the quality of the working environment.
– Holding social events to build informal relationships across and between teams and leaders.

Critical to the plan's success has been site leaders' determination to personally lead the change by walking the walk and demonstrating TT's Values in action. Plans are now set, communicated and reviewed annually to ensure the positive journey continues. Recent new initiatives have been the addition of regular stand-up meetings on the shop floor to cascade metrics and accountability and lean change programmes that have consolidated teams to enable more efficient working.

Move to a four-day week

One of the most effective changes has been the move to a four-day week. This change was tested as an extended pilot from Autumn 2022 and became permanent on 1 January 2024 after it was embraced by employees and delivered clear business benefits in terms of work capacity and productivity. Employees are able to work longer days Monday to Thursday, with the option of working overtime on Fridays rather than at the weekend. Those choosing the shorter week have Fridays free to pursue other interests/take care of other commitments with the corresponding positive impact on wellbeing. For the second six months of the pilot period employees were able to advocate for their preferred working hours and all requests were able to be accommodated within the site's more flexible working schedule.

Andy Pacey
Site Director
TT Electronics, Barnstaple

"People make our business and are critical to performance. Having an engaged team drives attendance, retention and productivity as well as creating a positive working environment that people are keen to be a part of.

The results of the 2021 survey were difficult to read but not unexpected after a tough few years which featured COVID-related redundancies, a high turnover of leaders, a lack of focus on employee needs and wellbeing, and low levels of site investment. We had not only lost capability, capacity and tribal knowledge but also the trust and partnership of our people. They did not feel considered or empowered and we needed to deliver substantial change.

Fundamentally, the stability and success of our site is good for everyone's future – for the business, for our employees, for our customers and, as a reasonably large employer, for our community. It was imperative that we communicated this, walked the walk as leaders, and changed attitudes and behaviours so that our team could be proud of where they worked.

We are really pleased with where we are today but acknowledge that this is an ongoing endeavour. We have a great team that we want to do our best for so we are already executing our 2024 plan."

2023 ENGAGEMENT SURVEY

96%
Response rate

2**
Rating

BARNSTAPLE LEADERSHIP PURPOSE STATEMENT

– To define the future, monitor, guide and inspire the company.
– To create an environment that enables and empowers teams, that satisfies/fulfils the needs of the customer, employees and stakeholders to secure the future and prosperity of the business.
– To be a preferred supplier/employer of choice/business of choice.

OUR PEOPLE, COMMUNITIES AND ENVIRONMENT CONTINUED

SAFETY, HEALTH AND WELLBEING

TT Electronics prioritises safety. Our Health, Safety & Environment ("HSE") framework and tools are designed to ensure compliance and support best practice safety measure identification and implementation. Our site HSE professionals report to our site General Managers with a dotted line to our Global Director of Health, Safety and Environment who leads progressive HSE programmes and acts as a support for the whole business.

In 2023, to further support all sites, Regional HSE Leads were identified. In their roles, the Regional Leads assist in the management of compliance and adherence to our HSE Standards as well as serve as a best practice sharing platform among peers. Our HSE Council was also redefined to improve global sharing and build further strategy alignment across the Group.

In 2024 we will take further steps to ensure that, as a global enterprise, international best practices are implemented. TT Electronics will be normalising injury statistics and reporting not only by cases, but by utilising incident rates. As another best practice step forward, we will include incidents resulting in medical treatment in these rates.

During 2023, we enhanced the training and knowledge in the organisation to identify and report proactive hazard observations. This data has been added to our internal reporting and will continue to be tracked and trended in 2024.

Global standards

During 2023 all sites implemented new Global HSE Standards. These 15 standards are based on ISO 45001 and ISO 14001 requirements with implementation required at all TT Electronics locations. During the year all sites completed an internal audit against the Standards. In 2024, all sites will once again be auditing to all 15 of our Standards, requiring a higher level of maturity for all locations. We utilise HSE professionals from other sites to complete these internal assessments, which allows for knowledge and information sharing as well as personal peer-to-peer development. Two of our sites also completed an external regulatory compliance audit in 2023 as scheduled by our rotating global three-year requirement.

Safety performance

Safety performance is a Group KPI and has improved significantly in recent years as we have matured our framework and increased accountability. Monthly reporting is completed to the leadership team and reviewed by the TT Board. Safety performance has historically been quantified as the number of workplace injuries/illnesses resulting in three or more days' absence. This has been applied to all TT locations worldwide and is more stringent than the Lost-Time Incident (LTI) requirement for UK reporting which is seven days' absence. 92 per cent of TT locations have achieved at least one or more years without a lost-time incident.

LOCATIONS ACHIEVING AT LEAST ONE OR MORE YEARS WITHOUT A LOST-TIME INCIDENT

92%

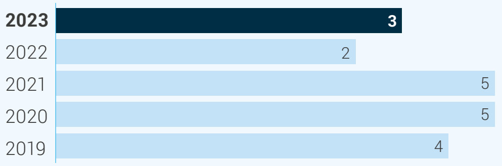
Great safety performance is celebrated at TT sites
During 2023 our Kuantan, Malaysia site celebrated five million combined accident-free hours.

SAFETY, HEALTH AND WELLBEING CONTINUED

TOTAL NUMBER OF THREE-DAY LOST-TIME INCIDENTS

2023: 3

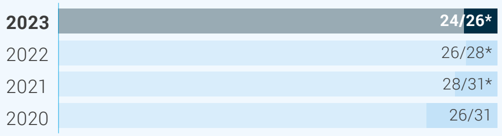
(2022: 2)



NUMBER OF SITES ACHIEVING ZERO HARM (NO THREE-DAY LOST-TIME INCIDENTS)

2023: 24/26*

(2022: 26/28*)



* Includes office locations and sites that were closed during the year

Health and wellbeing

Supporting our employees to take care of their health is also important to us. It is the right thing to do, and it supports business needs by ensuring that our teams are fit and well to be at work and feel supported to give their best.

We see a strong crossover between all types of health – physical, mental and financial health – and we take opportunities to raise awareness and make conversations on these matters normal and expected, as well as giving employees access to resources and things they need such as medical assessments. In 2023 we began piloting a wellbeing support framework in the US covering the three key aspects of wellbeing and we have an Employee Assistance Programme ("EAP") available to all employees where our people can seek help from a third party organisation.

Wellbeing framework

Physical health

Our physical health support programmes centre on preventative measures and fun activities such as team sports and on-site exercise classes. Our sites also offer relevant local support such as health screenings, flu shots, subsidised gym memberships and sharing for success lunch time sessions. Many sites undertake Gemba walks every day which incorporate physical check-ins with employees to review temperature, ergonomic environment and body posture, all of which contribute to good physical and mental health.

Mental health

Many TT sites have mental health first aiders who are trained to recognise triggers and help mobilise support for employees who may be struggling. Sites also organise events to raise awareness of mental health matters and provide mental health resources to help employees cope with issues such as anxiety and stress.

Financial health

We recognise that the global cost-of-living crisis has been difficult for many employees and, over the last two years, have made specific efforts to raise awareness of the benefits we have available to employees such as our EAPs, our UK and US health plans, our UK and US all-employee share plans and pension/retirement planning. Our more than 1,300 UK employees have access to a support package of salary finance options to help strengthen personal financial fitness and arrangements. This is administered by a specialist third party not-for-profit organisation and offers financial health resources; debt consolidation; salary advance payments; and savings options attached to payroll.

"We see a strong crossover between all types of health – physical, mental and financial health – and we take opportunities to raise awareness and make conversations on these matters normal and expected."

DEVELOPMENT AND CAREERS

Investing in the training and development of all our people enables them to do their jobs well, build long-term careers at TT and keep us at the forefront of innovative product development and customer service.

We are highly focused on "growing our own" leaders and innovators by equipping our people with the right knowledge, opportunities and clarity on career paths and we take pride in the fact that anyone, at any level, will always be given the opportunity, encouragement and support to progress if they wish to. Our line managers hold regular career conversations with their direct reports and create personal performance development plans that align with wider site, division and Group objectives. We use a five-point performance scale to guide performance conversations and give clarity to employees.

We have implemented a successful summer internship programme at a number of our US sites and both apprentices and graduates at UK locations. Several of our sites draw on regional and national funding to help existing employees train for new roles in the business. We will continue to evolve and grow these offerings as we move through 2024.

Improving leadership and line management skills
Our line management skills programme helps new and existing line managers to build leadership skills, be more effective in their roles, and better support those working for them. The six bite-sized modules covering practical topics for leaders are available to all, but are typically accessed by supervisors, team leaders and new line managers. During 2023, more than 70 first line leaders went through the programme across six locations, brought together during a two-day period, to learn both critical new skills and build a network of leaders across the sites. We also had a very successful year with our leadership webinar series that saw an average of 120 people attend each 60 minute session. The sessions covered a range of leadership topics including leadership and mental health; high-performing teams; ED&I; and facing fear and embracing change.

REWARD AND RECOGNITION

Being fairly rewarded and recognised for your contributions is an important part of our culture.

Reward
We ensure we pay fairly and equally for like-for-like roles within each labour market and our employees are rewarded solely on merit. Over the past three years, we have worked to improve pay and earnings potential for our direct labour employees, through significant investment in hourly rates and via frameworks and training which allow employees to earn more as they grow their skills.

Our approach to flexible working makes it possible to balance work and personal commitments so that employees can take care of all the things that matter. Our parental leave policy allows men and women to share the responsibility and time at home with new additions to the family.

Over and above salary, all employees are able to participate in site-specific pay-for-performance schemes, be it our site incentive schemes, or annual incentive schemes and we operate attractive all-employee share plans for UK and US employees.

In line with Corporate Code Provision 41 we have undertaken reward workforce sessions which cover our reward principles, the role of the Remuneration Committee, and how we achieve alignment of remuneration.

Recognition
Our BE Inspired recognition scheme is extremely popular with employees as an opportunity to recognise teams and individuals who demonstrate our TT Way values and have a positive impact on the business. Participation is high and in 2023 the awards attracted more than 2,200 nominations, with each winner receiving a sum of money and a site celebration. As described on page 33 we also take time to share personal and business successes with the global TT community through ConnecTT.

NOMINATIONS FOR OUR BE INSPIRED RECOGNITION SCHEME

2,200

AVERAGE NUMBER OF PEOPLE ATTENDING OUR LEADERSHIP WEBINAR SERIES

120

Our TT Mexicali team enjoying a trip to a baseball game.

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INSIDE TT ELECTRONICS

TT KANSAS: AN EMPLOYEE OFFER TO SUPPORT GROWTH

In a highly competitive local employment market, our Kansas team has taken big steps to stand out from the crowd and create a strong employee offer to attract and retain a highly skilled team capable of delivering the growth opportunities available. The offer is multi-faceted and encompasses culture and values, recruitment, skills development, pay, wellbeing and community outreach.

Employee value proposition
The team has developed and published a compelling marketing document to promote the company, its culture, and the benefits of joining the team to new recruits.

Building skills, careers and pay
In response to business needs and to address areas raised in the employee engagement survey on self-development and pay the site has deployed a skills matrix that details cross-training career pathways to progress up the matrix and earn more. Hourly paid employees are encouraged to embark on a career journey using the matrix, with current participation in cross-training activities running at 25%. Multi-skilled employees are bringing huge benefits to the team through increased capacity and productivity. External tuition costs are also reimbursed for relevant skills development with opportunities typically taken up by younger employees who joined from high school.

Growing their own
In a tight labour market it has been important to attract people right at the start of their careers. Accordingly, the Kansas engineering intern scheme has grown steadily from three interns in 2021 to

nine interns in 2023. The interns undertake summer projects to get to know the business and receive care packages and sponsorship when back at college. Of the 2023 cohort, four interns have taken up permanent graduate positions at TT Kansas and the other five will return as interns in summer 2024. Additional investment of time and money will enable an even larger 2024 cohort to rotate around the site to gain deeper insight into the business.

In the community
From a position of near zero community activity the team has built employee awareness of TT's "hours for giving" programme to build a regular outreach programme determined by employee suggestions. One opportunity is put forward every month for employees to use their five paid volunteer hours and enjoy time together while giving back. Kansas now records more volunteering hours than ever before.

Health and wellbeing
The site has adopted a four-day week since COVID, enabling employees to work flexibly and establish a good work life balance if preferred. The team have taken this further by utilising the TT wellbeing framework to focus on employee health and wellness and financial health by providing a range of resources. Members of the team are encouraged to take advantage of the health and support plans available to them and on-site health screening programmes including biometric and other medical testing. In line with other TT sites Kansas holds celebrations to highlight important cultural events such as International Women's Day to foster inclusion and wellbeing among all employee groups.

Andy Huffman
Program Manager; one of the first interns at TT Kansas

"In the summer of 2021, I began my journey at TT as an engineering intern. The internship programme allowed me to apply my academic knowledge to real-world scenarios and the opportunity to explore various departments within TT. Through weekly meetings with fellow interns across the United States, I gained insights into TT's different locations and expanded my understanding of the company. I transitioned to a full-time role as a LEAN Engineer in July 2022. Since that time, I have been involved in several diverse and transitional projects for the site, which have given me the opportunity for frequent collaboration and interaction with TT leaders and teams across North America."

2,000
>2,000 days without a safety incident

25%
Current participation in cross-training activities

EQUALITY, DIVERSITY AND INCLUSION (ED&I)

Our Juarez and Manchester sites celebrate International Women's Day

We see equality, diversity and inclusion (ED&I) as a fundamental cornerstone in ensuring we can attract, develop and retain the talent we need to achieve our ambitions as a company.

The need for equality and fairness at work is a given. All employees and potential employees must be treated fairly and have equal access to opportunities in a workplace that is tolerant, respectful and ensures dignity for all. As set out in our employment policies, no employee, applicant, contractor or temporary worker should be treated less favourably or victimised or harassed on the grounds of disability, sex, marital or civil partnership status, race, nationality, colour, ethnicity, religion or similar philosophical belief, sexual orientation, gender identity, age or any other distinction other than merit.

An inclusive culture is an essential building block for everyone in our company to thrive, and this has been a key focus for leadership over the past few years. Site employees and leaders have driven this agenda with passion and creativity – celebrating the diversity inherent in their cultures and communities, creating psychologically safe environments to discuss such topics, and providing training and support to all employees to build awareness.

Although we have an ethnically diverse workforce given our geographic spread, we are always looking for ways to grow the diversity of our workforce as we hire and develop people. International Women's Day was celebrated this year in our Northern UK businesses through a Northern Women ConnecTT event, bringing together women from a range of businesses and roles for a day of training, speakers and connection. Diversity is also essential in our early careers pipeline, where we proactively encourage applications from women.

We set out our ED&I policy and strategy three years ago. The policy explains our approach to equality, diversity and inclusion including such matters as harassment, victimisation and bullying, recruitment and promotion, religious accommodations, gender confirmation and workplace adjustments; the expected standards for employees and their responsibilities; and how we will deal with infringements of the policy.

We do not have Group ED&I KPIs, but we encourage our divisions and sites to prepare their own, relevant, improvement plans every year, including focusing on one annual ED&I objective.

Gender diversity

We are pleased to have two women Board members and a female member of our Management Board ("TMB") which replaced the Executive Leadership Team ("ELT") on 1 March 2024. The latter is a graduate of our inaugural Women in Leadership programme, an integral part of our ED&I strategy, which comprises joint workshops with senior male leaders as well as skills, mentoring and advocacy. In total, we have more women employees than men. Our UK Gender Pay Gap report is published annually on the TT website.

GENDER DIVERSITY AT 31 DECEMBER 2023

Employees – full-time equivalents	Men	Women
Non-executive Directors	3	2
Executive Leadership Team (ELT)	4	0
ELT and direct reports	20	9
Senior managers (ex-ELT) [1]	66	17
All employees:		
Europe	865	518
North America	888	1,061
Asia	521	1,092
Total	**2,274**	**2,671**

1 Senior managers (ex-ELT) includes TT's Group senior leaders, our divisional and functional leadership teams, and Directors of subsidiary companies.

> "An inclusive culture is an essential building block for everyone in our company to thrive, and this has been a key focus for leadership over the past few years."

See our Board diversity disclosure on page 86

CASE STUDY

INSIDE TT ELECTRONICS

A FAMILY FEEL IN MEXICALI AND JUAREZ

With our two Mexico sites expanding to support growth programmes and re-shoring for customers and high local demand for skills, it has been a priority for our site leaders at Mexicali and Juarez to build strong site cultures that make our employees happy and proud to be part of the TT family.

Leaders at both sites have put a real focus on bringing everyone together through events and initiatives built on employee needs and interests such as support for women's voices against violence, health and wellness programmes, diversity celebrations, ultra-local community giving, and family days. TT has also invested in both sites, Mexicali in 2023 and Juarez beginning in 2024, to create better working environments for employees as well as more capacity. Our site leaders take the time to get personally involved in site events and celebrations as an opportunity to listen to feedback and build stronger "family" bonds across the team. Both sites performed extremely strongly in the 2023 employee engagement survey with Juarez improving to a 3*** score from one to watch and Mexicali moving up from 1* to 2**.

We are also extremely proud of the external recognition achieved by Juarez in 2023:

- From the Women's College of Lawyers on behalf of the Government of the state of Chihuahua for its "I believe you" programme which offered professional consultation and advice from psychologists and lawyers for female employees dealing with male violence.
- Achieving the Business and Human Rights Distinctive based on the site's human rights policies, labour practices, culture of inclusion and non-discrimination, and environmental protection.
- For commitment to employee education from the Government of the state of Chihuahua.

Top: Mexicali's annual family day celebration had a Mexican wrestling theme. The parking lot was transformed into a wrestling arena and there was fun for all the family with music, a wrestling exhibition, games and food.

Middle: Juarez celebrates its Business and Human Rights Distinctive award.

Left: Juarez celebrates PRIDE.

2**

Mexicali employee engagement survey score improved from 2021: 1*

3***

Juarez employee engagement survey score improved from 2021: One to Watch

"Our site leaders take the time to get personally involved in site events and celebrations as an opportunity to listen to feedback and build stronger "family" bonds across the team."

OUR PEOPLE, COMMUNITIES AND ENVIRONMENT CONTINUED

COMMUNITIES

We encourage our teams to take an active role in their local communities, whether fundraising and volunteering for chosen charities or committing time and resources to promoting STEM education and careers.

STEM skills

Our teams of engineering, technology and manufacturing experts are passionate advocates for the development of STEM skills and engaging with the next generation of potential talent. We are particularly keen to encourage more women and under-represented groups to take up STEM subjects and careers.

Many of our employees give up their time to develop local STEM partnerships to promote careers in electronics and related fields, undertaking talks, demonstrations and attending careers fairs to interest and educate young people in the sector. Across the world we also aid school curriculums directly by supporting science projects and engineering competitions to highlight the importance of STEM subjects in everyday life.

Volunteering and charitable giving

TT has a big fundraising and volunteering culture – our efforts bring our employee teams together as well as benefiting our communities. Each site chooses a local charity to support through the year and our "hours for giving" programme enables employees to take five hours of paid leave per year to support local causes. In 2023 nearly 6,000 hours were taken under the programme. Our teams support many other local and national causes and are able to request matched funding from TT through the "giving the TT Way" programme.

Our Woking HQ team celebrating the end of their 25 mile fundraising walk to Hampton Court Palace.

As part of our partnership with the University of Nottingham, TT hosted 37 Indonesian students for an introduction to TT.

Our intrepid Sheffield team visited 100 sports stadiums in 100 hours in support of a local charity.

VOLUNTEER HOURS RECORDED IN OUR HOURS FOR GIVING PROGRAMME

6,000

ENVIRONMENT

"Application of our Group-wide Energy Strategy and the work of highly motivated teams at our sites has seen us deliver further falls in energy consumption, increase again the share of our electricity coming from renewables, and take benefits from our own renewable electricity generation."

Vicki Faith
Group Head of HSE and Sustainability

Climate Sustainability Council
In 2023 TT renewed its Climate Sustainability Council with a stated purpose to "embed sustainability in everything we do". The Council is comprised of passionate volunteers from across TT representing Legal, Investor Relations, Marketing, Business Development, Operations and Communications. Looking forward to 2024 the Council has a wide-ranging action plan focused on our purpose. We will be organising a Global Climate Sustainability Day, building a strong network with our site Green Teams, developing training materials, and helping our sites to achieve their own Net Zero status.

Sustainability

This year has seen TT make significant progress in all areas of our sustainability strategy and deliver strong, tangible results in our transition to achieve Net Zero. Our Purpose is to solve technology challenges for a sustainable world and, in doing so, we are ever mindful to manage and reduce the impact of our own operations on the environment.

First and foremost in our day-to-day actions is a constant drive to reduce TT's Scope 1 & 2 emissions and we have continued to deliver meaningful results. Application of our Group-wide Energy Strategy and the work of highly motivated teams at our sites has seen us deliver further falls in energy consumption, increase again the share of our electricity coming from renewables, and take benefits from our own renewable electricity generation.

As a result of these efforts, we have seen another excellent year of performance, with Scope 1 & 2 emissions falling 18% year-on-year and 62% from our revised 2019 baseline. We are also mindful of our impact on the environment relating to external factors, including our supply chain, and this year has seen our first measurement and publication of TT's Scope 3 emissions. While further work is needed to improve data collection in this area, we are now able to size and analyse TT's material Scope 3 emissions.

In addition to our work on CO_2 emissions we are also committed to reducing our impact on the environment from our use of precious resources such as water, use of single-use plastics and the unrecycled waste we send to landfill. We have made good progress in the capture of data in these areas and have set a target to eliminate single-use plastics and waste to landfill by 2035.

We are mindful that our Net Zero roadmap should be science-based, and this year we publish our Scope 1 & 2 roadmap, in an illustrative form, with an intention to formally commit to Science-Based Targets in the future. Additionally, we note recent guidance on transition planning and we state our intention to publish a Transition Plan in the future.

In this Annual Report we publish our Task Force on Climate-related Financial Disclosures ("TCFD") statement and confirm our consistency with ten of the eleven disclosures. 2023 has seen a significant effort to assess our climate-related risks and opportunities, including against a range of relevant scenarios, and confirm the resilience of our strategy. For full consistency we continue our work to deliver a quantitative assessment of the impact of climate-related risks and opportunities. See page 47 for our TCFD disclosure. See page 48 for Board oversight of environment and climate matters.

The past year has been one of tremendous progress for our Net Zero journey and for our successful transition towards a future low-carbon economy. We continue to solve technology challenges for a sustainable world and look forward to another year of meaningful achievement ahead of us.

2023 TARGET REDUCTION VS 2019 BASELINE

50%

ACTUAL REDUCTION VS REVISED 2019 BASELINE

62%

ENVIRONMENT CONTINUED

CASE STUDY

INSIDE TT ELECTRONICS

A DRIVE TO DELIVER

Our drive to reduce electricity consumption, particularly in those plants not yet able to access renewable electricity, has seen a reduction year-on-year in both absolute and relative (to activity levels as measured by revenue) consumption. Committed teams across TT have delivered a variety of impactful projects to make this happen. Here are some examples of the work done by our teams this year.

Suzhou, China
Our Suzhou team completed nine energy saving projects in 2023, saving a total of 280 MWhs per year. One of the key projects has been setting up a smart energy management system that enables the monitoring of energy use and supports elimination of energy waste.

280 MWhs
Saved per year

Kuantan, Malaysia
Our Kuantan team received significant capital support from Group to install a major solar photovoltaic system. This will generate more than 1 GWh of renewable electricity per year. EVP Commercial, Mike Leahan threw the "on" switch in 2023 and we are already enjoying the benefits.

1 GWh
Renewable electricity generation capacity per year

Greater Manchester, UK
Our Greater Manchester team successfully completed the move of all production from a legacy facility to a new facility that is modern and energy-efficient. The new site boosts space efficiency, has eliminated the use of natural gas, and includes 100% LED lighting and improved heat insulation.

100%
LED lighting

Juarez, Mexico
Our Juarez team has engaged everyone in the team on caring for the environment. After calculating that air leaks could cause 20% excess use of electricity, a successful project to eliminate air leaks was launched and saved approximately 26 tonnes of CO_2 emissions in 2023.

26 TONNES
CO_2 emissions saved in 2023

> "First and foremost in our day-to-day actions is a constant drive to reduce TT's Scope 1 & 2 emissions; and we have continued to deliver meaningful results."

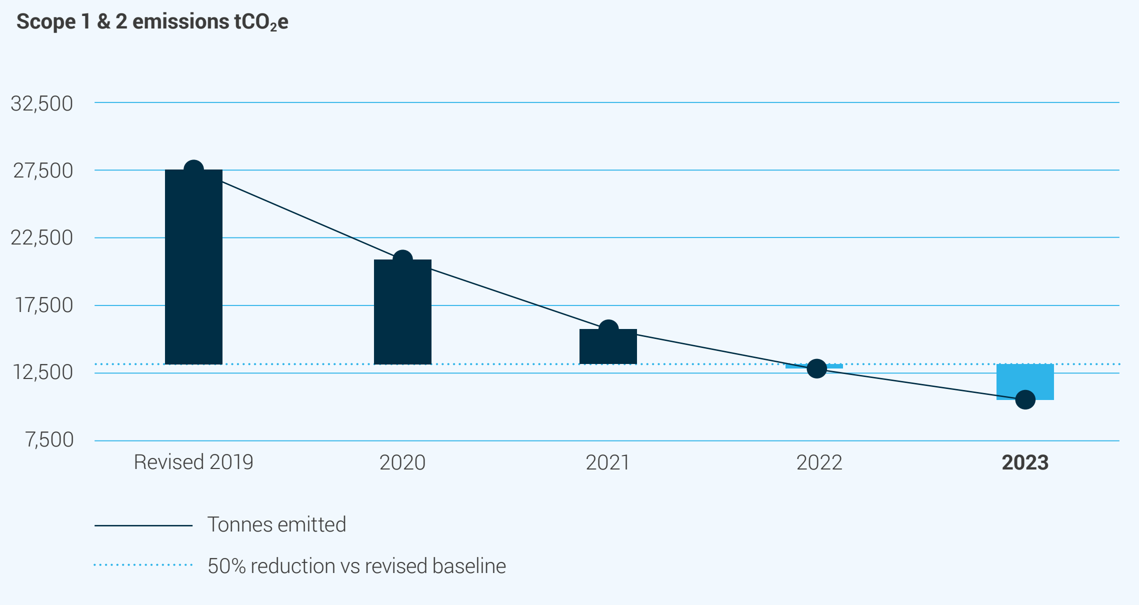
ENVIRONMENT CONTINUED

Scope 1 & 2 emissions
Our Group target for Scope 1 & 2 emissions was to achieve a 50% reduction versus our 2019 baseline by the end of 2023. As reported last year, we achieved a 54% reduction by the end of 2022 and we have taken a further step forward this year by delivering a further reduction of 18% versus 2022, taking us to a 62% reduction versus our revised 2019 baseline. We are well underway to achieve our target of Net Zero Scope 1 & 2 emissions by 2035.

The main drivers of this achievement were: further switch of purchasing to renewable electricity; utilisation of self-generated renewable electricity from solar panel installation; moving production to modern energy-efficient facilities; and further improvements in site energy efficiency.

Scope 3 emissions
We have completed assessment and measurement of our Scope 3 emissions during the year and our focus will now be to improve the methods of collecting and qualifying our data. We found that our emissions are dominated by Category 1 – Purchased Goods and Services. We are committed to reporting, managing and eliminating all categories of emissions from our value chain where possible, while maintaining the immediate priority on eliminating emissions from our own operations. The reported emissions are calculated directly, where possible, with data gaps covered by proxy data, extrapolation, and use of sampling as appropriate.

PERFORMANCE ON SCOPE 1 & 2 EMISSIONS AGAINST TARGET TO REDUCE BY 50% VERSUS REVISED 2019 BASELINE BY 2023



Category 1: Purchased goods and services
We have implemented a process to measure our emissions using a combination of direct input from our suppliers and estimates where necessary.

Category 4: Upstream transportation and distribution
We have partnered with our logistics providers to gain access to emissions data.

Category 5: Waste generated in operations
We have constructed a robust system to measure and report all of our waste streams at our facilities.

Category 6: Business travel
We have partnered with centralised travel providers to gain access to emissions data.

Category 7: Employee commuting
We have calculated these emissions centrally taking into consideration employee data supplied by all locations.

Category 9: Downstream transportation and distribution
Included in Category 4.

> "We have completed assessment and measurement of our Scope 3 emissions during the year and our focus will now be to improve the methods of collecting and qualifying our data."

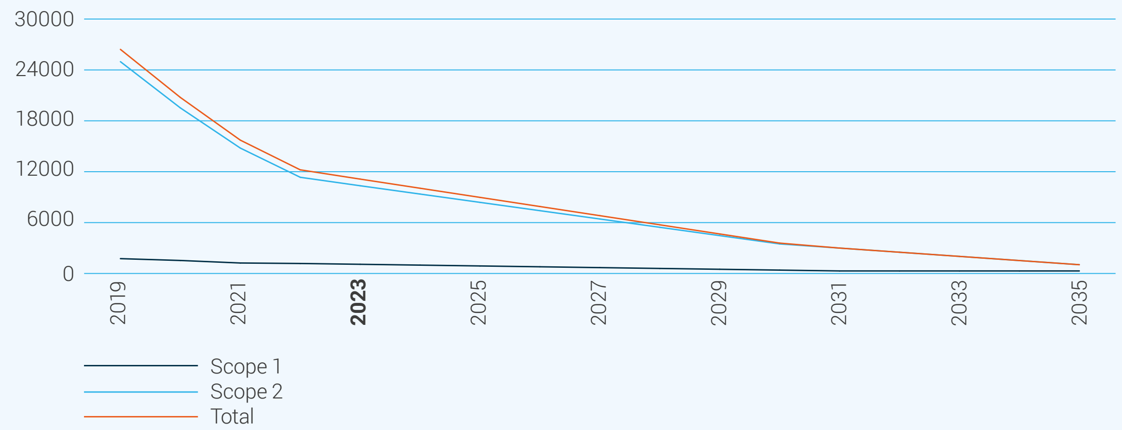
OUR PEOPLE, COMMUNITIES AND ENVIRONMENT CONTINUED

ENVIRONMENT CONTINUED

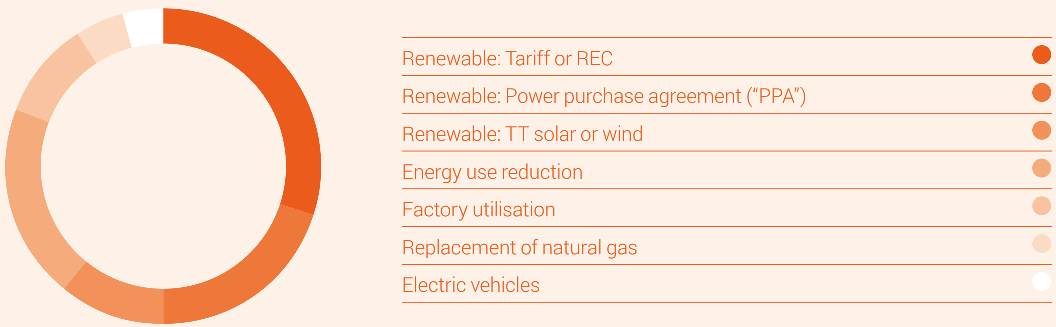
OUR SCOPE 1 & 2 NET ZERO ROADMAP

We are mindful that our Net Zero roadmap should be science-based with science-based targets. This year we publish our Scope 1 & 2 roadmap, in an illustrative form, with an intention to formally commit to Science-Based Targets in the future. TT is committed to Net Zero Scope 1 & 2 emissions by 2035.

Net Zero roadmap: Scope 1 & 2 (tCO_2e)



Action to Net Zero Scope 1 & 2

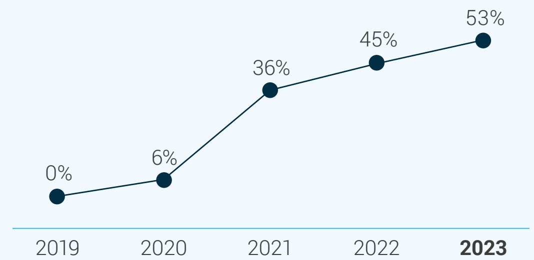


Waste, water and energy

As well as managing and eliminating our CO_2 emissions, we are also committed to measuring and eliminating, or reducing, the amount of electricity we use from non-renewable sources, waste sent to landfill and single-use plastics used at TT. We significantly improved our data gathering ability in the latter two areas this year and we have a target of zero waste to landfill and single-use plastics by 2035. We also track our water consumption and are committed to minimising water use, though our manufacturing processes use very little water.

SWITCHING TO RENEWABLE ELECTRICITY

Renewables as a % of total electricity consumed



RENEWABLE ELECTRICITY

53%
of total electricity

ENVIRONMENT CONTINUED

Data

Our results are calculated centrally from data collected locally. We use the market-based method for emissions calculations and, in line with GHG Protocol guidelines, we use the following information in this order of priority: energy attribute certificates; contracts; supplier emission rates; residual mix or grid average emission factors. 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. For Scope 1 emissions, we include our total owned and leased vehicle direct emission impact. Emissions factors, for conversion of activity or energy consumption into emitted CO_2e, are taken from widely used sources, often governmental. The emissions factors used in this report are the most recent available at time of publication.

EMISSIONS, WATER AND WASTE DATA

	Change vs previous year	Change vs revised 2019 baseline	2023	2022	revised 2019
GHG emissions Scope 1 & 2 (tCO_2e)					
Scope 1 [1]	(27)%	(25)%	1,102	1,513	1,479
Scope 2 (location-based)	(2)%	(34)%	17,107	17,371	26,066
Scope 2 (market-based) [2]	(16)%	(64)%	9,431	11,269	26,066
Scope 1 & 2 (location-based)	(4)%	(34)%	18,209	18,884	27,545
United Kingdom only	0%	(25)%	3,670	3,654	4,862
Scope 1 & 2 (market-based)	(18)%	(62)%	10,533	12,782	27,545
United Kingdom only	(15)%	(89)%	549	648	4,862
Intensity ratio Group (market-based tCO_2e/£m revenue)	(18)%	(70)%	17	21	58
GHG emissions Scope 3 (tCO_2e) [3]					
Category 1 – Purchased Goods & Services	NA	NA	158,998	–	–
Category 4 – Upstream Transportation & Distribution	NA	NA	5,329	–	–
Category 5 – Waste	NA	NA	212	–	–
Category 6 – Business Travel	NA	NA	1,883	–	–
Category 7 – Employee Commute	NA	NA	4,202	–	–
Category 9 – Downstream Transportation & Distribution [4]	NA	NA	Included in Category 4		
Scope 3 Total	NA	NA	170,624	–	–
Intensity ratio Group (tCO_2e/£m revenue)	NA	NA	278	–	–
Energy consumption (MWhs)					
Electricity (non-renewable)	(18)%	(63)%	21,985	26,765	59,261
Electricity (renewable)	11%	NA	24,435	21,982	–
Natural gas	(4)%	(7)%	3,912	4,054	4,185
Vehicle fuel	(35)%	(86)%	409	625	2,890
Total energy	(5)%	(24)%	50,741	53,426	66,336
United Kingdom only	0%	(26)%	15,182	15,166	20,509
Intensity ratio Group (Total energy/£m revenue)	(5)%	(40)%	83	87	139
Water and Waste					
Total waste (tonnes)	NA	NA	1,406	–	–
Waste to landfill (tonnes) [5]	NA	NA	417	–	–
Single-use plastics (tonnes) [6]	NA	NA	43	–	–
Intensity ratio Group (Total waste/£m revenue)	NA	NA	2	–	–
Water use (m^3)	10%	NA	140,175	127,720	–
Intensity ratio Group (Water use/£m revenue)	10%	NA	228	208	–

1 Entries for Scope 1 have been corrected to include emissions related to fugitive GHG release, where data is available. The level of emissions is not material but this is being included to improve inventory completeness.

2 Baseline of 2019 has been recalculated in order to correct minor errors related to inventory and emission factors. Although these are not material, in accordance with GHG Protocol guidance on good practice, these are being corrected as 2023 is a "target" year for the Group. That is, we are reporting our performance against our target to reduce Scope 1 & 2 emissions by 50% vs baseline 2019.

3 Categories 3, 8, 10, 11, 12, 13, 14 and 15 are not included as they are not relevant to the Group business model. Category 2 (Capital Goods) is included in Category 1 (Purchased Goods & Services).

4 Downstream transportation (services paid for by ourselves) is included in Category 4 (Upstream Transportation & Distribution) per GHG Protocol guidance. The remaining Downstream Transportation & Distribution (not paid for by ourselves) cannot currently be measured and we are assessing the viability of measuring this in the future.

5 Excluding diverted from landfill (typically incineration).

6 Single-use plastics utilised for packaging. TT does not have any widespread or significant single-use plastics consumption, other than for packaging.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES ("TCFD")

TT Electronics solves technology challenges for a sustainable world. We do this by delivering solutions for our customers that enable products that are cleaner, smarter and healthier, and that will benefit our planet and people for future generations.

As a global manufacturer of electronic components and provider of manufacturing services, we understand the importance of analysing the current and future potential impacts of climate change on our activities and the urgent need to protect the environment for future generations given the severity of the climate crisis. This year we have undertaken a more comprehensive analysis of our climate-related risks and opportunities, taking into consideration their impact under different timeframes, and scenarios. We support the transition to a low-carbon economy through our products and through our operations via our commitment to becoming a Net Zero emissions business on a Scope 1 & 2 basis by 2035.

The Board has noted the requirement for mandatory climate-related disclosures arising from the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022, as well as FCA Listing Rule 9.8.6R(8). Below we have set out our climate-related financial disclosures which demonstrate consistency with ten of the eleven TCFD recommended disclosures as detailed in 'Recommendations of the Task Force on Climate-related Financial Disclosures', 2017, with use of additional guidance from 'Implementing the Recommendations of the Task Force on Climate-Related Financial Disclosures', 2021. The disclosure that we are not consistent with is Strategy (b) where we have provided qualitative but not fully quantitative analysis of our physical risks and transition risks and opportunities. TT Electronics will continue to refine financial impact analysis, relevant to Strategy (b) and Physical Risk, with a view to updating the disclosures at the next reporting cycle. The climate-related financial disclosures made by Group comply with the requirements of the Companies Act 2006 as amended by the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022.

Following independent third party and internal analyses and assessment of the Group's climate-related risks and opportunities, which are detailed in the Strategy section of this TCFD disclosure (see page 49), our view currently is that significant financial planning or budgetary change as a result of climate change is not likely to be required and the transition to Net Zero is already incorporated into the Group's strategic planning.

Detail on the 11 recommended disclosures can be found on the pages highlighted below.

TCFD RECOMMENDATION	RECOMMENDED DISCLOSURE	ANNUAL REPORT REFERENCE
GOVERNANCE Disclose the organisation's governance around climate-related risks and opportunities.	a. Describe the Board's oversight of climate-related risks and opportunities.	Page 48
	b. Describe management's role in assessing and managing climate-related risks and opportunities.	Page 48
STRATEGY Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material.	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.	Page 50
	b. Describe the impact of climate- related risks and opportunities on the organisation's businesses, strategy and financial planning.	Page 50
	c. Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Page 50
RISK MANAGEMENT Disclose how the organisation identifies, assesses and manages climate-related risks.	a. Describe the organisation's processes for identifying and assessing climate-related risks.	Page 49
	b. Describe the organisation's processes for managing climate-related risks.	Page 49
	c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management.	Page 49
METRICS AND TARGETS Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	Page 56
	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions, and the related risks.	Page 46
	c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	Page 56

TCFD CONTINUED

GOVERNANCE

BOARD OVERSIGHT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES

At TT Electronics, the Board of Directors oversees all ESG matters, including climate-related issues, across Group culture, strategy, compliance, risk and internal controls as part of our overall governance, budgetary approval and risk management frameworks. The Board receives regular updates on the status of Group environmental issues (including sustainability and climate-related risks and opportunities). The Board also receives regular updates on the progress made against targets and ongoing action items in the form of a presentation and supplementary written document.

An overview of risks and opportunities is provided in addition to an update on the progress of current projects related to strengthening the reporting infrastructure for climate-related risks and opportunities. A review by the Board of the Group's Net Zero planning and Sustainability Strategy is undertaken at least annually.

Audit and Risk Committees

The Board is also responsible for risk management, supported by the Audit Committee and informed by the executive Risk Committee, under which there is a periodically scheduled meeting focused on the climate risk register. The Board defines risk appetite and monitors the management of significant risks. Climate-related risks are included in the Group risk register.

People, Social, Environmental and Ethics ("PSEE") Committee

Beneath Board level, the PSEE Committee provides oversight of and decision-making on our environmental strategy and performance. The CEO chairs the PSEE Committee, which also includes the Senior Independent Director ("SID"). The CEO reports directly to the Board following each PSEE Committee meeting, which occur three times per year.

The PSEE Committee receives updates on the progress of climate-related strategic initiatives and is advised by our Group Head of HSE and Sustainability who provides on-the-ground insight and specialist advice as well as enabling the sharing of best practice and ideas across the Group. The climate-related content of the PSEE Committee agenda is closely aligned with the Board report, albeit being more detailed in analysis and more strategically focused.

Management's role in assessing and managing climate-related risks and opportunities

At the direction of the Board, management are assigned the responsibility to assess, monitor and manage climate-related risks and opportunities. We have put in place a process for our executive management team to be fully engaged in the governance process and monitor progress through monthly reports/dashboards and more detailed quarterly reviews. We use our existing structure to manage these processes. Management receives information on emissions, and details of any actions, strategic or financial planning required to address climate-related issues. Executive management are represented in the PSEE Committee and are also informed by the Group Head of HSE and Sustainability.

Responsibility for local risk management, planning and performance lies with our site managers who work with our site environmental champions and employee Green Teams to formulate and deliver projects and engage employees with our local and global agendas. Site managers are also responsible for the monitoring and management of any physical climate-related risk exposure.

Climate-related governance framework

Board of Directors	**Chair:** Warren Tucker **Number of meetings in 2023:** 7	Overall responsibility for climate-related policy, plans and budget as well as mitigation of key climate-related risks and leveraging opportunities.

Audit Committee	Risk Committee	Executive Leadership Team*	People, Social, Environmental & Ethics ("PSEE") Committee
Chair: Anne Thorburn. Independent Non-Executive Director **Number of meetings in 2023:** 4 Supports the Board on risk management. Oversees risk management and internal control processes.	**Chair:** Peter France, CEO **Number of meetings in 2023:** 3 Supports the Board and the Audit Committee in monitoring the exposure to risks, reviewing risk management processes and controls. Provides the framework for managing Group risks and regularly reviews principal risks.	**Number of meetings in 2023:** 8 Responsible for implementation of the Group's ESG strategy, including climate change risks and opportunities. * From 1 March 2024 the TMB	**Chair:** Peter France, CEO **Number of meetings in 2023:** 3 Oversees the Group's ongoing commitment relating to sustainability and climate-related issues.

Group Sustainability

Group Head of HSE and Sustainability updates the Board on risks and opportunities, the outcome of climate-related scenario analysis exercises, action plans and/or amends business processes.

Management

Help achieve goals, feed back areas for improvement, and update business continuity plans. Responsible for data collection, reporting, risk assessment and mitigation at site level. Also the integration of climate strategy into local business plans.

RISK MANAGEMENT

OUR PROCESSES TO IDENTIFY, ASSESS AND MONITOR CLIMATE-RELATED RISKS

Climate-related risks are fully integrated into and considered as part of our overall Group risk management processes. Our climate-related risk assessment considers existing and emerging risks and all risk categories outlined in the TCFD recommendations in relation to all of TT Electronics global operations, selected key suppliers, and selected key customer locations. Not all risk categories are applicable or material to the business.

Climate-related risk identification is performed both bottom-up, through a detailed assessment at operational site level, as well as top-down, through an assessment of strategic and market risks.

Site-level environmental risks are identified as part of our operational risk assessments. This year, we enhanced our site-level assessment of physical climate-related risks using a natural hazards risk analysis software tool, which provided greater depth to our analysis of all our global operations (see below). We also extended this analysis to some of our key suppliers and customers. Site-level risk assessments are monitored and consolidated at divisional and then Group level. Alongside risk identification and assessment, divisions provide action plans to incorporate a consideration for mitigation in the analysis. This assessment of physical climate-related risks was initially performed as a "one-off" and going forward will be repeated at least once every three years.

Climate-related transition risks, which tend to impact TT in a top-down manner, are assessed in the periodic Climate Risk Meeting, which was held three times in 2023. This meeting informs the Board and the Audit Committee in monitoring the exposure to climate-related risks through regular reviews, including reviewing the effectiveness of risk management processes and controls. The Group risk register is reviewed by the Risk Committee and the Board. The Risk Committee met three times in 2023.

Ongoing data and information relevant to climate-related risks is supplied through regular Board reports in the form of dashboards and written submissions. As part of the 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. Each risk is considered as to whether it currently falls within the Group's appetite for that risk and a decision is made on whether to mitigate, control or accept that risk. As a result, the relative materiality and the prioritisation of climate-related risks is considered alongside other Group risks within the existing Group risk management framework. In addition to our disclosed climate-related risks and opportunities, sustainability, climate change and the environment is an identified principal risk of the Group. Climate-related physical risks have historically been identified and considered for business continuity planning. However, the current in-depth approach is new for 2023. There are no planned changes to the processes used but we anticipate refinements.

STRATEGY

CLIMATE-RELATED RISKS AND OPPORTUNITIES

Outlined in detail from page 51 are climate-related physical risks, three headline climate-related transition risk categories, and three headline climate-related opportunity categories that have been identified as having an impact on our business. The Group's strategic planning for Net Zero and our emissions reduction initiatives form the basis of our mitigation strategies for our risks and our positioning to benefit from the opportunities.

For the purposes of this disclosure, TT Electronics defines time horizons of where our climate-related risks and opportunities first occur as follows:

SHORT-TERM	2024–2028	In line with specific business plan forecasting
MEDIUM-TERM	2029–2035	Encompassing the Group's ambition for Net Zero Scopes 1 & 2
LONG-TERM	2036–2100	Encompassing long-term industry and policy trends, such as UK Net Zero 2050, the useful life of our facilities and equipment (often >10 years and up to 50 years) and the manifestation of long-term climate-related risks

STRATEGY CONTINUED

Impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning
The analysis and quantification of our climate-related risks indicates that the climate risk exposure of the Group in the short-term is mostly Very Low (see scale below), rising to mostly Low in the medium-term. Long-term, some climate-related risks rise to Medium and High levels, but in that time horizon, the Group's operating profit can be expected to be larger and more able to withstand those risks. The Group's climate-related opportunities are also expected to be mostly Low in the short-term. In the medium- and long-term horizons the analysis indicates that climate-related opportunities are potentially transformational for the Group. The margin of error in long-term forecasting is high and thus there is a high level of uncertainty in our long-term impact calculations for both our risks and opportunities.

The identification of risks has allowed us to factor in certain specific risk management and mitigation actions into our plans. The Group's existing business strategy, disclosure, and ambition for Net Zero already provides some financial resilience and strategic robustness to climate change, but the analysis will also help focus our product and service strategy towards exploiting the opportunities identified.

Resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario
The transition to Net Zero is already incorporated into the Group's strategic planning and is considered "business as usual" with respect to operational and capital costs. There are no effects of climate-related matters reflected in judgements and estimates applied in the financial statements as a result. We will continue to develop our analysis as new data becomes available, both internally and externally, and we will continue to monitor our climate exposures and action plans through the Group's risk management framework.

Our approach to climate scenario analysis
In 2023, we undertook a substantial qualitative and quantitative analysis of the resilience of our business model and strategy. Commonly-referenced public climate scenarios were used to provide comparisons across potential climate outcomes. These were selected because the outcomes, supporting data and forecasts are appropriate for the nature of our business and our operating environment. The outcome of this analysis is a confirmation of the resilience of our strategy and that significant financial planning or budgetary change as a result of climate change is not likely to be required and the transition to Net Zero is already incorporated into the Group's strategic planning.

Physical risks were analysed using three scenarios from the Intergovernmental Panel on Climate Change ("IPCC") embedded in the software platform used to analyse physical risks of climate change:

- *RCP 2.6*: a "very stringent" pathway, likely to keep global temperature rise below 2°C by 2100.
- *RCP 4.5*: an intermediate more likely than not to result in global temperature rise between 2°C and 3°C, by 2100.
- *RCP 8.5*: a bad-case scenario where global temperatures rise between 4.1–4.8°C by 2100.

To understand their potential future impact, our transition risks and opportunities are modelled out to 2050 against two International Energy Agency's ("IEA") scenarios. These were selected as they are accompanied by supportive datasets, forecasts and industry projections which are useful for modelling climate positive outcomes:

- *Net Zero Emissions by 2050 Scenario ("NZE")*: a narrow but achievable pathway for the global energy sector to achieve Net Zero CO_2 emissions by 2050. This scenario meets the requirement for a "below 2°C" scenario. NZE also informs the decarbonisation pathways used by the Science-Based Targets initiative ("SBTi").
- *Stated Policies Scenario ("STEPS")*: representing projections based on the current policy landscape. Global temperatures rise by around 2.5°C by 2100 from pre-industrial levels, with a 50% probability.

CLIMATE-RELATED PHYSICAL RISKS

With locations (including both offices and manufacturing sites) across the world, TT Electronics maintains a large and diverse geographical footprint. This year we enhanced our physical risk assessment, using geospatial risk modelling software to analyse the group's exposure to natural hazards and how these risks may change in the future under various scenarios for global temperature rise by 2030, 2050 and 2100.

Physical climate-related risks relate to changes to the environment from the impact of climate change. The assessment considers acute risks, defined by the TCFD as the change in frequency and/or intensity of extreme events, such as river flooding; and chronic risks, defined as longer-term shifts in climate such as rising mean temperatures, rising sea levels, changes in precipitation and weather extremes. The primary physical climate-related risks for TT Electronics are flood, storm and fire weather stress.

All 23 Group sites were assessed. Six of these sites (Suzhou, Kuantan, Dallas, Mexicali, Juarez and Cardiff) are more susceptible to climate-related risk and the potential future risk for these sites, within the timescales presented here, are deemed to be serious. Our definition of "serious" in this case is a 100 year return period meaning that there is a 1% chance (or 1 in 100 chance) of a significant weather event in a given year. The nature of the potential climate-related risk is detailed further in this section. Any other sites with heightened risk exposure were deemed to be of low impact to the Group's ongoing business resilience.

The primary potential financial impact of climate-related physical risks is business or production disruption and/or asset damage leading to loss of revenue, increased insurance premiums, reduced asset value and reduced labour productivity. In addition, climate-related physical risks may result in disruption to local or regional infrastructure or transportation, and thereby cause disruptions to our upstream and downstream supply chains.

TCFD CONTINUED

STRATEGY CONTINUED

We have also conducted the same climate-related physical risk assessment on nine of our key customers (mostly distributors) and ten key suppliers. The analysis of all current and future potential physical risks will be shared with our value chain partners as part of our engagement to help ensure business continuity.

Following this analysis, our site managers have provided feedback on individual sites' historic exposure to natural hazards and their impact, which to date has been insignificant. Each site has been requested to review and/or amend business continuity plans and investigate the requirement for mitigation. The following existing features and mitigations have been identified:

- All TT Electronics sites are insured for both property and asset damage as well as business interruption (i.e. loss of profit), which materially limits the Group's exposure to any climate-related financial impact. Sites are periodically visited by insurers, at their discretion, for risk assessment, including climate-related risk.
- Affected assembly operations can be moved and/or dual manufacturing strategies could be developed.
- Multiple sites operate on more than one floor for part of their operations. They could be consolidated on upper floors (partial manufacturing) with notice (c. 1 year).
- At least one site is at a higher elevation than the surrounding area.

For more complex manufacturing facilities a timeline for a factory move could be lengthy (in the region of 2–3 years); however these facilities could be moved within the period implied by physical risks and therefore a plant move is possible as a pre-emptive mitigation action in the event that the physical risk were to be considered unacceptable.

TT Electronics does not extensively use water-intensive production processes, so drought risks are minor and relate to employee wellbeing and services.

SITE POTENTIAL EXPOSURE TO PHYSICAL CLIMATE RISK

1 Mexicali, Mexico
Future: River flood and greater incidence of drought, heat and fire weather stress

2 Juarez, Mexico
Future: River flood and greater incidence of drought, heat and fire weather stress

3 Plano, USA
Future: River flood and greater incidence of fire, weather, heat and precipitation stress

4 Cardiff [1], Wales
Future: River flood
1 Divestment of site announced 4 March 2024

5 Kuantan, Malaysia
Future: River flood, sea level rise and greater incidence of drought, heat and precipitation stress

6 Suzhou, China
Future: River flood, storm surge and greater incidence of precipitation stress

TCFD CONTINUED

STRATEGY CONTINUED

Climate risks and opportunities are assessed on the timescale (right) and a five-point scale based on gross impact on business performance.

SHORT-TERM	2024–2028	In line with specific business plan forecasting
MEDIUM-TERM	2029–2035	Encompassing the Group's ambition for Net Zero Scopes 1 & 2 by 2035
LONG-TERM	2036–2050	Encompassing long-term industry and policy trends, such as Group Scope 1 & 2 Net Zero target 2035 and UK Net Zero 2050

CLIMATE-RELATED TRANSITION RISKS

We have also enhanced our transition risk assessment via a more detailed analysis of our climate risk exposures and the impact of scenarios. Climate-related megatrends, which feature in our analysis, are powerful, transformative forces that can change the trajectory of the global economy by shifting the priorities of societies, driving innovation and redefining business models.

RISK	RISK DESCRIPTION	RISK TYPE	FINANCIAL IMPACT	MITIGATION AND RESPONSE	Impact SHORT (2024–2028)	MEDIUM (2029–2035)	LONG (2036–2050)	SCENARIO IMPLICATIONS
Growing UK and global regulations on carbon emissions and increasing reporting requirements.	Operational exposure to carbon pricing mechanisms. The adoption of carbon pricing instruments is rising globally, driving the price levels of all carbon pricing systems and therefore the overall risk exposure. UK requirements may exceed global industry standards.	Current & Emerging Regulation	Higher energy costs or direct carbon tax related to Scope 1 & 2 emissions	Our target is to achieve Net Zero Scope 1 & 2 emissions by 2035.	Very low	Very low	Very low	No change in exposure between STEPS and NZE scenarios, given our projected emissions profile
	Value chain exposure to carbon pricing mechanisms. The adoption of carbon pricing instruments is rising globally, driving the price levels of all carbon pricing systems and therefore the overall risk exposure. The impact is likely to be felt through potential increases to the cost of raw materials and transport costs as suppliers pass on the added costs to their customers.		Higher cost of raw materials and transport should suppliers pass on added costs	Our ambition is to achieve Net Zero. We are working to set near-term targets for Scope 3.	Very low	Moderate	Low	No change in exposure between STEPS and NZE scenarios, given our Scope 3 projected emissions profile
	UK listed companies reporting requirements. UK listed companies reporting requirements become onerous. In addition, the risk that UK legislation becomes onerous for specific products and in the extreme drives them out of existence. Potential loss of revenue and risk of insufficient internal resource and data management for Group-level and product level compliance reporting.		Loss of revenue	Resource and data management for Group-level and product-level compliance and reporting.	Very low	Very low	Very low	Requirements may increase under the NZE scenario, but we expect no change to our risk exposure

Materiality

Impact		
	Very low	Moderate
	Low	High
		Very high

TCFD CONTINUED

CLIMATE-RELATED TRANSITION RISKS CONTINUED

RISK	RISK DESCRIPTION	RISK TYPE	FINANCIAL IMPACT	MITIGATION AND RESPONSE	Impact SHORT (2024–2028)	MEDIUM (2029–2035)	LONG (2036–2050)	SCENARIO IMPLICATIONS
Growing global scrutiny of commercial businesses' impact on, and preparedness for, climate change and the low-carbon transition.	TT's position within sustainability relative to performance and reporting. Investors, lending banks, and customers represent the key stakeholders demanding sustainability performance from TT, especially around climate change. Areas of scrutiny may include the group's relative sustainability performance, delivery on targets and the Net Zero roadmap and strategic plan.	Reputation	Not deemed reasonably possible to define reputational financial impact	Additional sustainability resources applied. Additional reporting and data management resource and systems.				No change in exposure between STEPS and NZE scenarios, given our projected emissions profile
	Net zero roadmap and targets. Investors, lending banks and customers represent the key stakeholders demanding sustainability performance from TT, especially around climate change.		Not deemed reasonably possible to define reputational financial impact	Additional sustainability resources applied. Additional reporting and data management resource and systems.				No change in exposure between STEPS and NZE scenarios, given our Scope 3 projected emissions profile
	Legacy business, new business and NPI supplied to fossil fuel industry. Risk related to TT's direct exposure to the fossil fuel industry.		Not deemed reasonably possible to define reputational financial impact	Reduce and phase out exposure to fossil fuel industries.				No change in exposure between STEPS and NZE scenarios, given our Scope 3 projected emissions profile
Rapid transition to a local carbon economy and technological advancement stranding legacy technology, or impeding businesses supplying customers caught with legacy technology.	Legacy business, new business and NPI supplied to aerospace industry. Loss of revenue as aerospace industry becomes restricted and taxed to deter emissions.	Market	Loss of revenue	Additional sustainability resources applied. Additional reporting and data management resource and systems.				No change in exposure between STEPS and NZE scenarios, given our projected emissions profile
	Technology – excessive technology redundancy in our manufacturing, product and NPI portfolio. Our technology (design/manufacturing) must keep pace with market and customer requirements.	Technology	Loss of revenue	Additional sustainability resources applied. Additional reporting and data management resource and systems.				Large impact under STEPS and NZE scenarios
	Technology – excessive technology redundancy in our customers' manufacturing, product and NPI portfolio. Our customers fail to transition to a low-carbon economy.		Loss of revenue	Reduce and phase out exposure to fossil fuel industries.				Large impact under STEPS and NZE scenarios

Materiality

Impact	Very low	Moderate
	Low	High
		Very high

TCFD CONTINUED

CLIMATE-RELATED TRANSITION OPPORTUNITIES

OPPORTUNITY	OPPORTUNITY DESCRIPTION	OPPORTUNITY TYPE	FINANCIAL IMPACT	ADAPTATION AND RESPONSE	Impact SHORT (2024–2028)	Impact MEDIUM (2029–2035)	Impact LONG (2036–2050)	SCENARIO IMPLICATIONS
Ability to capitalise on megatrends associated with the low-carbon economy	Annual profitability from alignment of products that drive a low-carbon economy.	Market	Increased revenue	Invest in aerospace and automation & electrification products that drive a low-carbon economy.	Very low	Low	High	Large impact under STEPS and NZE scenarios
	Significant majority of products are universal enablers.		Increased revenue	Invest in aerospace and automation & electrification products that enable a low-carbon economy.	Very low	Moderate	Very high	Large impact under STEPS and NZE scenarios
	Exposure to megatrends – technology and products (additional profitability).		Increased revenue	Invest in technology and products aligned to climate megatrends.	Very low	Low	Moderate	Large impact under STEPS and NZE scenarios
Products with applications that directly reduce energy consumption and emissions may outperform market average for growth	In-house technology and products for decarbonising the aerospace industry.	Products & Services	Increased revenue	Expand our exposure to megatrends and applications related to aerospace. Product marketing and marketing resource in conjunction with future NPI.	Very low	Very low	Very low	Large impact under STEPS and NZE scenarios
	In-house technology and products for decarbonising the on-road vehicle, off-road vehicle and traction industries.		Increased revenue	Expand our exposure to megatrends and applications related to transport. Product marketing and marketing resource in conjunction with future NPI.	Very low	Very low	Low	Large impact under STEPS and NZE scenarios
	In-house technology and products for systems, software and devices that sense, control and manage energy consumption.		Increased revenue	Expand our exposure to megatrends and applications related to energy. Product marketing and marketing resource in conjunction with future NPI.	Very low	Low	High	Large impact under STEPS and NZE scenarios

Materiality

Impact		
	Very low	Moderate
	Low	High
		Very high

TCFD CONTINUED

CLIMATE-RELATED TRANSITION OPPORTUNITIES CONTINUED

OPPORTUNITY	OPPORTUNITY DESCRIPTION	OPPORTUNITY TYPE	FINANCIAL IMPACT	ADAPTATION AND RESPONSE	Impact SHORT (2024–2028)	Impact MEDIUM (2029–2035)	Impact LONG (2036–2050)	SCENARIO IMPLICATIONS
Growth through sustained energy and carbon reductions, and exceeding sustainability requirements	Renewables (Scope 2): purchase of renewable electricity certificates or corporate power purchase agreements ("PPAs"). Installation of solar photovoltaic ("PV") facilities, reducing reliance on local grid, emissions and operating costs.	Energy Source	Reduced costs, decreased exposure to carbon price risks (Scope 2)	Net Zero programme, switch to renewable electricity.	●	●	●	No change in exposure between STEPS and NZE scenarios, given our projected emissions profile
	Energy strategy. Energy use reduction programmes, elimination of use of fossil fuel & related equipment (Scope 1 & 2 initiatives). Net Zero factory.	Resource Efficiency	Reduced costs	Net Zero programme, energy reduction. Employee engagement to reduce energy consumption. LED lighting, renewable energy installations – solar PV, insulation, boilers.	●	●	●	No change in exposure between STEPS and NZE scenarios, given our projected emissions profile
	Reduce focus on airfreight, eliminate waste from operations, employee travel assistance, minimise business travel, partner with suppliers on a Net Zero journey (Scope 3 initiatives). Logistics strategy.		Reduced costs	Net Zero programme, Scope 3 reduction. Non-hazardous waste landfill target. Recycling, waste reduction initiatives.	●	●	●	N/A

Materiality

Impact		
	Very low ●	Moderate ●
	Low ●	High ●
		Very high ●

METRICS & TARGETS

CLIMATE-RELATED METRICS AND TARGETS

TT uses a wide variety of metrics to assess climate-related risks and opportunities. Metrics (and reduction targets) for emissions of GHGs play a key role in reducing our impact on the planet, addressing a principal risk of reputational damage and bolstering our recognised opportunities related to our purpose of solving technology challenges for a sustainable world. Comprehensive emissions statistics are used at monthly divisional meetings, quarterly Executive reviews and at Board meetings.

In addition to Scope 1 & 2, TT reports all material categories of Scope 3: purchased goods and services, employee commute, business travel, upstream transportation and distribution, waste and downstream transportation and distribution (the upstream element only of the latter). All other categories are deemed not material.

Targets to manage climate-related risks and opportunities
Our Scope 1 & 2 emissions target of 50% reduction by 2023 from a 2019 base year was achieved in 2022, one year early. Our remaining target is Net Zero Scope 1 & 2 by 2035. There are also additional targets to transition all sites to renewable electricity supply, where at all possible, and whether that is externally supplied or internally generated by 2035.

Executive Director remuneration is already aligned with sustainability and the achievement of ESG measures. The short-term incentive plan is weighted 70% to financial performance measures, 10% to ESG measures and 20% to strategic objectives. In 2023 the ESG targets were largely focused toward the environment and included targets linked to delivery of Scope 1 & 2 emission reductions and wider environmental progress. Short-term incentive plans for the wider leadership group are weighted 75% to financial performance measures and 25% to strategic objectives.

Typically, ESG forms one of the focus areas within the strategic objectives, with metrics targeted to human capital management and achieving our carbon Net Zero ambitions. We have also widened our range of performance metric definitions that can be used across both short-term and long-term incentives to enable ESG measures to also feature in our long-term incentives as appropriate in the future.

This table highlights some of the key metrics and targets used, or under consideration, within the Group

METRIC	DEFINITION	TARGET	LINK TO CLIMATE-RELATED RISKS AND OPPORTUNITIES	METRIC REPORTING STATUS
Energy consumption (intensity)	KWhs of consumption for all Group locations per annum, in ratio to revenue (£m)	Year-on-year reductions	Opportunity to reduce both emissions and costs with better use of energy source and efficiency.	Tracked monthly as part of our emissions data management system. Reported annually in conjunction with announcement on Group revenue.
Switch to renewables	Percentage of consumed electricity derived from renewable sources	100% by 2035 (subject to availability)	Risk exposure to emerging regulation, reputation and future carbon pricing mechanisms.	Tracked monthly as part of our emissions data management system and reported annually.
Emissions Scope 1 & 2 (absolute)	Absolute CO_2e emissions from our own operations	Net Zero 2035 Scope 1 & 2. Net Zero being a state where the amount of GHGs released into the earth's atmosphere is balanced by the amount of GHGs removed	Risk exposure to emerging regulation, reputation and future carbon pricing mechanisms.	Tracked monthly as part of our emissions data management system and reported annually.
Emissions Scope 1 & 2 (intensity)	CO_2e emissions from our own operations, in ratio to revenue (£m)	Net Zero 2035	Risk exposure to emerging regulation, reputation and future carbon pricing mechanisms.	Tracked monthly as part of our emissions data management system. Reported annually in conjunction with announcement on Group revenue.
Waste to landfill	General waste, that cannot reasonably be recycled or diverted, sent to landfill (measured as a percentage of total)	Zero by 2035	Opportunity to improve resource efficiency.	Tracked monthly as part of our emissions data management system and reported annually.
Single-use plastics	Consumption of single-use plastics in packaging (tonnes)	Zero by 2035	Opportunity to improve resource efficiency.	Tracked monthly as part of our emissions data management system and reported annually.
Business continuity	Business continuity plans for each location that address physical climate risk	Plans in place and reviewed annually	Risk to impact from chronic or acute weather events and climate change.	We are assessing our business continuity plans and determining the suitability of this as a measure in relation to physical risk.

STAKEHOLDER ENGAGEMENT AND SECTION 172 STATEMENT

ENGAGING OUR STAKEHOLDERS

Under Section 172 of the Companies Act 2006, Directors are required to promote the success of the Company for the benefit of our shareholders, while having regard to the factors set out in Section 172 including the interests of our other stakeholders.

The principal decisions taken by the Board in 2023 centred around:

- Board and senior management succession planning
- strengthening TT's capital structure
- Board-level engagement (particularly with TT management, employees, customers and shareholders)
- increasing operational capacity at overseas manufacturing sites
- development of TT's sustainability/ESG initiatives

The Board believes that engagement with our stakeholders is key to the long-term success of our business. We use the knowledge and feedback gained from our stakeholders to push our business forward and respond to key requirements and challenges in the industries in which we operate. The Board considers its current engagement mechanisms to be effective.

The Board fully understands its role in this process and regularly reviews the Group's key stakeholders and the impacts our activities have on these groups. The Board encourages open and purposeful engagement so that they can use clear and honest feedback to assist in their decision-making processes.

The nature of Board meetings allows information about our stakeholders to flow from the workforce, through commercial teams and senior management to the Board and back down the organisational structure. The Board also actively seeks feedback from external advisers to help form its strategic decisions. Throughout the year, the Board considered how stakeholders are affected by its key decisions.

The following engagement disclosures describe how the Board has had regard to the matters set out in Section 172 (1) (a) to (f) and forms the Directors' statement required under Section 414CZA of the Companies Act 2006.

STAKEHOLDER	OUR ACTIVITIES THAT AFFECT THEM	HOW WE ENGAGE AT BOARD LEVEL	HOW WE ENGAGE ACROSS THE GROUP	OUTCOMES OF ENGAGEMENT
CUSTOMERS AND SUPPLIERS	– R&D and new product introduction – Products, including those supporting environmental sustainability – Operations and production pipeline – Safety, environmental quality control and reliability – Sustainability targets – Legal and regulatory compliance – Payment practices/prompt payment – Inventory management – Responsible business practices – Supply chain management – Modern slavery review	– CEO and Board regularly receive reports from divisions and internal Councils on key customer and supplier initiatives. – The Board reviews and approves payment times and practices. – The Board reviews and approves responsible business practices and targets. – Discussions with customers on funding of working capital. – Direct engagement with site senior management on operational improvements in production lines. – Overview of Environment and Sustainability actions and targets through the PSEE Committee.	– Day-to-day contact on supply chain, products and service. – R&D partnerships. – Collaboration across divisions to meet customer needs including through our Business Development and Supply Chain Councils. – Voice of the Customer formal feedback. – Supplier assessments.	– Continued focus on cleaner, smarter and healthier solutions. – New product launches and new contract wins (see case study example on page 6). – Continued review of Voice of the Customer programme. – Longer-term collaborative relationships (see case study examples on page 10 and page 20). – Monitoring of supplier payment times, global supply chain, inventory management and export risks. – Third party screening of intermediaries to protect customers and suppliers. – Improvements to the Internal Audit controls. – Climate-related physical and transition risk assessments carried out at most TT sites.

STAKEHOLDER ENGAGEMENT AND SECTION 172 STATEMENT CONTINUED

STAKEHOLDER	OUR ACTIVITIES THAT AFFECT THEM	HOW WE ENGAGE AT BOARD LEVEL	HOW WE ENGAGE ACROSS THE GROUP	OUTCOMES OF ENGAGEMENT
EMPLOYEES	– Culture and purpose – TT Way values and conducting business with integrity – Safety and wellbeing, including financial planning and security – Employee Assistance Programme – Training and development – Group employment policies – Engagement activities – ED&I – Environmental sustainability – Pensions	– Oversight of Group culture. – HSE and Sustainability updates at each Board meeting. – Board , CEO, CFO and ELT site visits (see page 74). – CEO and SID are members of the PSEE Committee ensuring the connection. between the Board and the voice of the employee. – Employee engagement survey. – Oversight of ED&I roadmap. – Regular talent and succession updates. – Support for Employee Assistance Programme. – Employee forums on Executive Remuneration. – Approval of environmental sustainability targets. **Read more** on page 72	– Formal employee engagement survey and regular engagement pulse surveys. – Site employee forums and Town Halls with ELT members. – BE Inspired recognition scheme. – Training and development activities aligned to business and employee needs. – ED&I Councils, inclusive leadership training and employee courses. – Regular employee information sessions on personal wellbeing, salary review, pay rates and company-wide employee benefits. – Improving the wellbeing strategy for our US-based employees – Career conversations and personal performance development plans. **Read more** on page 29	– 3*** employer rating following employee engagement survey (91% response rate). – Leadership development workshops. – Further development of the ED&I strategy at Group and site level. – Employee mindfulness and wellbeing activities. – Financial wellbeing initiatives. – Investment in sales and business development capability. – Ambitious environmental sustainability targets. – Board diversity policy to complement the Group policy. – Changes to site production capacities. – Flexible working initiatives (see a case study example on page 34).
INVESTORS	– Financial performance – Leadership – Governance and transparency – Sustainability/ESG – Reputation – Communication – Pensions buy-in – RCF extension	– Regular report to the Board on investor views including on TCFD and ESG. – Chairman engagement around the appointment of our new CEO. – Direct engagement with advisers on geopolitical changes and upcoming risks and challenges. – Shareholder engagement regarding ESG programme and targets. – Results, Annual Report and AGM. **Read more** on page 74	– Appropriate governance policies. – Alignment of business and employees around the Group strategy. – Engaging employees with Group strategy. – Collection of data supporting ESG strategy.	– Stable access to capital. – Board review of strategic plan and investor buy-in to TT strategic objectives. – Ambitious environmental sustainability targets. – Review and decisions on site footprint and production pipelines in light of changing geopolitical situation. – Focus on monitoring TT response to sanction regimes and other compliance requirements relevant to international corporations.
SOCIETY	– Products that solve technology challenges for a sustainable world – Responsible business practices – Environmental practices and sustainability – Employment training and apprenticeships – ED&I focus – Employee Assistance Programme – Local supply chains – Supporting local communities	– Oversight of Group strategy including ESG strategy and performance. – The Board reviews and approves responsible business practices and targets. – CEO and SID are members of the PSEE Committee.	– Legal and regulatory compliance. – Responsible business practices including environmental practices and approach to modern slavery. – STEM education activities in local communities. – Charitable initiatives in local communities. – Consistent monitoring of our ESG and sustainability programmes. – Supply chain partnership with CDP. – Collaboration with IEMA. **Read more** on page 41	– Introduction of climate sustainability roadmap to 2035. – Global reporting tool for emissions across all sites. – Continued focus on cleaner, smarter and healthier solutions. – New product launches that support efficiency and sustainability. – Site switches to renewable energy. – Reduction in Scope 1 & 2 emissions. – Driving ED&I strategy at Board, Group and site level. – Internships and apprenticeships.

ROBUST PRACTICES IN SUPPORT OF OUR BUSINESS MODEL

RISK MANAGEMENT

"Our focus is to ensure continuous improvement in our risk management processes and control environment; we have refined our control framework, delivered a tailored suite of training across the Group and further embedded climate risks and opportunities within our risk management framework."

Jennifer Chase
Group Financial Controller

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 Head of Internal Audit & Risk 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, including climate-related risks, are performed at an operational level, as well as through top-down assessment of strategic and market risk at the Executive management and Board level.

RISK MANAGEMENT POLICY

The Group's risk management strategy sets out the Group's approach to risk management including its risk appetite, oversight and monitoring and roles and responsibilities. The Group's risk management framework draws from the three lines of defence:

- The third line compromises oversight from the Board, Audit Committee and Risk Committee with independent assurance from the Group Internal Audit Function.
- The second line includes the Head of Internal Audit & Risk who manages the risk management framework alongside divisional and functional teams who drive compliance including Group Legal, Finance, Human Resources and Health and Safety with oversight and monitoring from the Executive Leadership Team (the TMB from 1 March 2024) and Senior Management.
- The first line comprises the site operational and finance teams responsible for day-to-day management of risk and delivery of control procedures with oversight from site management.

RISK APPETITE

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.

Each principal risk is considered as to whether or not it currently falls within the Group's appetite for that risk. As part of the year-end risk assessment with the Board, it was confirmed that all of the principal risk areas continue to be within Board and Executive management's appetite for that risk.

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

Functional-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 an operational level

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

RISK PROFILE AND EMERGING RISKS

At the direction of the Board, Executive management performed a robust assessment of the principal and emerging 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 functional and divisional level, including climate-related risks. 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, while 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 and a risk horizon scanning exercise is performed annually.

The risk horizon scanning exercise includes consideration of the emerging risks facing TT as a provider of electronics technologies and, as a result, if any new emerging risks or additional mitigating controls require inclusion on the Group risk register. As a result of the risk horizon scanning exercise and consideration of new emerging risks throughout the year, we have included a new "Geopolitical" risk. Geopolitical risk and its impact was previously considered within the "General Revenue Reduction" risk, but following discussions as set out above, we have separated this out as a risk in its own right in the Group risk register which flows through to our principal risks detailed in this report. The Risk committee reviews the Group risk register at each meeting to ensure that the risk profile is appropriate and includes all relevant risks including emerging risks as appropriate. 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 the ESG agenda which is reported to the Board through our People, Social, Environmental and Ethics Committee ("PSEE") which is attended by the Senior Independent Director. There continues to be a 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 which we operate, and attract investment from potential shareholders. The risks in relation to these areas are captured in two principal risks, "Sustainability, climate change and the environment" and "Health and safety". TT Electronics is committed to achieving its sustainability objectives, reducing carbon emissions and improving efficiency. We have further extended our climate reporting in line with TCFD and CFD reporting requirements to include identification of climate-related risks and opportunities including physical risks. We have set out our approach and our progress in these areas in the Our people, communities and environment section of this report from page 29 and in the TCFD section of this report from page 47.

INTERNAL CONTROL ENVIRONMENT

The Internal Audit function is operated under a directed co-sourced arrangement with PwC to enhance the levels of resource and expertise available to the Group in specific areas, with its activities under the direction of the ELT (the TMB from 1 March 2024) and the Audit Committee. A risk assessment is performed each year when building our internal audit plan to ensure that it continues to be focused on the risks that are relevant and important to the Group and reflects the latest changes and developments. All of our manufacturing sites perform an annual self-assessment against the Control Framework and the results inform the internal audit programme of work and internal audit plan risk assessment. Enhancements to the Group's Control Framework have been made during the year as set out below in the "Key Areas of Focus during the Year" section.

The Board monitors the Company's internal control systems and has reviewed their effectiveness in 2023. The review process considered all material controls including, (i) the information relating to the general controls environment as outlined in the Internal Audit reports submitted to the Audit Committee at each meeting; (ii) financial controls; (iii) compliance controls; (iv) the key outputs of the controls framework programme; and (v) management actions in relation to internal and external audit findings. The Board found that the Group operates a sound system of internal control and did not recommend any specific actions.

KEY AREAS OF FOCUS DURING THE YEAR

During the year, Internal Audit reviewed and refreshed the Group's Control Framework by:

– streamlining and removing control duplication
– updating control descriptions
– providing clarity and enhanced guidance on evidence requirements
– designating key and fraud controls

Internal Audit took a risk-based approach to the review, assessing all the associated risks for each process area and mapping the existing controls in place against the risks to ensure adequate coverage was in place. We also delivered a suite of Control Framework training to aid the communication of the updates made and support control compliance.

Internal Audit also completed a number of activities during 2023 to strengthen the Group's fraud risk framework including developing a Fraud Prevention Policy and Fraud Risk Assessment and delivering Fraud Awareness training to Control Framework control owners across the business to raise fraud awareness and to support control compliance.

We have embedded the review of climate risks within our risk management framework. This year in response to the TCFD reporting requirements we have enhanced our climate reporting to include climate risks and opportunities for the Group (see from page 47).

PRINCIPAL RISKS AND UNCERTAINTIES

The risk management framework is described on page 60. Using this framework the Board sets out the risks that it currently believes to be most significant to the Group as they have the potential to undermine the achievement of our strategic objectives.

RISK DESCRIPTION	POTENTIAL IMPACT	MITIGATING ACTION	CHANGE IN THE YEAR
GENERAL			
General revenue reduction Reduction in demand and orders due to economic downturn or disruption to operations (pandemic or other business interruption event) **Sponsor** Peter France **Link to strategy**	– 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	**2023** Risk stable. There continue to be economic challenges due to cost inflation and supply chain, but our order book remains strong as we go into 2024 reflecting our successful positioning in structural growth markets, new project wins and multi-year contracts.

STRATEGIC PRIORITIES KEY

- Technology investment and R&D
- Margin enhancement
- Targeted and complementary M&A
- ESG

RISK MANAGEMENT CONTINUED

RISK DESCRIPTION	POTENTIAL IMPACT	MITIGATING ACTION	CHANGE IN THE YEAR
COMMERCIAL			
Contractual risks Potential liabilities from defects in performance-critical products that often operate in extreme environments **Sponsor** Peter France **Link to strategy**	– 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 risks – Group guidelines on acceptable levels of contractual liability are reinforced – Continuing to enhance and deepen expertise in contract management across the Group	**2023** Risk stable.
Research and development Delay in new product development which is intended to support revenue growth **Sponsor** Mike Leahan **Link to strategy**	– 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	**2023** Risk reduced. R&D spend is one of our key capital allocation priorities and we continue to forge strong partnerships on long term programmes including our recent wins in Power with the Tempest programme.
OPERATIONAL			
People and capability Ability to attract and retain high-quality and capable people **Sponsor** Clare Nicholls **Link to strategy**	– 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 – Regular talent reviews across all Divisions and Group – Using a feedback loop utilising surveys to encourage regular objectives and performance discussions. See Our people and culture on page 31	**2023** Risk reduced. There continue to be pockets of attrition throughout our business, however the 3*** engagement survey results reflect the investment in our people that has had a positive influence on retention.

STRATEGIC PRIORITIES KEY

- Technology investment and R&D
- Margin enhancement
- Targeted and complementary M&A
- ESG

RISK MANAGEMENT CONTINUED

OPERATIONAL

RISK DESCRIPTION	POTENTIAL IMPACT	MITIGATING ACTION	CHANGE IN THE YEAR
Supplier resilience Potential failure of critical suppliers; product delivery delays; inability to meet customer commitments **Sponsor** Mike Leahan **Link to strategy**	– 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 – Inventory build on key components where considered necessary to mitigate some of the supply chain risk – Supply Chain Council in place	**2023** Risk stable. Supply chain challenges reduced and now in isolated areas, mitigated by investment in inventory to enable response to customer demand.
IT systems and information IT security breaches or disruption, unauthorised access or mistaken disclosure of information **Sponsor** Derek Winskill, CIO **Link to strategy**	– Reputational impact, business disruption and potential deterioration in customer relationships	– Regular analysis of cybersecurity and data management – IT strategy reviewed by management and the Board – Information security policies updated recently – Investment through recruitment of additional IT security and enterprise resource planning ("ERP") specialists – Processes and tools put in place to support cybersecurity certifications – Disaster recovery plans in case of system failure – Annual penetration testing – Internal vulnerability scanning	**2023** Risk stable. We continually update and strengthen our cyber controls in response to ongoing cyber risks.
M&A and integration Realisation of financial benefit of acquisitions **Sponsor** Peter France **Link to strategy**	– 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 – Lessons-learned activities are built into future plans	**2023** Risk stable. Most recent acquisition of Ferranti in January 2022 is fully embedded within the TT business and recently moved to a new facility in Manchester.

STRATEGIC PRIORITIES KEY

- Technology investment and R&D
- Margin enhancement
- Targeted and complementary M&A
- ESG

RISK MANAGEMENT CONTINUED

OPERATIONAL

RISK DESCRIPTION	POTENTIAL IMPACT	MITIGATING ACTION	CHANGE IN THE YEAR
Health and safety The manufacturing industry may have inherent risk related to, for example, materials and processes. Eliminating or managing these risks is critical to mitigate the impact on our employees, sites and the environment of these risks. **Sponsor** Stewart Partridge **Link to strategy**	– Incidents occurring due to unsafe use of materials or manufacturing processes. Failure to eliminate or manage the impact of these risks could negatively impact our employees, cause harm to the environment, or lead to regulatory fines or reputational damage.	– Health, Safety and Environmental (HS&E) Council responsible for Group-wide best practice sharing, monitoring and improvements, and strategy setting. – Data analysis, processes and roadmaps in place to minimise the risk of incidents. – HS&E compliance annual self-assessment and external global Health and safety audit on a rolling three-year cycle across the sites.	**2023** Risk reduced. Enhanced HS&E reporting and processes in place clarifying the strength of our controls and mitigations including the Group HS&E Council which has been enhanced to improve best practice sharing on a regional basis.
Sustainability, climate change and the environment Our manufactured products or other activities or decisions of the Group, including in relation to climate-related risks, may not be judged by our customers, employees, communities and investors as being sustainable. Our sites and business activities may be subject to physical risks due to climate change, or both risks and opportunities as we transition to a low carbon economy. **Sponsor** Stewart Partridge **Link to strategy**	– Failure to appropriately manage the environmental impact of our operations and products. – Failure to manage climate physical or transition risks, or the failure to realise transition opportunities (as described in the TCFD section on page 47). – Reputational impact and potential deterioration in our relationships with our stakeholders	– HS&E and Sustainability Councils responsible for sharing Group-wide best practice, monitoring improvements and strategy setting. – PSEE Committee responsible for reporting Group progress, to the Board, against the development and monitoring of our strategy and associated KPIs related to climate, including risks and opportunities. – Continued investment in M&A, business development and new product introduction in areas where the solutions contribute to a more sustainable world. – Execution of our Net Zero Roadmap for Scope 1 & 2 carbon emissions, resulting in significant emissions reductions and a practical path to zero emissions. – Detailed scenario analysis of both physical and transition risks to inform the Board and Management.	**2023** Risk reduced. We are actively reducing our Scope 1 & 2 emissions ahead of our stated targets, have a programme of solar installations underway and have switched to renewable green electricity. We also support the transition to a low carbon economy through our products. See TCFD section on page 47 for further detail

STRATEGIC PRIORITIES KEY

- Technology investment and R&D
- Margin enhancement
- Targeted and complementary M&A
- ESG

RISK MANAGEMENT CONTINUED

RISK DESCRIPTION	POTENTIAL IMPACT	MITIGATING ACTION	CHANGE IN THE YEAR
OPERATIONAL			
Legal and regulatory compliance Intentional or inadvertent non-compliance with legislation including laws and regulations covering export control, anti-bribery and competition **Sponsor** Ian Buckley **Link to strategy**	– 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 – Export control policy, procedure and training all in place and Denied Party Screening undertaken – Approach involves risk assessment, policy, training, review and monitoring – Whistle-blower process in place to ensure issues can be raised, investigated and managed	**2023** Risk reduced. Restructuring of the Legal team to be more regionally focused enhancing our mitigation of global and local risk.
Geopolitical War, the threat of war, trade wars, blockades, sanctions, political polarisation either globally or locally that might affect our ability to trade, resulting in reduced sales and profitability **Sponsor** Peter France **Link to strategy**	– Reduction in revenue, profitability and cash generation – Supply chain challenges	– Diversification of manufacturing sites strategy – Diverse product offering – Management structures in place to enable a rapid response to changing circumstances – Strong customer relationships with key account managers – See also Supplier resilience risk for mitigating actions in place	**2023** Separated out as a standalone risk for 2023. Risk stable. While geopolitical tensions remain elevated, we have not seen any direct impact on the business in 2023 and at the same time have expanded our manufacturing capabilities in Mexico to increase choice for customers.

STRATEGIC PRIORITIES KEY

- Technology investment and R&D
- Margin enhancement
- Targeted and complementary M&A
- ESG

RISK MANAGEMENT CONTINUED

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 2026, taking into account the Group's current position and the potential impact of the principal risks and uncertainties set out on pages 62 to 66 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 2026.

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 & defence, and automation & 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.

While the Directors have no reason to believe the Group will not be viable over a longer period, the period over which the Directors consider it possible to form a reasonable expectation as to the Group's longer-term viability is the three-year period to 31 December 2026. This is encapsulated in the five-year period business plan prepared annually and reviewed by the Board and aligns with the business cycle including product development and order intake trends. The Directors believe that this presents investors and other key stakeholders with a reasonable degree of confidence while still providing a longer-term perspective. The Group's existing primary facility agreements extend throughout this period.

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.

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 62 to 66. The 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.

GOING CONCERN

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group can continue in operational existence for the foreseeable future.

After making enquiries and having considered forecasts and appropriate sensitivities, the Directors have formed the judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being at least 12 months from the date of these financial statements.

More information on the going concern judgement can be found in Note 1 to the financial statements. Accordingly, the financial statements have been prepared on a going concern basis.

The 2023 Strategic report, from pages IFC to 67, has been reviewed and was approved by the Board of Directors on 6 March 2024.

Peter France
Chief Executive Officer

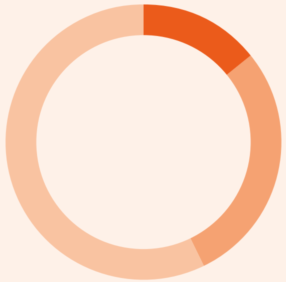
Mark Hoad
Chief Financial Officer

GOVERNANCE AT A GLANCE

KEY GOVERNANCE HIGHLIGHTS FOR 2023

CEO APPOINTMENT	Following a thorough external recruitment exercise, Peter France was appointed as the Group CEO in October 2023, supported by a comprehensive induction programme	**Read more** on page 72
STRATEGY REVIEW	Review and confirmation of TT's strategic direction, focusing on the pursuit of revenue and profit growth, talent/succession and prioritisation of key initiatives, including ED&I, Sustainability and People-based programmes	**Read more** on page 73
STAKEHOLDER ENGAGEMENT	Continued focus on staff and customer engagement, prioritising face-to-face meetings and NED site visits, in support of delivering operational improvement, talent/succession progression and enhanced decision-making, as well as strengthening the linkage of TT's purpose and values to Group strategy	**Read more** on page 74
INVESTMENT PROGRAMMES	Support of investment programmes targeted at providing customers with improved capability (such as our new Power Solutions' facility in Greater Manchester, UK) and lower cost optionality in the GMS customer domain (at our Mexicali, Mexico site)	**Read more** on page 73

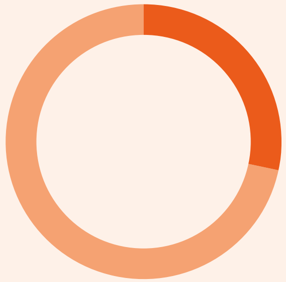
BOARD COMPOSITION



7 Board members

- **1** – Independent Non-executive Chairman
- **2** – Executive Directors
- **4** – Independent Non-executive Directors

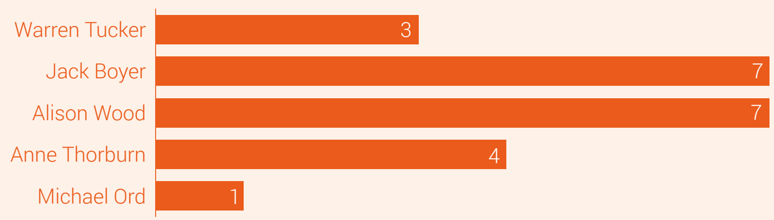
BOARD DIVERSITY – GENDER



Our Board split

- **2** – Women
- **5** – Men

BOARD TENURE IN YEARS

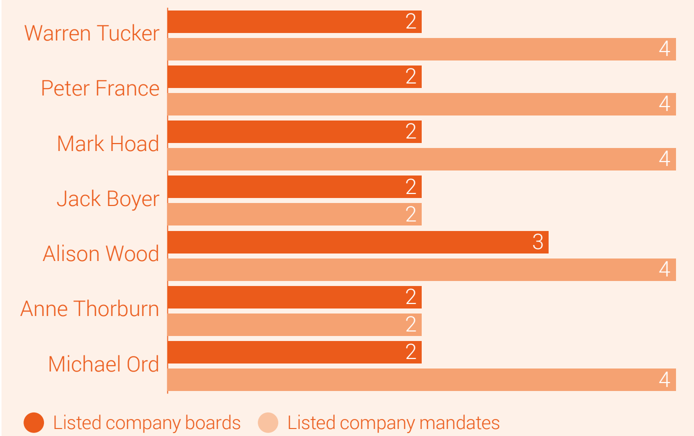


GOVERNANCE AT A GLANCE CONTINUED

DIRECTORS' SKILLS AND EXPERTISE

7 Leadership Management	7 Strategy/Growth	6 Financial/Risk Management
6 International Business	6 M&A/Financing	5 Aerospace & Defence Sector
5 Manufacturing/ Engineering	4 Equity and Debt Capital Markets	4 Investor Relations
3 Talent Succession	2 Engineering/Technology/ Innovation	2 Medical Sector
2 Operations/ Supply Chain	2 Product Technology	2 Transformation

BOARD EXTERNAL APPOINTMENTS



Based on ISS Governance and Glass Lewis voting guidelines

BOARD ATTENDANCE 2023

	Board	Audit Committee	Nominations Committee	Remuneration Committee
Number of meetings held	**7**	**4**	**4**	**3**
Chair				
Warren Tucker	7/7		4/4	3/3
Executive Directors				
Peter France [1]	2/2			
Mark Hoad	7/7			
Richard Tyson [2]	5/5			
Non-executive Directors				
Jack Boyer	7/7	4/4	4/4	3/3
Wendy McMillan [3]	5/5	3/3	3/3	
Michael Ord [4]	6/6		4/4	2/2
Alison Wood	7/7	4/4	4/4	3/3
Anne Thorburn [5]	7/7	4/4	4/4	1/1

1. Peter France was appointed to the Board on 2 October 2023
2. Richard Tyson resigned from the Board on 1 October 2023
3. Wendy McMillan was appointed to the Board on 16 January 2023 and resigned from the Board on 24 November 2023
4. Michael Ord was appointed to the Board on 16 January 2023
5. Anne Thorburn was appointed to the Remuneration Committee on 9 May 2023

UK CORPORATE GOVERNANCE CODE COMPLIANCE STATEMENT

1. Board leadership and Company purpose	**Read more on page**
A. Board effectiveness, long-term value and sustainability	72-74
B. Purpose, values, strategy and culture	15, 31, 77
C. Governance framework	75
D. Stakeholder engagement	57
E. Workforce policies and practices	29-41, 78
2. Division of responsibilities	
F. Roles and responsibilities	80
G. Leadership structure	75
H. External appointments	69-71, 81
I. Board policies and processes	79-81
3. Composition, succession and evaluation	
J. Appointments, succession planning and ED&I	83-85
K. Skills, experience, knowledge and length of service	68-69
L. Performance evaluation	86-87
4. Audit, risk and internal control	
M. Financial reporting, internal and external audit functions	90-91
N. Fair, balanced and understandable	91
O. Internal controls and risk management	59-61
5. Remuneration	
P. Policies and practices	98-100
Q. Directors' Remuneration Policy table	99-100
R. Remuneration outcomes and performance targets	102-107

THE RIGHT SKILLS AND EXPERIENCE

OUR TEAM

Warren Tucker
Chairman

N R

Joined: 2020

Current external appointments:
- Non-executive director and chair of the audit committee of Tate & Lyle plc (UK listed)
- Non-executive director and chair of the audit committee of BCP V Modular Services Holdings Limited (operating globally as Modulaire)
- Trustee on the board of Magna Learning Partnership

Relevant skills and experience:
- Strategy/Growth
- M&A/Financing
- Equity and Debt Capital Markets
- Financial and Risk 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

Peter France
Chief Executive Officer

RI P

Joined: 2023

Current external appointments:
- Non-executive director of Spirax-Sarco Engineering plc (UK listed)

Relevant skills and experience:
- Strategy Growth
- M&A
- Integration
- Innovation
- International Business
- Risk Management
- Talent Succession
- Leadership Management.
- Engineering/Manufacturing
- Sales and Marketing

Past appointments:
- CEO of Rotork plc
- CEO of ASCO Group Limited

Mark Hoad
Chief Financial Officer

RI

Joined: 2015

Current external appointments:
- Non-executive director and chair of the audit committee of De La Rue plc (UK listed)

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

Jack Boyer OBE
Senior Independent Non-executive Director

N R P A

Joined: 2016

Current external appointments:
- Non-executive director of Ricardo plc (UK listed)
- Chair of the University of Bristol
- Non-executive director of the Department of Education
- 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 Elcogen Group plc, Mitie Group plc and Laird plc
- Chairman of Ilika plc, AIM-listed Seeing Machines Limited and the Academies Enterprise Trust

OUR COMMITTEE KEY

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

OUR TEAM CONTINUED

"The Board will continue to play a key role in setting the tone from the top to help build upon the strong corporate culture we have in place across TT and thereby maintain our focus on delivering strong, sustainable growth for the future."

Warren Tucker
Chairman

Alison Wood
Independent Non-executive Director

R N A

Joined: 2016

Current external appointments:
- Non-executive chair of Galliford Try Holdings plc (UK listed)
- Senior independent director and chair of remuneration committee of 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

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

Anne Thorburn
Independent Non-executive Director

A N R

Joined: 2019

Current external appointments:
- Senior independent director and chair of the Audit Committee of Diploma PLC (UK listed)
- Board member and chair of the audit committee of SPT LabTech Limited

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 of British Polythene Industries plc
- Non-executive director of BTG plc

Michael Ord
Independent Non-executive Director

N R A

Joined: 2023

Current external appointments:
- Group Chief Executive of Chemring Group plc (UK listed)

Relevant skills and experience:
- Strategy/Growth
- Transformation
- Technology/Innovation
- Manufacturing/Engineering
- Product Technology
- Risk Management
- Leadership/Management
- Aerospace & Defence sector

Past appointments:
- Managing director of business units of BAE Systems plc
- Trustee of The Education & Training Foundation

OUR COMMITTEE KEY

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

CHAIRMAN'S INTRODUCTION TO GOVERNANCE

GOVERNANCE SUPPORTING SUCCESS

"I am pleased to report that our succession planning activity has produced the intended outcomes with a seamless transition in CEO leadership."

Warren Tucker
Chairman

A YEAR OF CHANGE

In last year's Annual Report, I outlined how TT had benefited from an extended period of Board continuity, which had helped the Group navigate the unprecedented business challenges faced in the post-pandemic period. This year has been somewhat different, as the Board has put its leadership succession planning to the test in dealing with both a CEO transition process and the integration of new NED Board members. I am pleased to report that this succession planning activity has produced the intended outcomes, with a seamless transition in CEO leadership helping to deliver a strong set of year-end results and continued progression on our key metrics. I see this outcome as testament to TT's robust governance structures and the wider bench-strength we have at our disposal across the business.

In the context of what has been another successful year for the Group, it is important to acknowledge formally the Board's appreciation for the significant contribution made by our outgoing CEO, Richard Tyson, to TT's continued progression. Richard served as CEO for over nine years, during which time he oversaw a transformation of the business into more profitable, higher growth sectors, with improved customer focus and market penetration. We are very much indebted to Richard for his unstinting dedication to TT's strategic progress and operational delivery, which remained undiminished throughout the six-month period of the Board-led search for his successor. Richard leaves TT with our sincere thanks and best wishes for the next phase of his career.

WHAT'S INSIDE

CHAIRMAN'S INTRODUCTION TO GOVERNANCE CONTINUED

While acknowledging these notable achievements, Richard's departure presented the Board with an opportunity to implement its succession plan and reassess the style of leadership required for the next phase of TT's evolution. After a thorough and wide-ranging recruitment exercise, we were delighted that Peter France agreed to join us as our new CEO in October last year. Peter brings with him an unparalleled track record in the industrial engineering and manufacturing sector, which is highly complementary to TT's growth agenda, and includes a five-year term as CEO of ASCO Group, a 28-year career with Rotork plc (including nine years as CEO) and his ongoing NED position with Spirax-Sarco Engineering plc. The Board is delighted that this recruitment process has concluded with the appointment of a CEO of Peter's undoubted calibre and experience. We are very much looking forward to working with him to progress the Group's change agenda in the coming years – some of Peter's initial thoughts on this front are set out in the Q&A section of his CEO report (see page 7).

I would also like to highlight the significant contribution made by Michael Ord and Wendy McMillan since joining the Board in January 2023, as well as the rest of the Board in guiding TT through this period of significant change. Unfortunately, Wendy had to step down from the Board in November, having accepted an executive position with a third party organisation which had stipulated that she was no longer able to continue with her NED role with TT. Nevertheless, we have been in the very fortunate position in 2023 of benefiting from the expertise of two new NEDs, each having a broad base of experience and excellent credentials, closely aligned with TT's business portfolio and strategic focus. In particular, Michael, being a serving CEO of a UK listed company, is able to provide valuable insight to both the Board and the CEO. For more information on the CEO appointment process and the induction programme we put in place for our three new Board members during 2023, please see the Nominations Committee report on page 82.

Strategic prioritisation

Despite the importance of successfully concluding the succession initiatives described above, the Board also remained focused on delivering the core strategic priorities for the Group in 2023 and has continued to prioritise operational improvement in key areas such as Health and Safety, Sustainability, ED&I and linking our corporate purpose and values to our culture. This is particularly well demonstrated by the 3*** rating achieved from the "Best Companies" Employee Engagement Survey conducted in 2023 (the highest rating possible), which brings to life the exceptional corporate culture we have in place across the Group and the overwhelmingly positive response of our employees to the support provided by TT during the "cost-of-living" crisis that followed on from the pandemic. I would like to congratulate all those involved in achieving this rating.

The Strategic Report highlights the key areas of focus for the Board in 2023 in driving forward TT's strategic plan, which are reinforced in the "People, communities and environment" section (on page 29) and the stakeholder engagement summary on page 57 (which also includes our s172 statement). These sections outline the continued focus on "people" initiatives throughout the year, while also highlighting that TT's sustainability agenda remained at the heart of our thinking. In addition, a considerable amount of Board agenda time was spent on monitoring progress against TT's market positioning and the delivery of organic growth opportunities, which is reflected in the strong performance delivered in year, a period characterised by only limited contribution from bolt-on M&A. The following initiatives are particularly noteworthy, in highlighting the Board's focus on TT's growth agenda:

- The continued strengthening of TT's capital structure, which included the extension of the revolving credit facility ("RCF") for an additional 12-month period (as described in more detail in the Strategic Report on page 26);
- The progress made in delivering TT's deleverage agenda, a notable example of which was the £5m (£3.2m post-tax) interim cash receipt recorded in 2023 in respect of the UK Defined Benefit scheme surplus (following the successful completion of the bulk annuity insurance buy-in transaction in 2022 to de-risk the Group's pension scheme obligations);
- The creation of new operational capability at our existing site in Mexicali, Mexico to provide customers with enhanced, lower-cost optionality for their product requirements in the integrated manufacturing services domain and to free up capability at other GMS sites to facilitate more complex, higher-margin activities; and
- The continued focus on talent management, ED&I and succession planning (as described in more detail in the Nominations Committee Report on page 82).

Diversity and stakeholder engagement

Following the appointment of Michael Ord and Wendy McMillan as NEDs in January 2023, the female composition of our Board was 37.5%, although it reduced to 28.5% at the end of November when Wendy stepped down from the Board. We recognise that this figure sits below the UK Listing Rules target of 40% female representation on listed company boards; however, we believe that this outcome aligns positively with our peer group and demonstrates a clear direction of travel in terms of promoting gender diversity at the Board level. As we explain in the Nominations Committee Report on page 84, TT has engaged an external recruitment firm to start the process of identifying suitable candidates for the next phase of our NED succession planning and we are hopeful that this will improve the level of gender and ethnic diversity on our Board in the future. A core element of our approach to diversity is based around the wide range of experience that our Board members bring to the decision-making process, as well as their capability in sectors that are close to TT's business operations. It is my view that this wealth of expertise, together with the honest, open and collegiate way in which the Board operates, lies at the heart of how we function as a collective group in progressing TT's growth agenda.

Read more about the CEO appointment process and the induction programme on page 72

Read more about People, communities and environment on page 29

CHAIRMAN'S INTRODUCTION TO GOVERNANCE CONTINUED

For the past couple of years, the Board has maintained a strong focus on stakeholder engagement, in an attempt to better understand the impact of external macroeconomic factors on the Group's core business and ensure the effective linkage of the Group's culture and purpose to the Company's strategic plan. Wherever possible, meetings have been held face to face, and with a wide range of important stakeholder groups, including TT staff and senior management, and shareholder representatives (as highlighted below).

The Board believes that these meetings have been important in setting the Group's strategic direction, across various regions (with different cultural approaches), reflecting factors such as cost inflation pressures, geopolitical challenges and staff retention/hiring considerations, without losing sight of TT's corporate purpose. Some examples of how these factors have impacted the Board's decision-making in 2023 are set out in the Stakeholder engagement section (on page 57) and elsewhere throughout the Strategic Report. In addition, further information on the results of the employee engagement survey conducted in 2023, including the role of our SID in managing feedback on stakeholder engagement with the Board, is set out on pages 32 and 33.

KEY STAKEHOLDER EVENTS IN 2023

Key stakeholder events in the 2023 Board schedule included the following:

- Board visits to our Plano, Texas and Kansas City sites, to meet senior management and staff working in the S&SC and Power and Connectivity divisions;
- As part of their induction programme, Michael Ord and Wendy McMillan visited a number of TT sites, including Mexicali, Minneapolis, Kansas City and Bedlington during 2023;
- A detailed induction programme was developed for our incoming CEO, which saw him visit most of our facilities in the UK, North America and Asia within his first three months in post, together with representatives of key customers and most of TT's key institutional shareholder base;
- Our CFO, Mark Hoad, attended the opening of our new Power Solutions facility in Greater Manchester, UK, together with a number of key stakeholders, including the Royal Navy's Submarine Capability Director and representatives from important customers;
- Various face-to-face sessions were conducted by the NEDs throughout the year with site leaders and divisional/functional heads to discuss business dynamics and operational challenges (through Board dinners and ad hoc meetings);
- Face-to-face dialogue was held with key advisers (including TT's brokers and financial/legal advisers) on key areas of strategic planning and investor relations, together with targeted engagement with investors involving (at separate times) the Chairman, CEO, CFO, and Remuneration Committee Chair; and
- As part of the annual Board cycle, the Chairman met with a number of shareholders who accepted his invitation to discuss TT's progress; there were also specific responses provided to shareholders who had made requests for additional information on TT's ESG agenda.

UK Corporate Governance Code compliance

TT is committed to achieving and maintaining the highest standards of corporate governance. Throughout the year, the Group was compliant with all of the relevant provisions of the UK Corporate Governance Code 2018 (the Code).

For reference, the area of non-compliance with the Code that was highlighted in last year's annual report (provision 38 relating to alignment of Executive Directors pension contributions with the wider UK workforce) was addressed with effect from 1 January 2023 and as a result, the Group was compliant with the Code requirements in this regard throughout the year.

The Code is available to view at the website of the Financial Reporting Council, www.frc.org.uk. The table on page 69 sets out where details and explanations of the application of the principles of corporate governance can be found in this annual report.

Conclusion

I am delighted that the operational resilience and adaptability we witnessed last year have been maintained in 2023, despite the ongoing economic challenges we have faced as a business and the changes in leadership we have navigated in year. Once again, I am indebted to my Board colleagues, the senior management team and our talented group of employees, who have delivered another strong set of financial results and tangible progress against our strategic plan, including an excellent set of Employee Engagement scores in year and positive progress against our ESG targets. The Board will continue to play a key role in setting the "tone from the top" to help build upon the strong corporate culture we have in place across TT and thereby maintain our focus on delivering strong, sustainable growth for the future.

EMPLOYEE ENGAGEMENT

3***

rating in our 2023 employee engagement survey

Read more about Stakeholder engagement on page 57

Read more about corporate governance compliance on page 69

LEADERSHIP STRUCTURE

Board

Audit Committee

Committee report on page 88

Nominations Committee

Committee report on page 82

Remuneration Committee

Committee report on page 94

Chief Executive Officer

Chief Financial 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

* ELT replaced by the Management Board ("TMB") from 1 March 2024

Disclosure Committee

Reviews potential existence of and manages the disclosure of inside information

Maintains project insider lists

People, Social, Environmental and Ethics ("PSEE") Committee

Health, Safety, Environment

Human Resources

Employee engagement with the Board

Local communities

Ethics

Read more on page 29

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

Diversity & Inclusion Committee

Reviews and develops Equality, Diversity and Inclusion ("ED&I") Policy and strategic priorities

Provides an ED&I framework

Information-sharing across the business units

Councils

Research & Development	Business Development	Operations
Supply Chain	HSE	Sustainability

Key

Delegation

Reporting

LEADERSHIP AND COMPANY PURPOSE

BOARD ACTIVITIES

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

STRATEGY

- Managing growth and addressing challenges raised by global geopolitical events
- Strategic planning for future growth
- Site rationalisation activity: completion of the transfer of Covina operations to Kansas City, finalising the transfer of ex-Ferranti operations from Oldham to Greater Manchester and bringing the new site in Plano, Texas, to full capacity
- Creation of new operational capability at our existing site in Mexicali, Mexico to provide customers with enhanced capability for GMS products
- Development of divisional strategic growth plans
- Divisional Technology Roadmaps

PEOPLE

- Recruitment and induction programme for new CEO
- Induction programme for new NEDs
- Recruitment and retention processes for senior management positions
- ED&I planning/development at Board and senior management level, including Board-level policy
- Workforce engagement on remuneration and wider employee engagement activities
- Cost-of-living initiatives
- Talent management and succession planning

FINANCING

- Extension of the Revolving Credit Facility
- Regular review of existing and emerging financial risks
- Pension buy-in implementation (including interim surplus refund)
- Tax/Treasury reviews

ESG/ENGAGEMENT

- Sustainability planning and progress (including continued development of our Sustainability Council, and our global dashboards); MSCI AA rating
- Site visits: Plano and Kansas City (for the entire Board) and other ad hoc visits for individual Board members
- Employee engagement at each site visit
- M&A integration activity (Ferranti Power and Control)
- Implementation of an Energy Usage Policy

IR

- Regular Investor Relations ("IR") updates on share price progression and movements in major shareholdings
- Investor feedback analysis

OPERATIONS

- Customer engagement (i.e. order book progression/deeper customer relationships and opportunity pipeline)
- Board-level CRM, Marketing and Net Promoter Score review
- Contract wins and commercial bids at each meeting
- Review of supply chain challenges
- Overview of plant-specific outage
- Global geopolitical and fiscal events

> "Our talent management and succession has been a key priority for the Group in a year of significant change."
>
> **Clare Nicholls**
> Group Human Resources Director

LEADERSHIP AND COMPANY PURPOSE CONTINUED

COMPANY PURPOSE, STRATEGY AND VALUES

The Board's main role is to provide oversight and leadership of the Group, to determine and ensure the implementation of the Group's strategy, and to maintain the highest standards of corporate governance. Underpinning these aspects of the Board's responsibilities lies the principal aim of ensuring the sustainable, long-term success of the Company.

The Board understands the relationship between the Company's purpose, strategy and values and their importance to the long-term success of the Group. The Board oversees and monitors our culture to enable the Board to be satisfied that it aligns with the Group's purpose, values and strategy and is reflected consistently in our workplace policies and practices.

RELATIONSHIP BETWEEN PURPOSE, STRATEGY AND VALUES

WHY?

Our corporate **purpose** describes **why we do what we do** and aligns the whole of the Company.

WHAT?

Our **strategy** defines **what we do** for both our employees and our wider stakeholders. The Company's strategy is clearly defined and regularly reviewed by the Board. The multi-year strategic plan is discussed in detail and is approved annually, based on the Company's activities; its progress on delivering strategic priorities; and challenges identified within the business and in the wider macroeconomic and geopolitical environment.

HOW?

The Company's **values**, culture and behaviours drive **how we execute our relationships** with internal and external stakeholders and our **strategic vision.** Our TT Way values (see page 31) describe our culture and set out how we expect our employees, from the top down, to conduct business and act with integrity, transparency and professionalism.

Good governance sets the tone for the culture of TT. The Board and Executive Directors strive to promote an atmosphere of openness and trust throughout the Group.

The Company's purpose statement is:

We solve technology challenges for a sustainable world.

The Board considers that this purpose is an appropriate reflection of the Group's culture, strategic direction and impact on the world.

Read more about our TT Way values on page 31

BOARD OVERSIGHT OF CULTURE MATTERS – OUR TT WAY VALUES

WE DO THE RIGHT THING

From ethics within our workforce and safety matters, to consideration of our wider impact on the environment and our communities, we pride ourselves on doing the right thing and encourage others to do the same. Our customers benefit from our focus on providing cleaner, smarter and healthier solutions to technology challenges.

- Statement of Values and Business Ethics Code
- Whistle-blowing reports
- Safety metrics
- Employee support during cost-of-living crisis
- Integration of ESG and sustainability matters into decision-making and business practices as a strategic priority
- Net Zero Scope 1 & 2 target by 2035 and other environmental impact reduction work
- Anti-bribery and corruption policies
- Modern Slavery policy
- Global supplier standards for social and environmental practices
- Human Rights Code
- Gender Pay Gap reports
- ED&I Policy

WE BRING OUT THE BEST IN EACH OTHER

Our people are our greatest asset. We know that supporting development, promoting wellbeing, ED&I and collaborating with our colleagues leads to better performance for our people and our business.

- Leadership programmes and conferences
- Succession planning/talent reviews
- Remuneration schemes and employee benefits
- Cross-divisional working and information sharing
- ED&I initiatives promoting inclusivity

WE ACHIEVE MORE TOGETHER

Throughout the business, our people are encouraged to share their ideas and feed back to improve the way we work. Our culture of openness and transparency is demonstrated through the reporting systems we have in place and the two-way conversations we have with our employees, our customers and our suppliers.

- Best practice sharing across the Group
- Ensuring transparency in reporting systems
- Employee engagement survey in 2023
- Voice of the Customer surveys
- SID (Jack Boyer) reports back from the PSEE Committee to the Board on stakeholder engagement processes
- Group-wide incentives

WE CHAMPION EXPERTISE

Our talented team of design, engineering and manufacturing experts operate in a supportive culture that champions knowledge, skills, innovation, problem-solving and service. We cannot achieve our purpose without passionate support for technical expertise in the business – from R&D and manufacturing to marketing and sales.

- Focus on capabilities – power, connectivity, sensing, and manufacturing and engineering
- R&D investment as a percentage of sales target
- Targeted and complementary M&A to expand technology capabilities
- BE Inspired awards for individual achievements
- Focus on training, STEM and apprenticeship initiatives

WE GET THE JOB DONE....WELL

TT's strong business performance is an indicator of getting the job done, but our success is based on a culture of pride within our organisation to do the best job we can. From the boardroom to our manufacturing sites, decision-making is based on achieving the best results the TT Way.

- Strategic decisions for long-term success
- Strong capital discipline and financing to ensure continued availability of funds to invest in the business
- Successful integration of acquisitions
- Customer feedback and Voice of Customer surveys

"Our TT Way Values connect us all and guide how we work with each other every day. They are supported by our focus on leadership, knowledge and performance to drive progress, innovation and service and build respectful and happy work environments."

Clare Nicholls
EVP Human Resources

LEADERSHIP AND COMPANY PURPOSE CONTINUED

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 strategic development; financial policy/reporting; internal control and capital structure (including tax and treasury matters); policy relating to acquisitions and disposals; contracts exceeding certain thresholds; and corporate governance matters (including non-financial policies and appointments/remuneration at a management layer below Board level).

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, including emerging risks, and the effectiveness of the Group's system of internal control as set out on pages 59 to 66. 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. Additional meetings were held in the year to address the CEO transition progress and certain strategic planning initiatives. The Board has held two principal meetings to date during 2024. The NEDs meet, without the Executive Directors present, during the course of each scheduled Board meeting, as a standing agenda item.

The main events in the Board calendar are the approval of the half-year and full-year results, the Board site visits, the review of the multi-year strategic plan and the approval of the budget towards the end of the year. At each meeting during 2023 the Board discussed strategic issues (principally focused on site change management projects, the Divisional opportunity pipeline, climate-related risks and opportunities, 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/geopolitical environment. The non-standard areas of focus for the Board in 2023 are shown on page 76.

Leadership structure

Details of TT's Board of Directors are set out on pages 70 to 71 of this report. The leadership structure chart on page 75 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 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 November 2023) 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. As such, he is the designated NED for the purposes of engagement with the workforce under the Code. This includes the outcomes of our employee engagement activities as described on page 33 and sustainability initiatives, including climate-related risk described from page 42. 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 leadership structure chart on page 75.

Read more about the Group's system of internal control on page 61

Read more about the non-standard areas of focus for the Board in 2023 on page 76

DIVISION OF RESPONSIBILITIES

Chairman, Chief Executive Officer and Senior Independent Director
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

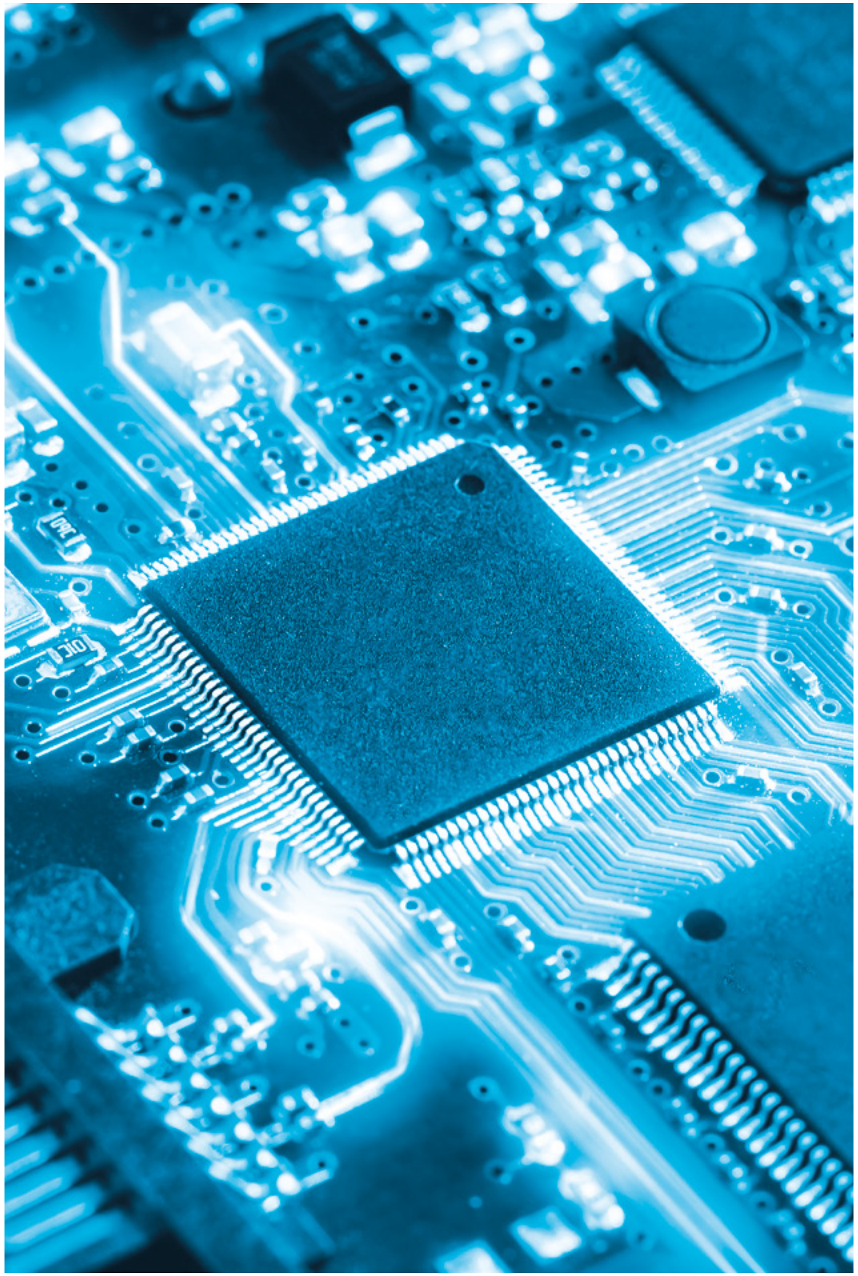
Maintains responsibility for:
– The leadership and effectiveness of the Board and for setting its agenda;
– Ensuring all Directors receive accurate, timely and clear information on financial, business and corporate matters so they can participate in Board decisions effectively;
– Facilitating the effective contribution of NEDs;
– Ensuring constructive relations between Executive and Non-executive Directors;
– Ensuring effective communication with shareholders; and
– Ensuring the performance of individual Directors, the Board as a whole, and its Committees are evaluated at least once a year.

Chief Executive Officer

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 HS&E/ Sustainability 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; and
– Setting Group human resource policies, including management development and succession planning for the senior management team.

Senior Independent Director

Maintains responsibility for:
– Reviewing the performance of the Chairman;
– Providing a sounding board for the Chairman on strategic matters/succession planning;
– Supporting the Board on the delivery of key objectives; and
– Acting as an intermediary for Board members and/or an alternative point of contact for investors (as required).



DIRECTORS' INTERESTS

The table showing the beneficial interests held by Directors of the Company (directly or through their connected persons) at 31 December 2023 is shown in the Remuneration Report on pages 106 and 110. There have been no changes to the number of shares held by Directors between 31 December 2023 and 5 March 2024.

CONFLICTS OF INTEREST

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. All new external appointments taken on by Directors in 2023 were pre-approved by the Board before the effective date of the appointment. 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.

APPOINTMENTS TO THE BOARD

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 82.

COMPENSATION FOR LOSS OF OFFICE

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.

BOARD SUPPORT

All Directors have access to the advice and services of the Group General Counsel and the Company Secretary. They are also offered training to fulfil their role as Directors, both on appointment and subsequently. In 2023 there were Board sessions aimed at developing a greater awareness and understanding of our business and stakeholders. The Board visited our sites in Kansas and Plano and received presentations about site-based operations in both the US and Mexicali and also the progress of the Voice of the Customer initiative. There were also learning sessions around IT, cybersecurity, AI, geopolitical risks and the changing legal and regulatory landscape. There is an agreed procedure for any individual Director to take independent professional advice at the Company's expense if they consider it necessary.

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.

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

RELATIONS WITH SHAREHOLDERS

The full list of engagement activities and our relations with shareholders during the year are set out on pages 57 to 58.

Read more about engagement activities and our relations with shareholders
on pages 57 to 58

COMPOSITION, SUCCESSION AND EVALUATION

NOMINATIONS COMMITTEE REPORT

MEMBERSHIP

- Warren Tucker (Chair)
- Jack Boyer
- Alison Wood
- Anne Thorburn
- Michael Ord (Appointed 16 January 2023)

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 the NEDs (having due regard to their length of service), Executive Directors and members of the ELT (TMB from 1 March 2024)/CEO direct reports, 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.

KEY ACTIVITIES DURING THE YEAR

- NED recruitment process completed, culminating in the appointment of Michael Ord and Wendy McMillan to the Board in January 2023.
- CEO succession plan conducted over a six-month period, resulting in the appointment of Peter France as the new Group CEO in October 2023.
- Ongoing review of the new FCA Listing Rules requirements for Board and senior management ED&I targets.
- Succession planning review conducted at Executive Director and ELT/TMB levels (plus a management layer below).
- Succession/recruitment project started with an external agency to consider future NED requirements, factoring in ED&I considerations, NED length of service and the future needs of the business.
- In-depth review of talent ("high potential" and talent gaps) at a senior management level.

WHAT'S INSIDE

Q&A

Q
What were the key aspects of the CEO recruitment exercise that the Committee has overseen in 2023?

As highlighted in the Chairman's Governance statement, after a lengthy period of Board continuity, the Nominations Committee was required to put its succession planning processes into action during 2023, in dealing with both a transition to a new CEO and the integration of two newly appointed NEDs onto our Board.

Prior to the announcement of the outgoing CEO's departure in April 2023, there had not been any form of engagement on a search process, with the Committee preferring instead to maintain an active dialogue with its external recruitment agency (and other professionals in the sector) on succession planning, to ensure it remained current on developments in the Executive Director recruitment market. As a result, the Committee was well placed to expedite the CEO search process, with a role specification being made available to the recruitment agency in short order and the launch of the formal process commencing shortly after the announcement of Richard Tyson's departure on 13 April. The Committee was then able to review a "long-list" of CEO candidates later that month and interview a "short-list" of potential successors in May, which led to the identification of Peter France as the stand out candidate by the start of June.

I am pleased to say we were able to resolve the contractual discussions and all outstanding requirements of Peter's previous employer over the summer period, resulting in the announcement of his appointment as CEO on 27 July.

The systems we already had in place to address succession issues at the Executive Director level ensured a successful and seamless transition process, which allowed Peter to hit the ground running on his start date (2 October).

This CEO search exercise represented the key priority for the Committee during the past year.

Q
To what extent was the Committee able to address the new Listing Rules requirements on ED&I as part of this CEO recruitment exercise?

The Committee had identified a range of different criteria to help progress the CEO recruitment exercise, which included targeting further progress on the diversity profile of the Board. While the Committee was guided in this process by the new FCA Listing Rule 9.8.6(9) requirements on board diversity, TT's stated position on ED&I (together with its newly implemented Board policy in this area) were additional key drivers in its approach. In particular, our appointed external recruitment agent was asked to consider candidates from non-traditional backgrounds, whose career history and experience might not typically be aligned with a CEO search process for a UK listed company.

In identifying the preferred candidate, the Committee followed a rigorous process in selecting an individual equipped with the necessary skills and experience to take the Group on to the next stage in its progression. This process included one-on-one interviews with all of the NEDs and the CFO, each of whom came to an early view that Peter France would be the ideal successor as CEO.

While there were candidates on the original "long-list" who came from backgrounds that were ethnically and/or gender diverse, none of such candidates were considered to have the necessary skills and experience to merit progressing their applications beyond this preliminary stage. Ultimately, it was Peter's track record over many years as a high-performing CEO, with listed company experience, in international businesses closely aligned with TT's area of operations, which were the determining factors.

Q
What plans does the Committee have in 2024 for future change at the Board level?

The Committee is mindful of the fact that (as at the date of this report), two of our NEDs are coming towards the end of their eighth year as Directors of TT. Just as importantly, the Committee recognises that both of these individuals occupy key roles on the Board; Jack Boyer is our SID and Alison Wood has been Chair of our Remuneration Committee for a number of years. Furthermore, the Committee was informed in late November that one of its NEDs, Wendy McMillan, had accepted an executive role with a third party organisation, which had the stipulation that she was no longer able to continue with her NED role with TT.

With these considerations in mind, the Committee decided to instruct an external recruitment firm to undertake an independent assessment of Board structure/composition. Following on from this review, which also assessed TT's position relative to the Listing Rule 9.8.6(9) targets, the Committee has initiated a recruitment exercise, with a view to appointing one or more NEDs, having the requisite skills to support TT in delivering its growth agenda.

We recognise that as at 31 December 2023, and as at the date of publication, we do not meet the FCA's targets (as stated in the Listing Rules) that at least one member of the Board should come from an ethnic minority background; nor are any of the positions of CEO, CFO, Chair or SID held by a woman and the level of female representation on the Board remains below the FCA stated target of 40 per cent (having stood at 37.5 per cent for most of 2023, which reduced to 28.5 per cent following Wendy McMillan's decision to step down from the Board in November).

> "The Committee remains committed to maintaining its focus on increasing the diversity of thinking/decision-making at the Board level, while also developing a path to full compliance in the future."
>
> **Warren Tucker**
> Chair

Q&A CONTINUED

The Committee understands the intent behind LR 9.8.6(9) and remains committed to maintaining its focus on increasing the diversity of thinking/decision-making at the Board level, whilst also developing a path to full compliance in the future. If possible, the Committee would hope to achieve this as part of the forthcoming NED recruitment exercise, recognising the fierce competition for talent in this area; however, it is also important to recognise the additional objective of enhancing the Board's diversity of perspective, which means identifying future candidates capable of contributing fully to the strategic debate, with experience and capability in sectors that are closely aligned to TT's business operations.

Numerical data on the gender diversity and ethnic representation of the Board and senior management, as at 31 December 2023, is set out in the table on page 86. Each member of the Board and the Executive Leadership Team submitted a completed questionnaire to enable us to gather the numerical data required.

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

2023 REVIEW

As stated in the Q&A section above, the Committee's main focus in the past year has been to manage the process for recruiting a new CEO, which ultimately led to the appointment of Peter France in October 2023. In addition, the Committee has been at the forefront of planning the NED induction programme for Michael Ord and Wendy McMillan (following their appointments to the Board in January 2023) and starting the process to recruit one or more new NEDs to replace two of our Directors who are close to the end of their nine-year appointment cycle (particularly given the 12-month lead-time required under the Listing Rules before a NED can become a successor candidate for Chair of the Remuneration Committee). The Q&A section above provides background information on the processes undertaken in managing these recruitment projects, particularly with regards to the appointment of the new CEO, which was led by an external recruitment firm, Russell Reynolds, whose expertise was drawn upon in developing a detailed role specification and subsequently, a diverse list of candidates. There are no connections between TT, its Directors and Russell Reynolds. Another key criterion in the recruitment process was to address the ways in which each candidate might contribute to increasing the Board's diversity of perspective and add fully to the strategic debate, based on experience and skill sets.

As noted above, the Committee was mindful of the requirements of LR 9.8.6(9) throughout the CEO and NED recruitment exercises. The extent of TT's compliance to date with LR 9.8.6(9) is also summarised in the Q&A section, it being noted that a Board-level diversity policy (which also applies to the Board Committees) was adopted for the first time in 2022 and we have provided numerical data on the gender diversity profile of the Board and senior management in the table set out on page 86. The Committee remains focused on addressing those areas where TT remains non-compliant with the requirements of LR 9.8.6(9), as outlined in the Q&A section, in future Board-level recruitment exercises.

The Committee held four meetings in 2023, at which (in addition to the recruitment exercises described above) the Committee undertook a detailed review of TT's talent management programme, which covered the senior management team (operating at ELT level and a layer below), together with selected members of the wider leadership group. Attention was also focused on "high-performing" individuals across the organisation, who had been identified as possessing the capability to progress into senior management roles over the medium to long term. This review exercise identified several candidates across the business with the potential for promotion to ELT and/or Executive Director roles in the future, with talent development also being highlighted as a key priority area for the Group going forward.

In addition to the activities referenced above:

- All Board members completed a conflicts of interest questionnaire, which involved tracking the number of external appointments held by each Director, including the number of chairmanships and executive director roles held, to avoid suggestions of "over-boarding". No points of concern were identified by the Committee from this process;
- The Committee assessed its performance in 2023 by reviewing key activities during the year against its terms of reference. It was concluded that the Committee had performed satisfactorily and was structured appropriately to provide effective support to the Board; and
- The Committee undertook a detailed review of ED&I activities, both from a perspective of compliance with LR9.8.6(9) and HR-focused initiatives across the business to embed ED&I thinking into day-to-day operations.

COMPOSITION, SUCCESSION AND EVALUATION CONTINUED

BOARD COMPOSITION

Warren Tucker (Chairman), Mark Hoad (CFO), Jack Boyer (SID) and Alison Wood and Anne Thorburn (NEDs) were continuously in place as members of the Board throughout 2023. Michael Ord and Wendy McMillan were appointed as new NEDs in January 2023; Michael Ord continued as a member of the Board throughout the remainder of the year, with Wendy McMillan stepping down in November 2023 for the reasons described in the Q&A section above. On 2 October 2023, Peter France joined the Board as CEO and remains a Director of the Company; he replaced Richard Tyson, who was a Director throughout the year through to 2 October 2023. The only changes in Committee membership during 2023 were: (i) the appointment of Michael Ord and Wendy McMillan (January to November) to the Nominations Committee; (ii) the appointment of Wendy McMillan to the Audit Committee (January to November); and (iii) the appointment of Anne Thorburn and Michael Ord to the Remuneration Committee. Michael Ord was also appointed to the Audit Committee in January 2024. We provide full details of each Director's Board and Committee meeting attendance on page 69 and Directors' biographies, including the Committees they serve on and chair, which can be found on pages 70 to 71.

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 NEDs are also considered to be independent as defined by the Code.

In accordance with the Company's Articles of Association and the Code, Directors must 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 and the Company's Articles of Association. 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.

EQUALITY, DIVERSITY AND INCLUSION (ED&I)

In 2020, the Company introduced its ED&I strategy to the workforce, setting out our three-step multi-year programme 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 39 for further information). The Board (through the PSEE Committee) receives updates on the progress of the initiatives launched pursuant to the Company's ED&I strategy and monitors the achievement of targets set in line with the strategy. The Committee also received an update on ED&I strategy/performance in 2023, with the CEO committing to report back on progress/future plans on the ED&I front during 2024.

As stated in the 2023 Review above, a Board-level diversity policy was adopted for the first time in 2022, which requires the Committee to have regard to issues such as culture and diversity when reviewing recruitment practices and succession planning. This ED&I Board policy will assist the Committee in overseeing a diverse pipeline for senior management and Board positions.

At all times during 2023, the Committee has sought to ensure that the Board is balanced and effective, with diverse skills, knowledge and experience, as highlighted in the Directors' biographies on pages 70 to 71. 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 an objective criteria of skills, knowledge, independence and experience. However, we do not advocate a forced approach to diversity at any level of the organisation. The extent of TT's compliance to date with LR 9.8.6(9) is set out in the Q&A section above. Female representation on the Board stood at 37.5 per cent for most of 2023, 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.

A table setting out data on the gender diversity and ethnic representation of the Board and senior management, as at 31 December 2023, is set out on page 86. The Board recognises that we do not meet the FCAs targets (as stated in the Listing Rules), see page 83 for more information.

For more detail on TT's approach to ED&I across the organisation, see page 39 of the Our people section.

BOARD DIVERSITY – GENDER AND ETHNICITY

	TT Electronics plc Board of Directors		Senior positions	Executive Management (defined as Executive Leadership Team)	
	Number of Board Members	% of Board members	Number of senior positions on the Board (CEO, CFO, SID & Chair)	Number in Executive Leadership Team	% of Executive Leadership Team
Men	5	71%	4	4	100%
Women	2	29%	–	–	–
Other/Not specified/Prefer not to say	–	–	–	–	–

	TT Electronics plc Board of Directors		Senior positions	Executive Management (defined as Executive Leadership Team)	
	Number of Board Members	% of Board members	Number of senior positions on the Board (CEO, CFO, SID & Chair)	Number in Executive Leadership Team	% of Executive Leadership Team
White British or other White (including minority-white groups)	7	100%	4	4	100%
Mixed/Multiple ethnic groups	–	–	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group (including Arab)	–	–	–	–	–
Not specified/ prefer not to say	–	–	–	–	–

The Group has selected 31 December 2023 as the reference date for the data provided above

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 2023.

Following the external evaluation exercise conducted in 2021, the Board decided to undertake an internal assessment for the 2023 reporting period (without the assistance of an external facilitator), based largely on the number of Board-level changes in year, including the CEO transition process. The Board allocated part of a scheduled meeting in year to conduct this evaluation exercise, using the Board objectives for 2023 (as outlined in last year's annual report) and the outputs of the previous year's evaluation exercise to frame the discussion, which involved all Board members.

The 2023 evaluation exercise once again reinforced the positive working dynamics at the Board level, with the strong focus on the appointment and induction of the new CEO having greatly assisted in maintaining effective continuity. As a result, it was concluded that the Board had been effective in discharging its responsibilities throughout the year and operated as a high-performing team, in an environment of openness, transparency and trust. In particular, it was noted that:

- Close attention had been paid to addressing the issues raised during the 2022 evaluation process, with the priority items receiving appropriate levels of challenge and Board focus. It was recognised that the Board attempted at all times to take a "value-added" approach, based around a collective aspiration for TT to be "the best company it possibly could be", for the benefit of all stakeholders.
- The NEDs are seen as being appropriately provocative and challenging on key issues (using their own unique approaches), with the appointment of a serving CEO (Michael Ord) as a new NED being seen as having contributed significantly to this process. Likewise, the Executive team is regarded as very transparent and open. The importance of maintaining TT's unique and positive culture is very much understood and promoted by the Board.
- Key positives for 2023 included: (i) the successful recruitment of a new CEO (coupled with the appointment of two additional NEDs); (ii) the Board having navigated the transition to a new CEO (while minimising disruption to the business); (iii) the Board's continued focus on key strategic topics, with execution against priority organic actions being seen as the most obvious path to value creation; and (iv) the timely progression of talent reviews, reward discussions and ED&I initiatives in year.
- Using a skills mapping process, the evaluation exercise reconfirmed that each Board member possessed the requisite skills and experience in each of the core areas relevant to TT's operations, recognising the opportunity to further enhance capability through future NED appointments.

In summary, the Board concluded from the evaluation exercise that it (and its Committees) had performed well on all fronts in 2023 and that the performance of each Director was highly effective, while giving due commitment to his or her role.

BOARD AND COMMITTEE PERFORMANCE EVALUATION CONTINUED

Discussion points and areas of focus
The 2023 evaluation review highlighted several developmental areas for further consideration, which included the following:

- The Board recognised the need to ensure that strategic planning, people development and monitoring of business performance remained at the centre of its thinking, which would be enhanced by: (i) increased accessibility to the senior leadership team (to provide a wider assessment of performance dynamics); (ii) changes to the Board cycle (to improve alignment of the meeting schedule with key decision points); and (iii) more opportunities for the NEDs to engage with key shareholder/customer representatives.
- The review exercise noted the attempts to introduce Executive Director/senior leadership remuneration targets earlier in the annual cycle, recognising the practical challenges associated with this objective, particularly given external factors such as wage inflation dynamics. It was also recognised that the Group had not yet been able to deliver fully on its ED&I objectives (both at Board level and across the organisation), which would continue to be a priority action for the Board.
- The Board concluded that, despite the positive progress made on succession planning in 2023, this would remain a priority objective for the year ahead, with a particular focus on: (i) NED succession (given the fact that the tenure of two long-serving NEDs was due to come to an end in 2025); (ii) ensuring the retention of top talent at a senior management level; and (iii) supporting the development of newly appointed employees operating in key leadership roles.

Having considered these issues in detail, the overall outcome of TT's evaluation exercise was that the Board was operating in a very effective manner and that the structure of the Board remained fit for purpose, given the diversity of experience, approach, mindset and thinking around the Board table. The Board also agreed that this outcome had been observed across the Board Committees, each of which had been extremely well chaired in year.

2024 BOARD OBJECTIVES

Following the conclusion of the 2023 evaluation exercise, the agreed Board objectives for the year ahead were summarised as follows:

- NEDs will support the new CEO in: (i) gaining maximum benefit from his induction programme; (ii) establishing himself in role; and (iii) providing him with every opportunity to have the desired impact on the performance of the Group.
- The NEDs will remain totally focused on setting the strategic direction, in conjunction with the Executive Directors, while giving the Executive Directors the necessary space to execute and deliver against key performance targets.
- The Board will prioritise achieving further simplification of the business portfolio, while maintaining operational performance and driving delivery of margin aspirations.
- The Board will closely monitor geopolitical events to mitigate the impact on Group strategy and delivery against growth targets.
- The Board will continue to focus on HR priorities, including succession/retention, talent management and ED&I.

DIRECTORS' PERFORMANCE EVALUATION

In accordance with the Code, the performance of individual Directors was evaluated during 2023.

For the NEDs, the output from a private meeting held between the Chairman, the Executive Directors and the NEDs formed the basis for individual appraisals held by the Chairman with each NED. 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 NEDs, led by the Senior Independent 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. This framework was refreshed following the appointment of the incoming CEO, Peter France, in October 2023.

Both of 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 NEDs at a private meeting held to discuss this and any other matters which the NEDs wished to raise.

Following the Directors' evaluation process, It was concluded that all Directors continued to be effective and to demonstrate commitment to their roles.

Warren Tucker
Chair, Nominations Committee
6 March 2024

AUDIT, RISK AND INTERNAL CONTROL

AUDIT COMMITTEE REPORT

MEMBERSHIP

- Anne Thorburn (Chair)
- Jack Boyer
- Alison Wood
- Michael Ord (Appointed 10 January 2024)

PRINCIPAL RESPONSIBILITIES

- Monitor the integrity of the financial statements and results announcements (including significant reporting/accounting issues, going concern/viability statements, sustainability reporting, and fair, balanced and understandable reporting process).
- Recommend appointment and remuneration of the Auditor, assess effectiveness and monitor provision of non-audit services.
- Assess content of the Auditor's independence report in providing both audit and non-audit services, including the Auditor fee structure.
- Review the remit, planned scope of activities, performance and effectiveness of the Internal Audit function.
- Review changes to accounting policies and procedures, decisions of judgement affecting financial reporting and compliance with accounting standards and company law (including FRC recommendations).
- Review risk management/assurance processes and risk management strategy, including the principal risks and internal control findings highlighted by management or internal/external audit.
- Monitor the Company's systems and controls for the prevention of bribery and fraud.
- Review Group whistle-blowing arrangements and procedures.

KEY ACTIVITIES DURING THE YEAR

- Key areas of accounting judgement considered in detail, see page 92.
- Performance assessment of the external Auditor and overall audit quality and effectiveness, identifying areas of potential improvement.
- Detailed consideration of findings from the risk/assurance reviews undertaken by the Internal Audit function, including structuring the 2024 programme to align with key Group-level risks.
- Further strengthening the Internal Audit function, see page 90, including embedding additional UK and US-based in-house resource.
- A strong focus on strengthening controls in key areas (in alignment with previous Government proposals), including fraud prevention/detection and policy.
- Enhanced focus on climate-related risks (and associated TCFD disclosures), in light of the new regulatory requirements.

WHAT'S INSIDE

Q&A

Q

How has the final outcome of the Government proposals impacted TT's approach to strengthening the internal control environment across the Group in the past year?

As stated in last year's Committee report, TT takes its governance responsibilities extremely seriously and (regardless of the revised scope of the UK Government's audit/governance reform programme) we remain fully committed to enhancing our audit, internal controls and wider governance processes, in the interests of all of our stakeholder groups. We believe that a number of the Government's original recommendations were helpful in this regard and have taken the opportunity to strengthen our governance environment, using the Control Framework structure we already have in place and applying some of the principles suggested by the Government.

The key areas of focus on this front have included: (i) refreshing and refining the Control Framework to ensure completeness of controls and reducing duplication, as well as identifying key controls followed by providing bespoke training on the Control Framework, focusing on the newer sites and those where there have been personnel changes; (ii) concluding a risk assessment on the Group's fraud prevention/detection maturity and financial reporting risks, which ultimately led to the implementation of the new Fraud Policy; and (iii) holding an initial series of internal workshops to understand our current state in relation to internal controls for financial reporting, compliance, IT and tax which will be used as the basis for a gap analysis exercise in the future.

We believe that this activity puts TT in a strong position to respond to the implementation of the revisions to the UK Corporate Governance Code. Based on the revised guidance following the release of the 2024 Corporate Governance Code we intend to carry out a "scoping exercise" to assess the Group's processes and controls, as well as sites and components (on a materiality basis) to determine the boundaries of work needed on the new operating, compliance, financial and reporting control requirements and to put in place a route map for future compliance.

Q

You mention fraud prevention/detection above – has that been an area of particular concern for the Group in 2023?

TT does not consider itself to be more vulnerable to fraudulent activity than any other company of comparable size or operating in an equivalent sector, and this has not been a factor impacting business operations in recent years. That having been said, we are keen to avoid complacency on this front and, in anticipation of the original reforms proposed by the Government, we took the decision to strengthen our controls and policies in this area during 2023. The initial step was to collate responses from across the business into a "fraud questionnaire", which provided a generic set of indicators (rather than any specific evidence of potentially fraudulent activity), covering areas such as the potential to bypass controls and the use of the whistle-blower hotline. The outputs of this exercise provided the Finance team with a timely opportunity to communicate the importance of anti-fraud initiatives across the business and reinforce the zero-tolerance culture for bypassing controls.

The Internal Audit team then undertook a fraud risk assessment work programme, which included a "mapping" exercise of potential areas of fraud that could arise from key operational activities. The main conclusion from this exercise was that (of the one "high" and three "medium" level risks identified), cyber crime was rated as the area of highest risk of fraud, which also resulted in the identification of specific risk mitigations closely aligned with the Group's Control Framework. The Committee recognised that an additional mitigation on the first line of defence lies in the fact that TT's business model is largely based around processing high volumes of transactions, at relatively low cost for each purchase order. This risk assessment work directly led to the creation of a new Fraud Prevention Policy, which was designed to be closely aligned to both the UK Fraud Act and the ongoing development of the Control Framework. We have also delivered fraud awareness training to control owners across the business to increase the awareness of fraud and also linking this to the importance of strengthening the control environment to mitigate fraud risks.

Q

In the environmental section of last year's Annual Report, you set out a number of improvement areas that you had planned for 2023 on TCFD reporting. To what extent do you feel that you have delivered the progress you were expecting on this front during 2023?

We have invested significant effort in TCFD reporting in 2023, to ensure that all key disclosure elements were materially progressed well in advance of year-end and that our external auditors were engaged throughout the process, to address any areas of perceived weakness well ahead of time. As part of this work plan, the Group Head of HSE & Sustainability provided the Committee with a detailed progress update on TCFD planning activities during the Q4 period, it being noted that a gap analysis had been conducted (in collaboration with external consultants) to identify areas of priority focus and work undertaken to assess where the Group was positioned from a climate risk/opportunity perspective. The detailed outputs of this TCFD review exercise are set out on page 47 of this report.

"TT takes its governance responsibilities extremely seriously and we remain fully committed to enhancing our audit, internal controls and wider governance processes, in the interests of all of our stakeholder groups"

Anne Thorburn
Chair

Read more about the TCFD review exercise
on page 47

PROCEDURAL AND GOVERNANCE MATTERS

Meetings of the Committee are structured on the following basis:

– The CFO, the Group Financial Controller, the Company Secretary and Auditor representatives attend each Committee meeting, at which they present reports and provide analysis on key areas of accounting judgement. At the request of the Committee, other members of the Board (including the Chairman and the CEO) also attend for part of the scheduled Committee meetings.
– The Head of Internal Audit and Risk presents on the progress of the internal audit plan (undertaken in conjunction with PwC under the co-sourced partnering arrangement) and provides updates on the Group's risk management framework, to allow members to review principal risks and the effectiveness of risk management processes.
– The Committee meets with the Auditor at the close of each meeting, without Executives being present. The Committee also has the opportunity to meet with the internal audit function on the same basis.

In relation to Governance considerations:

– The Committee Chair, Anne Thorburn, fulfils the Code requirement of at least one member of the Committee having recent and relevant financial experience (see Anne's biography on page 71).
– The Committee was comprised of three independent NEDs throughout the year, which increased to four NED Committee members between January and November 2023, when Wendy McMillan was a member of the Board.
– All Committee members have competence in the sectors that TT operates in and their biographies can be found on pages 70 to 71.
– The vast majority of audit work was undertaken on a face-to-face basis in 2023, following the relaxation of COVID-19 "stay-at-home" measures and a return to normal working practices. However, the remote working systems and methodologies that were first put in place in 2020 remain available, where considered more beneficial to deliver internal and external audit activities.
– The Committee undertook an evaluation of external Auditor performance in 2023, which included input from the heads of finance across the Group's operations. Through this process, several areas for improvement were identified and shared with the Auditor (which included the prioritisation of TCFD review work to occur earlier in the audit cycle and the acceleration of certain audit close-out activity). In summary, this evaluation process indicated an improvement in overall Auditor performance in 2023, assisted by Deloitte having now concluded several audit cycles since their appointment at the 2020 AGM.
– The Committee recognised that the conclusion of the 2024 audit cycle would coincide with the requirement for Deloitte to rotate its current lead audit partner. As a result, steps will be taken to ensure that the audit partner succession process is managed so as to minimise disruption to the audit programme (noting the benefits experienced to date from good levels of staff continuity provided by the Deloitte audit team).
– The Committee assessed its performance in 2023 by reviewing key activities during the year against its terms of reference. It was concluded that the Committee had performed satisfactorily in the year and was structured appropriately to provide effective support to the Board.

2023 REVIEW

The Committee held four scheduled meetings during 2023. A summary of the key financial reporting and judgement issues considered by the Committee in 2023 is set out in the table on page 92. In addition, as part of the Committee's planning for the 2023 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 "Review of Corporate Governance Reporting" document issued in November 2023, which highlighted the FRCs strong focus on risk management/internal controls and the Committee's role in demonstrating "robust systems, governance and oversight are operating effectively".

The Q&A section on page 89 sets out details of the core areas of activity for the Committee in 2023. In addition, the following specific audit matters were considered by the Committee for the reporting period: (i) consideration of items excluded from adjusted profit; (ii) the classification of assets held for sale; (iii) Group tax rates and provisioning (with the Committee concluding that, as a result of processes first adopted in 2021, the level of judgemental analysis applied in this area for the current year had been significantly reduced); and (iv) the going concern and viability position for the Group (reflecting current year trading, the US private placement ("PP") arrangement and the RCF financing).

The Committee also assessed the outputs of the internal audit reviews conducted during 2023, which are undertaken: (i) on a site-specific basis (with the target of reviewing each principal TT site at least once every three years, or two years for sites generating revenues in excess of £50m per annum); and (ii) for targeted functional areas; for 2023 these functional reviews included Contract Management, Sales and Pricing, Delegated Authorities, and Supply Chain activities. The Committee has continued to pay close attention in the past year to the progress made in developing the Group-wide Control Framework programme, which has resulted in the Internal Audit team setting a higher baseline standard for audit reviews in 2023. These improvements in the Control Framework have been designed to help drive business performance across TT, particularly from the perspective of simplifying the approach to managing key controls, the use of more standardised procedures and prioritisation of the shared services function for activities of a transactional nature. On this latter point, the Finance team has focused on ensuring that clear lines of responsibility are in place between the shared services function and individual business units, supported by RACIs and site-by-site SLAs. For further details of TT's risk management and internal controls structures see pages 59 to 66.

During 2023, the Risk Committee 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. For further details of the Board's approach to assessing the Group's risk appetite, see page 59.

2023 REVIEW CONTINUED

In the fourth quarter, the Committee undertook a detailed review of the Group's climate-related risks and opportunities, with particular reference to the new TCFD disclosure requirements, as described in the Q&A section above.

KEY JUDGEMENTS

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 that 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 NEDs, the external Auditor and other external advisers. On careful review of the Annual Report for the year ended 31 December 2023, and the basis for the statement made by the Board on "Fair, balanced and understandable" on page 115, 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

Deloitte were appointed as the Group's external Auditor in May 2020, following a formal tender conducted in 2019. The current audit partner, Robert Knight, has held this role since May 2020. 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 2023 review. Deloitte has provided a statement to the Committee confirming it remains independent within the meaning of the relevant regulations and in accordance with its professional standards. There are no current plans to conduct a retendering exercise for the external Auditor.

The Committee also reviewed the quality and effectiveness of the audit programme during the year, as described on page 89.

POLICY OF NON-AUDIT SERVICES

The Company has an established policy regarding the provision of non-audit services by the external Auditor, which was last refreshed in 2021. This policy provides that non-audit services may be obtained from the most appropriate source, having regard to expertise, availability, knowledge and cost as confirmation that they comply with the whitelist of permitted services as set out in the Revised Ethical Standard 2019. 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. Any arrangement with the Auditor that includes contingent fee arrangements is not permitted. There is also a restriction that fees for non-audit services will not exceed 50% of the annual audit fee which is more stringent than the FRC imposed cap of 70% of the average audit fees paid for the audit of the parent and its controlled subsidiaries in the last three years. This limit will only be exceeded in unusual circumstances and only with the pre-approval of the Audit Committee. 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 2023, the total fees paid to Deloitte were £2.1 million, including £0.1 million for their review of the Company's interim results, while no other non-audit service fees were paid to Deloitte in the year. Accordingly, during 2023, non-audit service fees paid to Deloitte represented less than 5 per cent of audit service fees paid to them during the same period.

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 134 to 138. The Committee received and reviewed reports from management and the external Auditor setting out the significant issues in relation to the 2023 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 August 2023; 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 ISSUES

SIGNIFICANT ISSUE	COMMITTEE ACTIONS/WORK UNDERTAKEN
Adjusted profit (see Note 7) 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 performance.	The Committee challenged the items that were excluded from adjusted 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 adjusted profit.
Provisions – taxation (see Note 8) 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 2023 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.
Classification of assets held for sale (see Note 4) The Committee considered management's assessment of the conditions that must be satisfied in order to conclude a disposal group is "held for sale".	The Committee challenged management's assessment of the conditions that were satisfied to conclude that the disposal group was held for sale, in particular noting that it had been actively marketed, that there was a commitment to its disposal and that it was available for sale in its current condition. The Auditor explained their work performed to evidence the conditions supporting the classification and presentation as well as the audit work performed over the allocation of assets to the disposal group.
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 the 2024 budget and the strategic plan to 2026. The Committee confirmed that the application of the going concern basis for the preparation of the financial statements continued to be appropriate. The Auditor explained to the Committee the work they had conducted and the results of their audit procedures on going concern and viability.

AUDIT, RISK AND INTERNAL CONTROL CONTINUED

COMMITTEE ACTIVITIES IN 2023

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.
- Reviewed the fair, balanced and understandable process for the financial reports.
- Reviewed and discussed 2023 H1 and year-end accounting issues.

GOVERNANCE

- Reviewed the revised outputs of the Government proposals on Audit and Governance Reform.
- Reviewed Terms of Reference.
- Received and considered whistle-blowing matters reported through the Group's multi-lingual, anonymous ethics and integrity portal.
- Undertook an evaluation on the effectiveness of the Committee.
- Review of progress against TCFD reporting requirements.
- Considered new areas of audit disclosure under UK legislation/regulation.

INTERNAL AUDIT AND RISK AND ASSURANCE

- Received a report at each meeting on progress on the internal audit and risk assurance plan.
- Reviewed internal audit planned activity and resource.
- Agreed the remit of the internal audit programme of work.
- Considered the results of the 2023 internal audit activities.
- Reviewed and approved the 2024 internal audit plan.
- Conducted the annual review of the Group's internal audit function.
- Monitored progress on improvement activities related to the Controls Framework.
- Risk assessment of controls designed to protect against fraud and implementation of Group Fraud Policy.
- Ongoing monitoring of the Group's internal controls environment throughout the year, including risk management strategy.

EXTERNAL AUDIT

- Discussed and approved the external audit plan and audit fee.
- Reviewed external Auditor planned activity.
- Reviewed and confirmed both the independence of the external Auditor as part of the 2023 review, and non-audit fees.
- Assessed the quality and effectiveness of the audit programme, including the performance of the Auditor relative to prior year.

Anne Thorburn
Chair, Audit Committee
6 March 2024

INTRODUCTION TO OUR:

REMUNERATION COMMITTEE REPORT

MEMBERSHIP

- Alison Wood (Chair)
- Warren Tucker
- Jack Boyer
- Michael Ord (appointed 16 January 2023)
- Anne Thorburn (appointed 10 May 2023)

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 the 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 respect of the last financial year and for the current year.

KEY ACTIVITIES DURING THE YEAR

– Our Remuneration Policy was approved by over 90% of shareholders that voted at the 2023 AGM and we implemented those changes into our reward arrangements in 2023.
– We sought to continue supporting our employees with the increased cost of living which disproportionately impacts our lowest earners, providing our lowest paid UK colleagues with higher salary increases in April 2023 and we will do the same in 2024.
– In April 2023 Richard Tyson resigned as CEO, stepping down from the Board on 1 October 2023.
– In July we announced the appointment of Peter France as CEO, starting on 2 October 2023.
– In managing the transition, the Committee determined the remuneration arrangements for the departing CEO and the recruitment package for the new CEO.
– We considered remuneration outcomes to ensure they remain fair, appropriate, and in line with our remuneration principles and Company performance.

WHAT'S INSIDE

Q&A

Q

What were the primary considerations informing the recruitment package for the new Chief Executive Officer?

The Remuneration Policy, approved by over 90 per cent of shareholders which voted at our last AGM, incorporated changes to ensure our remuneration packages remained appropriately positioned for TT's scale, complexity, and geographic footprint.

Having recently undertaken the Policy review, our focus was to ensure that we were able to attract high calibre individuals who were able to demonstrate a track record of or demonstrate the potential to lead and develop TT.

In defining the parameters of the recruitment package, we considered: (i) the appropriate level of opportunity, (ii) the approaches to any compensation forfeited, and above all (iii) stakeholder value to ensure the delivery of sustainable stakeholder value.

Q

The Remuneration Policy approved by shareholders at the 2023 AGM brought about some changes to remuneration and performance measures. A year on, what are your reflections?

The Committee approached the Policy review to ensure that we had appropriate flexibility in our remuneration to ensure the management team remained fully focused on building on our business momentum to deliver the next phase of the Company strategy and to attract, retain and motivate an experienced leadership team. The changes were considered to be of vital importance in respect of being able to attract high calibre individuals during the recruitment process who were able to demonstrate a track record of leading and developing a Company of our scale and complexity and ultimately appoint Peter France as our new CEO.

As part of the Policy review, we also made changes to our incentives to ensure a greater focus on our short-term ESG progress and our longer-term cash conversion to strengthen the balance sheet. We believe that this focus continues to align with our strategy to ensure appropriate capital reinvestment to grow the Group and those changes are once again reflected in our incentives for 2024.

Q

What areas will be the focus of the Remuneration Committee in 2024?

The Committee has been pleased to see the progress made by the Company to support employees most impacted by high cost of living and the sustained improvements in employee engagement scores. In 2024, we will continue to keep this under review.

Looking forward, as the Company continues to develop under Peter's leadership, we will continue to assess and ensure our remuneration arrangements remain "fit for purpose" to unlock the potential of the Group and drive the appropriate behaviours which are underpinned by our TT Way values.

ANNUAL STATEMENT

On behalf of the Remuneration Committee (the Committee), I am pleased to present the Directors' remuneration report for the financial year ended 31 December 2023 which will be put to an advisory vote at the AGM on 10 May 2024.

The Committee was pleased to see that the 2023 Directors' Remuneration Policy (the "Policy") was approved by over 90 per cent of shareholders which voted at the 2023 AGM. Consistent with our long-standing commitment to stakeholder engagement, the Committee undertook an extensive consultation process with our major shareholders whose feedback helped to shape the Policy. Once again, I would like to thank all our stakeholders for their time taken in providing feedback.

Despite the challenges of the external environment, this is an exciting time for the Group and we were delighted to welcome Peter France as our new CEO. The business has once again delivered significant profit growth alongside strong free cash flow and we believe that our remuneration and incentive outcomes for the year are reflective of this performance.

BROADER EMPLOYEE REMUNERATION CONSIDERATIONS

As a Committee, we continue to take a responsible approach to ensure remuneration outcomes align with wider Company performance and stakeholder outcomes.

The Committee, independent from the Company, receives updates and insights from multiple sources, such as one-to-one check-ins with key role holders and from NED site visits, which allow for open and frank dialogue directed by feedback and priority areas from our employees. In addition, there are frequent updates and inputs by the designated NED, incorporating feedback from the PSEE Committee.

"2023 was a busy year for the Committee and we were delighted to be able to appoint a new CEO of Peter's stature and experience"

Alison Wood
Chair, Remuneration Committee

Further details on the Committee's approach and the wider range of activities are provided on page 59

Our people are a key differentiating factor of our competitive advantage, operating performance and growth. We recognise that many of our people continue to be impacted by inflation and the cost of living. Building on the range of support offered in 2022, we were pleased to see support continue in 2023 with significant base pay increases averaging 7 per cent and base pay increases in 2024 expected to average 5 to 6 per cent. The Committee also received feedback from HR leaders on the progress and success of the support initiatives and reviewed a variety of data points on how high inflation was impacting employees. This will remain an area of review for the Committee.

We were delighted to see both this, and the progress of our wider people strategy, reflected in our 2023 employee engagement scores which delivered an improved score, in line with the 3*** "world class" Best Companies Ltd benchmark.

CONTEXT FOR EXECUTIVE REMUNERATION

Our approach to remuneration is driven by the need to attract and retain the right calibre of talent to deliver long-term sustainable growth and stakeholder value. TT is a diverse, complex multi-national Company competing for talent with global peers in tight labour markets.

Our remuneration principles (pay for performance, strategic progress and the delivery of sustainable value to shareholders), combined with our strong organisational culture, underpinned by our TT Way behaviours, define how decisions are made, how people act and how we assess and reward them.

The majority of the Executive Directors' remuneration opportunity continues to be made up of variable, performance-related pay, which is linked to stretching financial, strategic, cultural and environmental, social and governance ("ESG") targets, and is proportionately delivered in shares to strengthen stakeholder alignment.

INCENTIVE OUTTURNS IN RESPECT OF 2023 PERFORMANCE

Performance for the year ended 31 December 2023 delivered strong year-over-year profit growth of 16 per cent at constant currency. On the same basis revenue grew organically and the operating margin has increased by 110 bps to 8.6 per cent. Free cash flow returned to material cash generation and leverage reduced from 2.0 to 1.7 times in line with our debt reduction priority. The Group's progress continues to be underpinned by good customer wins with a strong order book giving good visibility for 2024, well above historic levels. The Group exited the year with a second half operating margin of 8.9 per cent; we are targeting the achievement of a 10 per cent margin in 2024.

The Committee considered the formula-driven incentive outturns in the context of our core remuneration principles, the broader economic environment, and the stakeholder experience, while recognising that the performance targets set were both stretching and linked to the Group's strategy and performance. The Committee considered the outcomes under the FY2023 short-term incentive plan ("STIP") and the elements of the FY2020 and FY2021 long-term incentive plan ("LTIP") grants reaching the end of their performance periods in 2023. In light of the Company performance in 2023 and the historic impact of the pandemic on the business momentum and progress during the LTIP performance period, outcomes across the incentives were mixed.

The FY2023 STIP outcome has been measured by performance against a combination of profit, cash, ESG and strategic objectives. Financial performance, once again delivered significant progress and the resulting payout in respect of these elements was 91.0 per cent of the maximum. Non-financial performance against ESG and the strategic objectives, representing up to 30 per cent of the incentive opportunity, was determined as 93.3 per cent of the maximum for the CEO and 100 per cent for the CFO. The overall short-term incentive achieved was therefore 91.7 per cent of the maximum pro-rated opportunity for the CEO (34.3 per cent of salary) and 93.7 per cent of the maximum opportunity for the CFO (140.5 per cent of salary). The Committee concluded that the payment was representative of the performance. Consistent with the Policy, 30 per cent of the bonus awarded will be deferred into shares.

The 2020 LTIP was based on a sole total shareholder return ("TSR") performance measure. As TSR over the three-year period to March 2023 was slightly below the threshold performance target, the award lapsed in full.

The 2021 LTIP is due to vest in March 2024 based on two equally weighted performance measures, absolute adjusted EPS and relative TSR performance up to the date of vesting. The strong recovery from the pandemic and successive years of year-on-year growth resulted in the EPS component vesting at 87.8 per cent of the maximum; the TSR element is currently below the median threshold performance target, although as this concludes in 2024, it will be disclosed in next year's Directors' remuneration report.

The Policy operated as intended in terms of Company performance and quantum. The Committee did not therefore exercise any discretion in respect of incentive outcomes.

CHANGES TO THE BOARD

During the year, we announced several changes to the Board. As announced in July 2023, we were delighted to appoint Peter France as CEO to succeed Richard Tyson who stepped down as CEO on 1 October 2023. The remuneration arrangements for the outgoing and incoming Directors are in line with both the Remuneration Policy approved by shareholders and good governance practice.

Further details on the Groups financial performance are provided on page 17

Peter France's remuneration package from appointment (which is broadly equal to that of the former CEO and represents the necessary levels to recruit a high calibre, experienced candidate who is able to lead a Company of our scale and complexity) is as follows:

- Base salary: £550,000 per annum with the first salary review being 1 January 2025
- Benefits: In line with the shareholder approved Policy
- Pension: Workforce aligned pension contribution
- STIP: 150% of salary (pro-rated in 2023 from appointment)
- LTIP: 150% of salary.

In addition, the Remuneration Committee agreed to compensate for Peter's FY2023 pro-rata annual bonus that he forfeited on resignation. However, rather than compensate the amount in cash, Peter agreed to receive the amount in deferred shares, with a three-year vesting period with vesting subject to continued service. Further details are set out on page 105.

Richard Tyson received salary, benefits and pension up to 1 October 2023. He was not eligible to receive an STIP award in respect of the 2023 financial year and other than his awards granted under the Deferred Share Bonus Plan, all of Richard's share awards lapsed at cessation. There was no payment in lieu of notice associated with Richard's departure, and he will remain subject to the post-employment shareholding requirement in line with our Policy. Further detail is set out in the Annual Report on Remuneration.

In respect of the Non-Executive Directors, we announced that Wendy McMillan and Michael Ord joined the Board as Non-Executive Directors in January 2023, with Michael also joining the Remuneration Committee. In May 2023, we announced that Anne Thorburn, who remains the Audit Committee Chair, also joined the Remuneration Committee. Wendy stepped down from the Board in November following her appointment to a new executive role which restricted external appointments; we wish Wendy well in her new role.

IMPLEMENTATION FOR FY2024

In accordance with the terms of his recruitment, Peter is not eligible to receive a salary increase in 2024. The base salary of the CFO was increased, at a rate below that of the wider workforce, by 3 per cent effective from 1 January 2024. As in prior years, a greater proportion of the salary increase budget for UK employees will be targeted to our lowest paid workers, who remain more significantly affected by inflationary pressures. For the UK, the 2024 salary increase budgets are expected to average in the range of 5 to 6 per cent.

The STIP opportunity for the year will remain at 150% of salary for the Executive Directors. The performance measures will continue to be based on profit before tax (46.7%), free cash flow (23.3%), ESG (10%) and strategic objectives (20%). 30 per cent of any award payable will be deferred into shares with a two-year holding period.

LTIP awards up to 150 per cent of salary are expected to be granted to the Executive Directors in 2024, mirroring those in 2023. This represents a 15 per cent of base salary enhancement to the CFO's typical grant who is and will remain, for the coming year, pivotal to the successful transition of the CEO. The measures for the 2024 grants will continue to be based on earnings per share (50%), cash conversion (25%) and total shareholder return (25%). EPS will require compound annual growth of between 4 per cent and 12 per cent over three years and cash conversion a range of 80-95 per cent. TSR will be measured relative to companies comprising the FTSE SmallCap index excluding Investment Trusts, requiring median performance for threshold vesting and upper quartile performance for maximum vesting.

NON-EXECUTIVE DIRECTORS' ("NED") FEES

The fee for the Chairman was increased, at a rate below that of the wider workforce, by 3 per cent effective from 1 January 2024.

To reflect the time commitments and enable the Company to attract and retain NEDs with the experience and expertise required for a Company of our size, scale and complexity, the base fee has increased from £49,316 to £55,000 and the additional fees payable for the Senior Independent Director and Committee Chairs (excluding the Nomination Committee) have increased from £8,610 to £10,000.

LTIP RULES

Our current LTIP rules, originally approved by shareholders at the AGM in 2014, will shortly reach the end of their 10-year shareholder approved life and we will be seeking shareholder approval for the new rules at the 2024 AGM. The new rules, which are not materially different to the existing rules which were last updated in 2019, have been updated for good practice developments and to ensure alignment to the Remuneration Policy.

CONCLUSION

The Committee has carefully considered the remuneration outcomes for 2023 and the operation of the Policy for the year ahead, to ensure the continued delivery of sustainable year-on-year progress, aligned to shareholders, employees and wider stakeholders outcomes. We have carefully managed the remuneration aspects relating to the CEO transition and have ensured that we have paid no more than necessary to secure a candidate of Peter's calibre. In what has undoubtedly been one of my busiest years as Committee Chair, we have remained mindful of the impact of high inflation on our most valuable assets, our people and culture, and will ensure this remains an area of focus.

It has and continues to be my pleasure to serve TT and its stakeholders as both a NED and as Remuneration Committee Chair. 2025 will see the end of my final term on the Board and over the year I will be working with the Company to commence a smooth handover to my successor.

Alison Wood
Chair, Remuneration Committee
6 March 2024

2023 EXECUTIVE REMUNERATION

AT A GLANCE

To reinforce our philosophy, the majority of the Executive Directors' remuneration package is made up of variable at-risk pay, linked to stretching performance targets that align with our strategy, the financial performance of the Group and the creation of sustainable shareholder value.

CONTEXT FOR REMUNERATION

Creating Value
– leverage our assets and differentiators
– maintain strong capital discipline
– grow our exposure to long-term growth markets
– deliver sustainable stakeholder value

Our TT Way values

We do the right thing

We champion expertise

We bring out the best in each other

We get the job done… well

We achieve more together

Our remuneration principles
– performance-related
– strategic alignment
– alignment with stakeholders
– transparency and culture
– competitive

IMPLEMENTATION OF REMUNERATION POLICY IN 2023

BASE SALARY

Peter France, CEO	Mark Hoad, CFO
£550,000	£391,876

SHORT-TERM INCENTIVE PLAN ("STIP")

Total STIP payment (%of maximum)

Peter France, CEO	Mark Hoad, CFO
91.7%	93.7%

Performance measures	Weighting	Threshold	Outturn	Maximum	Achievement (% of max)
Adjusted PBT	46.7%	£39.7m	£47.3m	£46.1m	100%
Free cash flow	23.3%	£11.9m	£27.8m	£31.0m	72.9%
ESG	10%	Scorecard	Full achievement	Scorecard	100%
Strategic objectives	20% Targets based on a range of objectives. CEO objectives reflect strategic deliveries from start date in October 2023.				

LONG-TERM INCENTIVE PLAN ("LTIP")

Total LTIP payment (%of maximum)

Peter France, CEO	Mark Hoad, CFO
N/A	29.3%

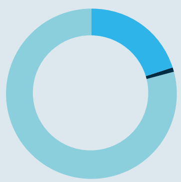
Performance measure	Weighting	Threshold	Outturn	Maximum	Achievement (% of max)
Total shareholder return [1]	66.7%	Median rank	Below median	Upper quartile rank	0%
EPS growth [2]	33.3%	10% CAGR	16.8% CAGR	18% CAGR	87.8%

1 In line with the disclosures in the 2020 Annual Report and Accounts, 100% of the 2020 LTIP grant was based on relative TSR, the full value of which is included in the 2023 single figure of remuneration.
2 2021 LTIP grant is based on 50% TSR and 50% EPS. In accordance with the completion of the vesting periods the TSR component will be disclosed in the 2024 single figure of remuneration.

TOTAL REMUNERATION FOR 2023

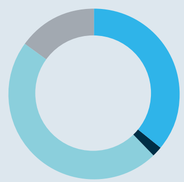
Peter France, CEO
£0.734m

Salary and benefits	20%
Pension	1%
Short-term incentive	79%
Long-term incentive	n/a



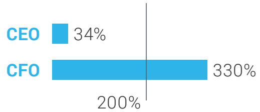
Mark Hoad, CFO
£1.200m

Salary and benefits	36%
Pension	2%
Short-term incentive	46%
Long-term incentive	16%



ALIGNMENT WITH STAKEHOLDERS

Share ownership requirement:
200% of salary for Executive Directors.



Short-term incentive
Awards subject to a 30% deferral into shares with a two-year vesting period.

Long-term incentive
Delivered in shares and subject to a three-year vesting period and a two-year holding period.

Workforce alignment
Executive remuneration set in the context of wider workforce remuneration.

Remuneration principles flow through the Group to ensure alignment.

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

Read more about the Group's financial performance on page 17

Read more about the FY23 STIP outcome and the ESG/ strategic objectives from page 103

Read more about the LTIP outcomes on page 105

Read more about single figure of remuneration from page 102

STATEMENT OF IMPLEMENTATION OF REMUNERATION POLICY IN 2024

The tables set out a summary of how the Directors' Remuneration Policy will be applied during the year ending 31 December 2024.

There are no material changes to the implementation of the Policy from FY2023. As described in the Chair Statement, both Executive Directors will receive LTIP grants of 150 per cent of salary, mirroring the approach taken in 2023.

The Committee is of the view that the current remuneration framework remains fit for purpose and therefore no changes to the Policy are proposed.

In the STIP, ESG performance will be focused on quantitative reductions of our Scope 1 & 2 carbon intensity; strategic objectives will focus on the sustainable development of the group and inventory efficiency.

BASE SALARY

Peter France, CEO
£550,000
(0% increase)

Mark Hoad, CFO
£403,632
(3% increase)

PENSION

7%
of base salary

BENEFITS

Benefits package consisting of healthcare, insurance benefits and car benefit.

SHORT-TERM INCENTIVE PLAN (STIP)

Target
75%
of base salary

Maximum
150%
of base salary

Performance measure	Weighting
Adjusted profit before tax [1]	46.7%
Free cash flow [1]	23.3%
ESG [2]	10%
Strategic objectives [2]	20%

– 30% of STIP award deferred into shares for two years
– Specific targets are considered to be commercially sensitive and will be disclosed retrospectively

1 Financial measures are measured using constant budget exchange rates.
2 To the extent that the threshold performance target for neither financial performance measure is attained, the Committee will consider, if appropriate, a reduction to the outcomes payable in respect to ESG and/or strategic objectives, up to and including a reduction to zero.

LONG-TERM INCENTIVE PLAN (LTIP)

Maximum
150%
of base salary

Performance measure	Weighting	Threshold	Maximum (full vesting)
Adjusted EPS growth [1]	50%	4%	12%
Average cash conversion	25%	80%	95%
Relative TSR performance [2]	25%	Median	Upper quartile

– Awards expected to be granted in March 2024 with performance conditions over the three-year financial period
– Two-year post-vesting holding period applies

1 Adjusted EPS growth set as a compound annual growth rate on a constant currency basis.
2 TSR comparator group is the FTSE SmallCap, excluding Investment Trusts.

PERFORMANCE MEASURES AND LINK TO STRATEGY

Performance measures in our short-term incentive plan for FY24	
Adjusted profit before tax	Strong operational execution, encompassing our strategic priorities of strategic business development and operational excellence
Free cash flow	Essential to capital reinvestment to fund technology investment and R&D, reduce leverage and take advantage of market opportunities such as targeted and complimentary M&A
ESG	Integration of ESG, doing the right thing with regard to the environment and our stakeholders, ensuring a sustainable business for the future
Strategic objectives	Progress of the Group's strategy to deliver sustainable growth in stakeholder value

Performance measures in our long-term incentive plan for FY24	
Adjusted EPS growth	Sustainable growth in the Group's profitability per share over three years
Average cash conversion	Long-term operational cash flow efficiency over three years, supporting cash generation for capital reinvestment
Relative TSR performance	Aligns Executive reward to the shareholder experience. Compares the Group's share price and dividend performance relative to a peer group over three years

SHAREHOLDING REQUIREMENTS

Executive Directors are required to build and maintain a minimum shareholding in employment equivalent to 200% 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.

REMUNERATION POLICY OVERVIEW

Remuneration objectives and key principles
The Remuneration Policy supports and rewards the achievement of the Group's strategy to deliver profitable and sustainable growth over the short and longer term. This is driven and evaluated by how the Group performs against a variety of strategically aligned KPIs, both financial and non-financial. Our Directors' Remuneration Policy was last approved by shareholders at the AGM on 9 May 2023. A summary of the Policy is shown below.

Executive Director remuneration for 2024

Element		Maximum	2024	2025	2026	2027	2028
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.	Pension provision paid.				
Variable Pay	Short-term incentive plan	CEO/CFO 150% of salary. 70% cash and 30% in deferred shares.	Annual performance conditions apply. Majority weighting on Group financial targets, minority to ESG performance and strategic objectives.	Cash element paid (70% of incentive).			
				Two-year share deferral (30% of incentive).			
	Long-term incentive plan	CEO/ CFO 150% of salary. Two-year holding period.	Based on a variety of financial and/or shareholder value creation and/or ESG measures over a three-year performance periods.			Two-year holding period.	
Governance	Malus (withholding) and clawback (recovery)	All incentives.	Malus and clawback: misstatement, serious misconduct, serious reputational damage, error in calculation and corporate failure. Committee discretion: ability to exercise discretion and make adjustments to formulaic outcomes.				
	Share ownership requirement	200% of salary.	Executive Directors required to build and maintain the share ownership requirement.				
	Post-employment share ownership	100% of salary.	Holding requirement for shares until two years after cessation of employment.				

Read the full Remuneration Policy in the 2022 Annual Report and Accounts on pages 112 – 121

ALIGNMENT WITH THE UK CORPORATE GOVERNANCE CODE

The table below details how the Committee addresses the factors set out in Provision 40 of the Code, which align with our principles and Executive Director remuneration framework.

Clarity	Simplicity
– We provide open and transparent disclosures of our Executive Directors' remuneration arrangements. – We welcome stakeholder engagement and are committed to undertaking stakeholder consultation when considering changes to our Remuneration Policy.	– We are mindful to avoid overly complex remuneration structures. – We aim to ensure that remuneration arrangements for our Executive Directors and the wider workforce are as simple as possible to drive understanding and engagement. – We take the time to engage with participants and wider stakeholders.

Predictability	Proportionality, risk and alignment to culture
– The Remuneration Policy details the maximum opportunity levels for each component of pay. – Actual incentive outcomes vary depending on the level of performance achieved against specific measures.	– The Committee undertakes an annual review of risks. Identified risks are considered with appropriate mitigation strategies or tolerance levels agreed. – The metrics used to measure performance in our incentive plans drive behaviours that are consistent with the business strategy and our TT Way values. – The incentive structures and balance of fixed to variable pay do not encourage inappropriate risk taking. They are subject to the achievement of stretching performance targets and the Committee has the ability to apply discretion to override formulaic outcomes. – Our approach to decision-making ensures pay outcomes are fair, proportionate and do not reward poor performance. – Clawback and malus provisions are in place across all incentive plans and are clearly communicated. – Annual short-term incentive deferral, LTIP holding periods and our shareholding requirements provide a clear link to the ongoing performance of the business and are therefore aligned with shareholder interests.

ALIGNMENT WITH THE WIDER WORKFORCE

The Committee considers a range of factors when deciding upon the remuneration for Executive Directors, one of which is the alignment and cascade of reward programmes down the organisation. In implementing the current Policy, the Committee took the opportunity to ensure that changes to performance metrics in Executive Director incentives appropriately cascaded down the organisation. In addition, the Company regularly engages with employees on the alignment of reward practices and provides opportunity to give feedback to the Committee. Sessions were conducted at three sites during 2023; there was no material feedback on Executive Director remuneration.

The following summarises the alignment of remuneration for the wider workforce during 2023. The detail of retirement and benefits are specific to each location and are shown for the UK.

	All employees	Executive Directors
Salary	– Pay increase recommended by site & division – Reviewed and approved by head office (UK average 7% in 2023)	– Pay rise % below or in line with employee pay (5% in 2023)
Short-term incentive	– All employees are eligible for a bonus – Site incentive targets: customer delivery, productivity, quality, HSE – Leadership and senior managers: targets cascade from Executive Director design	– Max 150%, on-target 75% – Performance conditions: profit, cash flow, ESG, strategic delivery
Deferred share bonus plan	– Not applicable	– 30% of short-term incentive deferred for 2 years
Long-term incentive	– Leadership team, three-year performance period, no holding period	– Max 150% of salary – Three years, two-year holding period – Performance conditions: EPS, TSR, cash conversion
Retirement	– Up to 7% of salary contribution	– 7% of salary contribution
Other benefits	– Life cover – Healthcare – ShareSave – Car allowance (Sales and senior leadership)	– Life cover – Healthcare – ShareSave – Car allowance – Risk benefits

ANNUAL REPORT ON

REMUNERATION

IMPLEMENTATION OF THE REMUNERATION POLICY FOR THE YEAR ENDED 31 DECEMBER 2023

Single figure for total remuneration (audited)

Directors' remuneration for the year ended 31 December 2023 was as follows:

£'000		Salary	Taxable benefits	Pension	Total fixed pay	Short-term Incentive [1]	Long-term Incentive [2]	Other [3]	Total variable pay	Single total figure
Executive Directors										
Peter France [4]	**2023**	**138**	**7**	**10**	**155**	**189**	**–**	**390**	**579**	**734**
	2022	–	–	–	–	–	–	–	–	–
Mark Hoad	**2023**	**392**	**33**	**27**	**452**	**551**	**197**	**–**	**748**	**1,200**
	2022	373	34	56	463	285	137	–	422	885
Former Directors										
Richard Tyson [5]	**2023**	**392**	**34**	**27**	**453**	**–**	**–**	**–**	**–**	**453**
	2022	498	38	75	611	380	203	–	583	1,194

1 Executive Directors' short-term incentive awards are subject to deferral into shares in the Company. The STIP value includes the incentive paid in both cash and deferred into shares. In line with the prevailing Remuneration Policies at the time of grant 30% of the 2023 award will be deferred into shares and 20% of the 2022 award was deferred into shares. Deferred awards are not subject to any further performance conditions.

2 LTIP values shown in the single figure include dividend equivalents. The 2023 single figure is comprised of the 2020 award and the EPS component of the 2021 award; the 2022 figure is comprised of the TSR element of the 2019 award. The value attributable to share price appreciation in the 2023 single figure value for the CFO was £(57,666). The Committee did not exercise any discretion to vesting outcomes in relation to the impact of share price movements.

3 Value relates to the bonus buy-out share award to compensate Peter France for the FY2023 pro-rata annual bonus forfeit on resignation.

4 Peter France joined as CEO on 2 October 2023.

5 Richard Tyson stepped down from the Board on 1 October 2023.

BASE SALARY

Base salaries for Richard Tyson and Mark Hoad were reviewed in December 2022 and were increased by 5 per cent with effect from 1 January 2023. The increases were set at a level below those of the wider UK workforce which averaged 7 per cent.

TAXABLE BENEFITS

The Executive Directors' taxable benefits consist of a car allowance and insurance benefits. Costs associated with insurance benefits reflect the circumstances of each Executive Director and typically increase with age.

PENSION

Employer contributions were paid at 7 per cent of base salary in line with those available to the wider UK workforce. Contributions are made as defined contribution pension and/or a cash supplement.

SHORT-TERM INCENTIVE

Following approval of the Remuneration Policy at the 2023 AGM, the maximum opportunity under the short-term incentive plan for Executive Directors is 150 per cent of salary, subject to the achievement of the stretching performance measures detailed below. 70 per cent of the award is paid in cash and 30 per cent is deferred into shares which will vest after two years. The award for Peter France is pro-rata reflective of his time served in 2023.

Short-term incentive plan design for 2023

Performance measure	Weighting	Threshold (% of salary)	Target (% of salary)	Maximum (% of salary)
Group adjusted profit before tax	46.7%	7%	35%	70%
Group free cash flow	23.3%	3.5%	17.5%	35%
ESG	10%	n/a	7.5%	15%
Strategic objectives	20%	n/a	15%	30%
Total			**75%**	**150%**

The plan includes an underpin relating to the achievement of ESG and/or strategic objective performance measures. To the extent that neither threshold performance target of the financial measures has been met, the Committee may reduce the outcomes payable in respect to these measures, up to and including a reduction to zero.

2023 PERFORMANCE TARGETS

The Remuneration Committee sets targets for the Executive Directors prior to the start of the performance period. Targets are set primarily on the business plan at the time, with reference to external forecasts of the Group's performance and market conditions.

In setting the performance targets, the Committee also took account of shareholder feedback on the changes to the Remuneration Policy to ensure that targets were appropriately stretching to reflect the increase in opportunity; this was achieved by stretching the level of performance required to achieve the maximum and widening the performance range.

REMUNERATION CONTINUED

FINANCIAL PERFORMANCE

For 2023, adjusted profit before tax (at the Group's budget FX rates) was £47.3m, up 11% on a like-for-like basis, which reflects performance exceeding the top end of the target range set by the Committee at the start of the year.

Free cash flow performance (at the Group's budget FX rates), as expected reached an inflection point with a return to material cash flows of £27.8m, which reflects performance between the threshold and maximum of the range set by the Committee.

Performance measure	Weighting	Required for threshold bonus (£m)	Required for maximum bonus (£m)	Outturn (£m)	Outturn (% of maximum)
Group adjusted profit before tax [1]	46.7%	39.7	46.1	47.3	100%
Group free cash flow [1]	23.3%	11.9	31.0	27.8	72.9%

1 Short-term incentives are measured using constant budget exchange rates.

The results reflect strong year-over-year delivery of increased profit growth. At constant currency revenue continued to grow organically and the operating margin increased by 110 bps to 8.6 per cent.

The Group's progress continues to be underpinned by good customer wins with a strong order book giving good visibility for 2024, well above historic levels. The Group exited the year with a second half operating margin of 8.9 per cent, targeting the achievement of 10 per cent margins in 2024.

ESG

As previously disclosed, for 2023, ESG was a separate, higher-profile component of the short-term incentive to better reflect the strategic importance of ESG to sustainable shareholder value. The Committee set a mix of quantitative and qualitative measure as follows:

Target	Committee assessment	Outturn Weighting	Outturn (% of maximum)
Scope 1 & 2 carbon emission reduction	In assessing the target the Committee noted: – Reductions continued to be delivered ahead of plan to reach Net Zero by 2035; – Year-on-year reductions remain impressive with FY2023 reduction to baseline increasing to 62% vs 54% for FY2022; – Significant capital investment in solar installation completed in Kuantan, Malaysia and installation in Mexicali, Mexico due to complete in early 2024; – Kansas City, USA transitioned to renewable electricity and significant progress was made towards future delivery of renewable electricity to Juarez, Mexico; and – Targeted energy saving projects in Mexicali, Mexico and Juarez, Mexico reduced electricity consumption by 1.1 GWh vs FY2022.	10%	100%
Evaluation of the material Scope 3 impacts	In assessing the target the Committee noted: – Measurement and assessment of materiality of categories of material Scope 3 emissions completed; – Reporting completed on six key categories; and – Improvement continues to be made on material data challenges to target timely, robust and reliable data.		
Progress towards science-based targets initiative ("SBTi")	In assessing the target the Committee noted: – Initial submission of commitment to SBTi is on track with full Net Zero Roadmap submission with the SBTi guideline timeframes.		
Employee equity	In assessing the target the Committee noted: – UK salary increases targeted toward roles most impacted by cost of living in both 2023 and 2024; – Continued progress to recalibrate entry level pay and introduction of career pathways; – Continued focus on cost-of-living support and changes to site-based incentives to increase value and frequency of payout; – Review completed on how employees are coping with higher inflation and follow up actions; and – Employee engagement survey continues to receive strong response rate with significant improvements on "fair deal" and overall 3*** outcome.		

STRATEGIC OBJECTIVES

The strategic objectives of the Executive Directors focused on the creation of sustainable value. Strategic objectives for the CFO were set at the start of the year, the objective for the CEO was set in line with his start date in October, and applied to the remaining three months of the plan year.

Strategic objective	**Peter France** Committee assessment	Outturn Weighting	Outturn (% of maximum)
Delivery of core strategic actions	In assessing the target the Committee noted: – Foundations laid for the successful execution of strategic actions to deliver margin improvement and to reduce leverage; – Significant progress made on the inventory working capital project. Foundations laid for further material progress in 2024; and – Significant progress made towards the successful completion of the divestment of the business units in Cardiff and Hartlepool, UK and Dongguan, China.	20%	90%

Strategic objective	**Mark Hoad** Committee assessment	Outturn Weighting	Outturn (% of maximum)
Strategic review of customer strategies and global supply chains to optimise growth opportunities	In assessing the target the Committee noted: – Full evaluation of TT global positions concluded taking into account industry and political experts; – Board concluded existing strategy and actions were robust with actions underway to manage opportunities and risks; – Expansion of facilities in Kuantan, Malaysia and now in Mexicali, Mexico increase our geographic product diversification and facilitates re-shoring opportunities with customers; and – Alignment of businesses to local markets continues to mitigate re-shoring impacts.	10%	100%
Human capital management	In assessing the target the Committee noted: – Review of finance operating model completed to deliver a high capability efficient and partnering organisation; – Actions undertaken to create additional capacity and capability. Upskilling delivered on control framework; – Internal successors appointed to functional leadership roles with support in place; and – Talent and succession management in place for selected core roles with succession optionality. Development programmes in place for key role holders to ensure readiness.	10%	100%

2023 SHORT-TERM INCENTIVE OUTCOMES

As it does every year, the Committee thoroughly evaluated the performance of both the Group and the Executive Directors in the round to assess whether the level of short-term incentive award is both appropriate and justified.

Taking into account the financial performance amid continued challenging and dynamic market conditions, and the wider assessment of performance described in this report, the Committee concluded that the formulaic award based on performance against stretching targets is justified and no discretion was applied.

In line with the Remuneration Policy, 30 per cent of the short-term incentive will be deferred into shares for two years. Peter France was eligible for a pro-rated award for the period he was an Executive Director. Richard Tyson was not eligible for a 2023 award following his resignation as CEO. The awards are as follows:

Performance measure	Weighting	Peter France	Mark Hoad
Group adjusted profit before tax	46.7%	100%	100%
Group free cash flow	23.3%	72.9%	72.9%
ESG	10%	100%	100%
Strategic objectives	20%	90%	100%
Total award (% of maximum)		**91.7%**	**93.7%**
Total award (% of salary)		**34.3%**[1]	**140.5%**

1 Peter France was eligible for a pro-rated award for the period he was an Executive Director in 2023.

REMUNERATION CONTINUED

LONG-TERM INCENTIVE

LTIP awards over conditional shares have historically been granted with performance measures over separate three-year performance periods; EPS performance aligns with the Group's financial year while the TSR performance ends on the third anniversary of the award date. Accordingly, the performance periods of the performance conditions end in separate reporting years. Both the 2020 and 2021 LTIP awards had performance periods that ended on or by 31 December 2023 which are included in the single figure of remuneration for 2023.

Award year and performance measure	Threshold (25% vesting)	Maximum (100% vesting)	Outcome	Percentage of maximum achievement
2020 LTIP award [1]: Relative TSR performance against the FTSE SmallCap (excluding Investment Trusts)	Median	Upper quartile	41 percentile (Below threshold)	0%
2021 LTIP award [2]: Adjusted EPS compound annual growth on a constant currency basis	10%	18%	16.8% (Between threshold and maximum)	87.81%

1 2020 LTIP award (vested March 2023): As previously disclosed, following shareholder consultation, the award had a sole TSR performance condition that ended in March 2023.

2 2021 LTIP award (vesting March 2024): The EPS performance period for this award ended on 31 December 2023; the vesting of the EPS component was between the threshold and the maximum as indicated in the above table. An estimate of the vested value of the shares subject to the EPS performance measure is included in the 2023 single figure of total remuneration based on the average share price in the final quarter of 2023 (158.17p). This estimate will be restated for the actual vested value in the next remuneration report. The TSR performance period ends in March 2024 and will be included in the 2024 single figure for total remuneration.

Malus and clawback

No malus or clawback events occurred during 2023.

LONG-TERM INCENTIVES GRANTED DURING THE FINANCIAL YEAR (AUDITED)

LTIP awards over conditional shares were granted to the CFO and former CEO on 16 March 2023. An award was made to Peter France on 2 October 2023 following his appointment. Awards are subject to a three-year vesting period plus an additional two-year holding period.

	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
Peter France	150%	171.90	479,930	825,000	25%	31/12/2025
Richard Tyson	150%	180.87	433,241	783,603	25%	31/12/2025
Mark Hoad	150%	180.87	324,992	587,814	25%	31/12/2025

1 The share price used to determine the number of shares granted on 16 March was the average share price over the three trading days prior to grant; for the 2 October grant the average share price was over the four days prior to grant.

The Committee is mindful that share price falls can lead to the perception of windfall gains. The Committee did not believe that windfall gains would apply as a result of the share price volatility at the time of grant but retains discretion to adjust formulaic incentive vesting outcomes to ensure they reflect underlying business performance and shareholder interests.

PERFORMANCE MEASURES FOR LTIP AWARDS GRANTED DURING THE FINANCIAL YEAR (AUDITED)

Awards granted to Executive Directors during 2023 are subject to the three performance measures over a three-year performance period as follows:

Performance measure	Weighting	Threshold (25% vesting)	Maximum (100% vesting)
Adjusted EPS compound annual growth on a constant currency basis	50%	4%	12%
Average cash conversion	25%	80%	95%
Relative TSR performance against the FTSE SmallCap (excluding Investment Trusts)	25%	Median	Upper quartile

DEFERRED SHORT-TERM INCENTIVE AWARDS

During the year, Executive Directors were awarded conditional shares as deferred bonus share plan awards in relation to the 2022 STIP outcome. Details of the awards are summarised in the table below. No performance conditions apply to these awards.

	Date of grant	Number of shares awarded	Share price at date of grant (pence) [1]	Face value of award (£)	Date of vesting
Richard Tyson	16/03/2023	42,070	180.87	76,092	16/03/2025
Mark Hoad	16/03/2023	31,558	180.87	57,080	16/03/2025

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.

BONUS BUY-OUT SHARE AWARD

In connection with Peter France's recruitment, the Committee compensated Peter for the FY2023 pro-rata cash annual bonus that he forfeit on resignation from his prior employer. However, rather than compensate the amount in cash, Peter agreed to receive the amount in deferred shares over a three-year vesting period. Details of the award are summarised in the table below. No performance conditions apply to this award.

	Date of grant	Number of shares awarded	Share price at date of grant (pence) [1]	Face value of award (£)	Date of vesting
Peter France	02/10/2023	226,876	171.90	390,000	02/10/2026

1 The share price used to determine the number of shares granted was the average share price over the four trading days prior to grant.

REMUNERATION CONTINUED

EXECUTIVE DIRECTOR INTERESTS IN SHARES

The table below sets out details of outstanding share awards held by Executive Directors at 31 December 2023.

	Scheme	Date of grant	Performance conditions apply	Exercise price (pence)	1 January 2023	Granted during the year	Lapsed	Vested	31 December 2023	Market value at 31 December 2023 (£) [1]	Market price at granted date (pence)	Vesting date	Expiry date [2]
Peter France	LTIP	02/10/2023	Y	–	0	479,930			479,930	749,651	172	02/10/2026	–
	Buy-out Award	02/10/2023	–	–	0	226,876			226,876	354,380	172	02/10/2026	–
Total outstanding									**706,806**	**1,104,031**			
Richard Tyson	LTIP	13/03/2020	Y	–	365,983 [3]		365,983	–	–	–	196	13/03/2023	–
		16/03/2021	Y	–	349,621 [4]		349,621		–	–	208	16/03/2024	–
		14/03/2022	Y	–	388,550 [5]		388,550		–	–	192	14/03/2025	–
		16/03/2023	**Y**	**–**		**433,241**	**433,241**		**–**	**–**	**181**	**16/03/2026**	**–**
	DSBP	16/03/2021	–	–	21,011 [6]		–	21,011	–	–	208	16/03/2023	–
		14/03/2022	–	–	61,374				61,374	95,866	192	14/03/2024	–
		16/03/2023	**–**	**–**		**42,070**			**42,070**	**65,713**	**181**	**16/03/2025**	**–**
	ShareSave [7]	29/09/2021	–	174	7,964		7,964		–	–	226	01/11/2024	–
Total outstanding									**103,444**	**161,579**			
Mark Hoad	LTIP	13/03/2020	Y	–	247,085 [3]		247,085	–	–	–	196	13/03/2023	–
		16/03/2021	Y	–	262,265 [4]				262,265	409,658	208	16/03/2024	–
		14/03/2022	Y	–	262,321 [5]				262,321	409,745	192	14/03/2025	–
		16/03/2023	**Y**	**–**		**324,992**			**324,992**	**507,638**	**181**	**16/03/2026**	**–**
	DSBP	16/03/2021	–	–	15,761 [6]		–	15,761	–	–	208	16/03/2023	–
		14/03/2022	–	–	46,039				46,039	71,913	192	14/03/2024	–
		16/03/2023	**–**	**–**		**31,558**			**31,558**	**49,294**	**181**	**16/03/2025**	**–**
	ShareSave [7]	29/09/2021	–	174	7,964				7,964	–	226	01/11/2024	30/04/2025
Total outstanding									**935,139**	**1,448,248**			

1 Calculated as the total number of shares awarded multiplied by the share price on 31 December 2023 of 156.2 pence. The calculation does not take into account dividend equivalents or the likelihood of vesting.

2 The expiry date, relevant only to ShareSave, is that applying in normal circumstances.

3 The sole performance condition attached to the award was TSR performance against the FTSE SmallCap (excluding Investment Trusts) during the three-year performance period from the date of award. 25% of the shares will vest at median performance increasing on a straight-line basis to 100% vesting at the upper quartile of the comparator group. As previously disclosed, the award was granted shortly before the onset of the COVID-19 pandemic subject to equally weighted EPS and TSR performance conditions. Following consultation with shareholders, the EPS performance condition was removed and the full weighting was allocated to the existing TSR performance condition.

4 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 10% compound per annum, increasing on a straight-line basis to 100% vesting for EPS growth for the year ending 31 December 2023 of 18% 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.

5 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 5% compound per annum, increasing on a straight-line basis to 100% vesting for EPS growth for the year ending 31 December 2024 of 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.

6 The Committee applied its discretion to defer the full 2020 STIP award into shares with 80% vesting on the first anniversary and the 20% vesting on the second anniversary.

7 The market value is the difference between the share price on 31 December 2023 and the option price of 174 pence multiplied by the total number of shares under the option (or £0 if this difference is negative).

REMUNERATION CONTINUED

The closing middle market prices for an ordinary share of 25 pence of the Company on 30 December 2022 and 29 December 2023 as derived from the Stock Exchange Daily Official List were 174.0 pence and 156.2 pence respectively. During 2023, the middle market price of TT Electronics plc ordinary shares ranged between 146.4 pence and 204.0 pence.

STATEMENT OF DIRECTORS' SHAREHOLDING AND SHARE INTERESTS (AUDITED)

The table below shows the shareholding for each Executive Director as at 31 December 2023. 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/DSBP shares until the guideline is met.

	Beneficially owned at 1 January 2023	Beneficially owned at 31 December 2023	Unvested share awards subject to Company performance conditions	Unvested deferred bonus share plan awards	Unvested share buy-out award	Outstanding share awards under all-employee share plans	Shareholding (% of Salary) [2]	Value of shareholding (£) [3]
Executive Directors								
Peter France	n/a	–	479,930	–	226,876	–	34.1%	187,821
Mark Hoad	779,446	787,799	849,578	77,597	–	7,964	330.4%	1,294,781
Former Directors								
Richard Tyson [1]	1,006,666	1,017,801	–	103,444	–	–	320.7%	1,675,442

1 Shareholding on date stepped down from the Board, 1 October 2023.
2 Shareholding includes beneficially owned shares and shares awards, such as DSBP grants, which are not subject to performance conditions (net of assumed tax withholding). Shareholding for Peter France and Mark Hoad calculated using the salary at the close of business on 29 December 2023, shareholding for Richard Tyson reflects his annual salary at his exit date.
3 Calculated using the share price as at close of business on 29 December 2023 of 156.2 pence.

There have been no changes to shareholdings between 31 December 2023 and the date of this report.

Post cessation of employment, the Executive Directors are required to hold for two years the lower of half of the share ownership requirement or the shareholding at cessation.

PAYMENTS TO PAST DIRECTORS (AUDITED)

No payments were made in 2023.

PAYMENTS FOR LOSS OF OFFICE (AUDITED)

Further to the announcements on 13 April 2023 and 27 July 2023, following a period of support for the new CEO to ensure a smooth transition of leadership, Richard Tyson stepped down from the Board as Chief Executive Officer on 1 October 2023 and his employment ended on this date. In respect of his leaving arrangements:

– **Salary, pension and benefits** – Richard Tyson received his contractual salary, pension and benefits up to cessation of employment and received a payment in lieu of accrued but untaken holiday. No payment was or will be made in lieu of any unexpired period of notice.
– **Short-Term Incentive Plan ("STIP")** – Richard Tyson did not receive any bonus award under the Company's STIP in respect of the financial year ended 31 December 2023 or any future years.
– **Long-Term Incentive Plan ("LTIP")** – Richard Tyson's inflight awards under the LTIP granted in 2021, 2022 and 2023 lapsed in full on cessation of employment. The vested LTIP awards granted in 2019 and 2020 remain subject to their respective two-year holding periods which will continue to apply post cessation. These awards remain subject to malus and clawback provisions. No further LTIP awards were granted to Richard Tyson.
– **Deferred Share Bonus Plan ("DSBP")** – The 2022 and 2023 DSBP awards, which reflect annual bonus awards earned in 2021 and 2022 respectively, will continue to vest on their normal vesting dates. Awards will remain subject to malus and clawback provisions with the net of tax amounts subject to the post cessation of employment shareholding requirement. No DSBP award will be made in respect of the 2023 financial year or future years.
– **ShareSave** – Richard Tyson's outstanding options under the all-employee Save As You Earn scheme lapsed on cessation of employment.
– **Share Ownership Guideline** – A two-year post cessation of employment shareholding requirement applies to Richard Tyson, who will maintain a shareholding of 100% of salary (or actual eligible holding, if lower).

Richard Tyson did not receive any other remuneration payment in 2023 or payment for loss of office.

EXECUTIVE DIRECTORS' SERVICE CONTRACTS

	Date of appointment	Date of current contract/letter of appointment	Notice from Company	Notice from individual	Unexpired period of service contract
Peter France	02/10/2023	26/07/2023	12 months	12 months	Rolling contract
Mark Hoad	01/01/2015	09/12/2014	12 months	12 months	Rolling contract

PAY ACROSS THE ORGANISATION

This section of the report enables our remuneration arrangements to be viewed in the context of providing:

– a comparison of the percentage change in our Directors' remuneration with the change in our UK employees average remuneration;
– a 10 year history of our Chief Executive's remuneration;
– our TSR performance over the same period;
– the ratio between our Chief Executive's remuneration and the remuneration of employees; and
– a year-on-year comparison of the total amount spent on employment costs across the Group and shareholder payments.

REMUNERATION CONTINUED

PERCENTAGE CHANGE IN REMUNERATION OF DIRECTORS AND EMPLOYEES

The following table compares the percentage change in Director's salary/fees, benefits and short-term incentive to the average change for all employees of the parent Company for the past four years.

	2022 to 2023			2021 to 2022			2020 to 2021			2019 to 2020		
	Salary/ fees	Benefits	Bonus	Salary/ fees	Benefits	Bonus	Salary/ fees	Benefits	Bonus	Salary/ fees	Benefits	Bonus
Executive Directors												
Peter France [1]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Mark Hoad	5.0%	(1.3)%	92.9%	2.5%	5.0%	(35.5)%	6.7%	52.0%	169.4%	(5.0)%	8.0%	(28.5)%
Richard Tyson [2]	n/a	n/a	n/a	2.5%	5.2%	(35.5)%	6.8%	48.0%	169.4%	(5.0)%	5.9%	(28.5)%
Chairman	5.0%	n/a	n/a	2.5%	n/a	n/a	1.5%	n/a	n/a	n/a	n/a	n/a
Non-executive Directors												
Jack Boyer	5.0%	n/a	n/a	2.5%	n/a	n/a	14.9%	n/a	n/a	3.3%	n/a	n/a
Anne Thorburn	5.0%	n/a	n/a	2.5%	n/a	n/a	8.0%	n/a	n/a	6.0%	n/a	n/a
Alison Wood	5.0%	n/a	n/a	2.5%	n/a	n/a	12.5%	n/a	n/a	(5.0)%	n/a	n/a
Michael Ord	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Wendy McMillan	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Average UK TT Electronics parent company employees [3]	6.3%	11.2%	27.9%	9.4%	10.4%	(25.7)%	2.9%	6.8%	108.4%	3.8%	6.1%	(39.4)%

1 Peter France was appointed Chief Executive Officer on 2 October 2023.
2 Richard Tyson stepped down from the Board on 1 October 2023.
3 Average parent Company employee based on employees who were employed throughout each two-year comparison period.

CHIEF EXECUTIVE OFFICER'S REMUNERATION FOR THE LAST 10 YEARS

The total remuneration figures for the Chief Executive Officer during each of the last 10 years are shown in the table below. The total remuneration figures include the short-term incentive based on that year's performance and LTIP vesting based on the three-year performance periods ending in the relevant year.

	2014 [2]	2014 [3]	2015	2016	2017	2018	2019	2020	2021	2022	2023 [3]	2023 [4]
Total remuneration (£'000)	249	401	1,151	1,152	1,794	2,189	1,430	1,003	1,306	1,194	453	734
Short-term incentive (% of maximum)	–	25.0	90.8	100.0	100.0	93.3	64.0	45.8	97.1	61.2	–	91.7
LTIP vesting (% of maximum) [1]	39.6	–	–	–	50.0	100.0	86.5	50.0	18.3	27.4	–	–

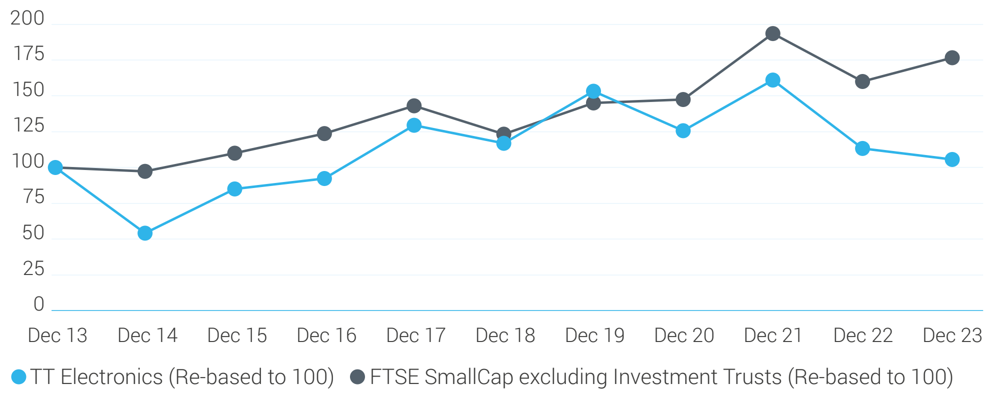
1 LTIP vesting is reflective of the three-year performance periods ending in the relevant year.
2 Relates to Geraint Anderson who was CEO until 30 June 2014.
3 Relates to Richard Tyson who was CEO from 1 July 2014 to 1 October 2023.
4 Relates to Peter France who become CEO on 2 October 2023.

REMUNERATION CONTINUED

TSR PERFORMANCE

The following graph shows the cumulative TSR of the Company over the last 10 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 TSR is measured for the purposes of the LTIP. In addition, the Company is a constituent of the Index.

The graph shows the value, by 31 December 2023, of £100 invested in TT Electronics plc on 31 December 2013 compared with the value of £100 invested in the FTSE SmallCap Index (excluding Investment Trusts).



CHIEF EXECUTIVE OFFICER PAY RATIO

The Committee is mindful of the relationship between the remuneration of the Chief Executive Officer and the wider employee population. The table below shows the ratio of the total remuneration of the Chief Executive Officer to that of the UK employees of the Group for the last five years. Due to the change in CEO during the year, the CEO's pay is based on the combined single figure of remuneration of Peter France and Richard Tyson.

Year	Methodology used	Lower quartile	Median	Upper quartile
2023	Option B	47:1	40:1	26:1
2022	Option B	51:1	43:1	28:1
2021	Option B	62:1	52:1	34:1
2020 [1]	Option B	54:1	40:1	29:1
2019	Option B	63:1	55:1	38:1

1 The 2020 ratio was 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 was based on the April 2020 snapshot date during which time approximately 14% of employees were on furlough.

We continue to use Option B of the available methodologies as permitted under The Companies (Miscellaneous Reporting) Regulations 2018. Given the complexity of the Group, this approach enables us to use our existing Gender Pay reporting datasets as the foundation for our calculations. We determined the hourly rates at each quartile of our 5 April 2023 Gender Pay data then calculated the average annual salary and total remuneration for representative employees at each quartile. Representative employees must have been employed on 31 December 2023 and employee data is based on full-time equivalent pay and calculated in accordance with the single figure of remuneration. Adjustments may be made to ensure that quartiles are representative, no adjustments were required for 2023.

Across the UK, the majority 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 respectively. The quartile data is broadly representative of total remuneration across the workforce in the UK.

The change in the median CEO pay ratio is attributable to changes in the remuneration of the CEO and of the Company's UK employees as a whole. 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 ratio. The lower CEO pay ratio results from a number of factors: (i) higher UK employee remuneration from the actions to support employees in managing the impacts of high inflation through targeted salary increases to lower paid employees, and (ii) lower CEO variable remuneration from the change in CEO, and low LTIP vesting. The Committee believes that the pay ratio is appropriate and is reflective of the performance of the Group and the roles undertaken by employees in the UK. Further context to the CEO total remuneration is set out on in detail in this report.

For 2023, the salary and single figure of total remuneration for our pay quartiles of UK employees are as follows:

	Lower quartile	Median	Upper quartile
Salary	£22,951	£27,626	£41,981
Single figure of total remuneration	£25,174	£29,357	£45,944

RELATIVE IMPORTANCE OF SPEND ON PAY

The following table sets out the change in payments to shareholders and the overall expenditure on pay across the Group.

	2023	2022	Change
Staff costs for the Group (£m)	**180.6**	164.5	9.8%
Dividends relating to the period (£m)	**12.0**	11.1	8.1%
Share buyback (£m)	**0**	0	0%

NON-EXECUTIVE DIRECTORS' REMUNERATION

Non-Executive Directors' single figure for total remuneration (audited)

The Chairman's fee, NED base fee and NED additional fees were increased by 5 per cent with effect from 1 January 2023. The increases were set at a level below those of the wider UK workforce which averaged 7 per cent.

	Salary/ fees		Benefits		Total	
£'000	**2023**	2022	**2023**	2022	**2023**	2022
Warren Tucker	**197**	187	**–**	–	**197**	187
Jack Boyer [1]	**58**	55	**–**	–	**58**	55
Anne Thorburn [2]	**58**	55	**–**	–	**58**	55
Alison Wood [3]	**58**	55	**–**	–	**58**	55
Michael Ord [4]	**47**	–	**–**	–	**47**	–
Former Directors						
Wendy McMillan [5]	**43**	–	**–**	–	**43**	–

1 Jack Boyer's fee comprised his NED base fee and his additional fee as Senior Independent Director.
2 Anne Thorburn's fee comprised her NED base fee and her additional fee for chairing the Audit Committee.
3 Alison Wood's fee comprised her NED base fee and her additional fee for chairing the Remuneration Committee.
4 Michael Ord was appointed to the Board on 16 January 2023.
5 Wendy McMillan was appointed to the Board on 16 January 2023 and stepped down from the Board on 24 November. Wendy was paid until the end of November 2023.

NON-EXECUTIVE DIRECTORS' FEES

The Chairman's fee increased by 3 per cent, a level below the average expected increase for the wider UK workforce. As discussed in the Annual Statement on page 97, both the NED base fee and NED additional fees have been realigned to reflect the time commitments and expertise required in the roles. Changes to the fees were effective 1 January 2024.

	2024	2023	Increase
Chairman	**£202,530**	£196,631	3%
NED base fee	**£55,000**	£49,316	12%
NED additional fees:			
Senior Independent Director	**£10,000**	£8,610	16%
Audit Committee Chair	**£10,000**	£8,610	16%
Remuneration Committee Chair	**£10,000**	£8,610	16%

NON-EXECUTIVE DIRECTORS' SHARE OWNERSHIP

While Non-executive Directors cannot participate in Company share schemes, share ownership is encouraged to strengthen stakeholder alignment.

NON-EXECUTIVE DIRECTORS' SHAREHOLDINGS (AUDITED)

The table below shows the shareholding for each Non-Executive Director. There have been no changes to shareholdings between 31 December 2023 and the date of this report:

	Beneficially owned at 31 December 2023
Chairman	
Warren Tucker	60,075
Non-executive Directors	
Jack Boyer	95,514
Alison Wood	0
Anne Thorburn	60,000
Michael Ord	25,000

REMUNERATION CONTINUED

NON-EXECUTIVE DIRECTORS' LETTERS OF APPOINTMENT

	Date of grant	Date of current contract/letter of appointment	Notice from Company	Notice from individual	Unexpired period of service 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
Michael Ord	16/01/2023	09/01/2023	1 month	1 month	Rolling contract

SHAREHOLDER VOTING

At the AGM held on 9 May 2023, the proxy votes cast in respect of the resolutions on the Directors' Remuneration Policy and Report were as follows:

Number of votes	Date of AGM	For and Discretionary	For and Discretionary (%)	Against	Against (%)	Withheld
Directors' Remuneration Policy	May 2023	131,581,506	90.59%	13,666,522	9.41%	40,262
Directors' Remuneration Report	May 2023	134,470,777	92.64%	10,678,200	7.36%	139,313

Withheld votes are not counted towards the total percentage of votes cast.

A full schedule in respect of shareholder voting on the above and all resolutions at the 2023 AGM is available at www.ttelectronics.com.

The Remuneration Committee considers shareholder feedback received in connection with the AGM each year and at other times of the year. This feedback is considered as part of the Group's annual review of the Remuneration Report and Remuneration Policy. In addition, the Remuneration Committee endeavours to consult directly with the largest shareholders and the main representative bodies on proposals ahead of significant changes.

ADVISERS TO THE COMMITTEE

During the year, the Committee received support and advice from the Chief Executive Officer, the Chief Financial Officer, the Group HR Director, the Group Reward Director and FIT Remuneration Consultants LLP ("FIT"). FIT is the Committee's appointed independent remuneration adviser. The Company Secretary is secretary to the Committee.

The Company paid a total fee of £43,477 to FIT in relation to remuneration advice to the Committee during the year. Fees were determined on the basis of time and expenses.

During 2023, FIT provided the Committee with advice in respect of the Remuneration Policy review, share plan rules, CEO transition, compliance support for this year's Directors' remuneration report and the provision of other advice relating to remuneration governance and market practice. FIT is a member of the Remuneration Consultants Group and has signed up to its 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 Group and does not have any other connection with the Company or individual Directors.

The Group'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 ELT. No Committee members or attendees take part in any discussions relating to their own remuneration.

STATUTORY REQUIREMENTS

The Committee's composition, responsibilities and operation comply with the principles of good governance as set out in the Code and the requirements of the Listing Rules (of the Financial Conduct Authority) and the Companies Act 2006. The Directors' remuneration report has been prepared on the basis prescribed in the Large- and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013.

The Directors' remuneration report has been approved by the Board and signed on its behalf by:

Alison Wood
Chair, Remuneration Committee
6 March 2024

OTHER STATUTORY DISCLOSURES

This Annual Report and Accounts includes the Directors' report and the audited financial statements for the year ended 31 December 2023. 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 loss on ordinary activities after taxation was £6.8 million (2022: £13.2 million loss). The audited financial statements of the Group and the Company are set out on pages 126 to 172. Further details of the Group's activities are set out in the Strategic report on pages IFC to 67 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 2023 are set out on page 25 and Note 9 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.

Important events since the end of the financial year

On 4 March 2024 we announced that we had agreed to divest our business units in Cardiff and Hartlepool, UK and Dongguan, China for £20.8 million on a cash and debt free basis. These assets were classified as held for sale at 31 December 2023 and were written down by £32.5 million reflecting fair value and costs to sell. The disposal is expected to complete by the end of Q1 2024 and is expected to enhance group margins and improve leverage.

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 and have been reappointed at each subsequent AGM (including the 2023 AGM).

OTHER STATUTORY DISCLOSURES CONTINUED

The Auditor's responsibilities are set out on page 122 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. The most significant of these facility agreements (as described below) 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:

PP: In August 2021, the Group agreed a debut issue of £75 million of private placement fixed rate loan notes with three institutional investors. The PP transaction completed in December 2021, whereupon funds were received by the Group, with the issue being evenly split between seven- and ten-year maturities with an average interest rate of 2.9%.

RCF: In June 2022, the Group entered into an agreement for a £147.4 million multi-currency revolving credit facility with a syndicate of five relationship banks, with a maturity date of 27 June 2026 and a one-year extension option. In June 2023, this extension option was exercised, with the result that RCF maturity date is now 27 June 2027. In addition, in February 2023, £15 million of a £32.6 million accordion was exercised increasing the facility size to £162.4 million.

There are a number of other agreements that may be terminable upon a change of control of the Company and therefore subject to renegotiation. No such agreements are considered at present to be significant in terms of their potential impact on the business of the Group as a whole, with the exception of the contract described below:

Anthem Contract: In November 2022, the Group's GMS Division entered into a long-term contract with Honeywell, pursuant to which GMS will provide manufacturing services to enable Honeywell to bring to market its next-generation avionics cockpit system. This system is designed to operate with the next generation of electric aircraft. The long-term contract has a duration of 12 years and contains market standard provisions requiring Honeywell's consent for the contract to continue in the event of a change of control of the Company.

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 this 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, (addressing such issues as modern slavery) 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 31 to 40.

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 10 May 2024. During 2023, this authority was used in respect of customary allotments of shares resulting from the operation of the Group's share schemes. As set out in the Notice of Annual General Meeting which accompanies this report, the Company is seeking shareholder approval of revised authorities this year (in resolutions 13 and 14) in line with the updated Statement of Principles published by the Pre-Emption Group in November 2022.

Purchase of own shares
At the Annual General Meeting held on 9 May 2023, the Company was given authority to purchase up to 17,653,356 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 2023, the Trustee held 449,471 shares with a nominal value of £112,367.75 and an aggregate purchase price of £1.40 per share, representing 0.253 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 1,229,727. 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 the 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 6 March 2024 and signed on its behalf by:

Lynton Boardman
Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements also comply with International Financial Reporting Standards ("IFRS") as issued by the IASB. 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 UK adopted international accounting standards;
- 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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES CONTINUED

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; and
- 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
Company Secretary
6 March 2024

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 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (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 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 statement of financial position;
- the consolidated and parent company statements of changes in equity;
- the statement of cashflows; and
- the related Notes 1 to 32 of the consolidated financial statements and the related Notes 1 to 14 of the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. 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 we have not provided any non-audit services prohibited by the FRC's Ethical Standard 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: – Classification of adjusting items; and – Classification of assets and liabilities as held for sale. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £2.4 million which was determined based on 6.2% of the adjusted profit before tax after amortisation.
Scoping	Our approach to audit scoping included performing audit procedures over 78% of the Group's revenue, 79% of the Group's adjusted operating profit before tax after amortisation and 76% of the Group's net assets.
Significant changes in our approach	In the prior year, we identified a key audit matter relating to the impairment of the IoT Solutions cash generating unit's ('CGU') goodwill. Following the classification of assets held for sale and the resulting remeasurement under IFRS 5 relating to non-current assets held for sale and discontinued operations, the residual CGU goodwill and value in use calculations performed by management indicate that there is no longer a reasonably possible change within the IoT Solutions CGU that would give rise to an impairment of goodwill and therefore, this is no longer a key audit matter. A new key audit matter was identified, relating to classification of the assets and liabilities of the disposal Group as held for sale as at 31 December 2023 and the Group's assessment that the completion of the sale within a year was "highly probable" as at that date.

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 adjusting items expense and cash flows, and the achievability of forecasts; these were assessed with reference to external data such as market growth rates and industry data;
- assessing the impact of reasonably possible downside scenarios on the Group's funding position including forecast financial covenants;
- performing a reverse stress test on the Group's funding position including forecast financial covenants;
- comparing forecasts to historical financial information to assess management's historical forecasting accuracy;
- assessing the mitigating actions available to the Group in the event of any downside scenarios and the feasibility of these in the next 12 months; 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. Classification of adjusting items

Key audit matter description

In addition to the statutory results, the Group presents adjusted performance measures in the consolidated income statement, including adjusted profit.

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 regarding the classification of adjusting costs and income therefore have a significant impact on the presentation of the Group's results. Therefore, we identified a key audit matter in respect of the classification of items recorded as adjusting.

In total, adjustments of £44.1 million (2022: £50.5 million) have been made to the statutory operating profit of £8.7 million (2022: £3.4 million operating loss) to derive adjusted operating profit of £52.8 million (2022: £47.1 million profit).

Adjusting items in 2023 include:

- Held for Sale re-measurement loss (£32.5 million) and related disposal costs (£1.2 million) (2022: £23.1 million – Goodwill and asset impairments);
- Amortisation of intangible assets arising on business combinations (£4.6 million) (2022: £6.0 million);
- Restructuring costs (£2.0 million) (2022: £6.4 million);
- Pension restructuring related costs (£1.9 million) (2022: £13.8 million);
- Ferranti Power and Control integration costs (£1.3 million) (2022: £1.1 million);
- Torotel integration costs (£0.4 million) (2022: £0.1 million); and
- Other costs (£0.2 million).

The identification of adjusting items and the presentation of adjusted operating 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 adjusted financial information, as this would be misleading to the readers of the financial statements.

There is a risk that items may be classified as adjusting which do not meet the Group's policy, and therefore distort the reported adjusted operating profit, whether due to fraud or error; this could also impact financial covenants reported and management remuneration, hence this is considered a fraud risk. Consistency in the identification and presentation of these items is important for the comparability of year-on-year reporting as well as compliance with the ESMA and FRC guidelines on alternative performance measures.

Explanations of each adjustment are set out in note 7 to the financial statements and also in note 1 to the Group financial statements in relation to the critical judgements in determining adjusting items. Refer also to page 92 of the Audit Committee Report.

INDEPENDENT AUDITOR'S REPORT CONTINUED

5.1. Classification of adjusting items continued

How the scope of our audit responded to the key audit matter	We obtained understanding of the Group's 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 by assessing these in comparison to ESMA guidance and the latest FRC guidance on alternative performance measures and challenging in particular the inclusion of those items that recur annually; – Challenging management regarding the nature of restructuring and acquisition related adjusting items by evaluating the underlying reason for the item and whether they fall within management's accounting policy definition for restructuring and acquisition related costs. – Testing a sample of adjusting items by agreeing to source documentation and evaluating the classification of the individual costs against the Group's policy of adjusting items 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 note that the level of items which are more judgemental such as restructuring costs are significantly lower than previous periods. Whilst we note that the majority of adjusting items recur from period to period, we have concluded that their classification and presentation is reasonable and consistent with the Group's policy and the ESMA and FRC guidelines on alternative performance measure.

5.2. Classification of assets and liabilities as held for sale

Key audit matter description	In the year, the Group committed to dispose of three businesses (referred to as "the disposal Group") within the Global Manufacturing Solutions and Power and Connectivity divisions. The disposal project was authorised and sufficiently advanced as at 31 December 2023 that management determined that the completion of the sale within a year was "highly probable" as at that date. This determination is inherently judgemental given firm offers were received at the balance sheet date, however the deal was not signed until 1 March 2024. Having made this determination, the Group has classified the net assets and liabilities of £19.9 million within the disposal Group as "held for sale" in note 4 to the financial statements, which is in accordance with IFRS 5 relating to non-current assets held for sale and discontinued operations and IAS 1 relating to Presentation of Financial Statements. This lead to a remeasurement write down of the net assets and liabilities of £32.5 million to the disposal Group's fair value less costs to sell. The significant judgement around the sale being highly probable and the resultant classification of the assets and liabilities as held for sale as at the balance sheet date has been identified as a key audit matter. Refer also to page 92 of the Audit Committee report.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the Group's relevant controls over the classification of assets and liabilities as held for sale in the financial statements. We have assessed the classification of non-current assets as "held for sale" at the balance sheet date in accordance with the conditions set under IFRS 5. Our work included specific consideration of the timeline of the transaction, the firm offers received for the business and the conditions attached to those offers. This included assessing the bidder's ability to complete the transaction in an appropriate timeline, the Group's commitment to executing the sales process and the residual work to be completed in preparing the disposal Group for separation. Further audit procedures performed included: – With the involvement of our technical accounting specialists, we assessed the requirements of IFRS 5 and the application of these by management; – We read the minutes of the Board of Directors which evidenced authorisation and approval of the project; and – We have assessed management's disclosure in accordance with IFRS 5 and IAS 1, to ensure that disclosures are appropriate.
Key observations	We determined the accounting for assets and liabilities held for sale to be appropriate based on our audit procedures.

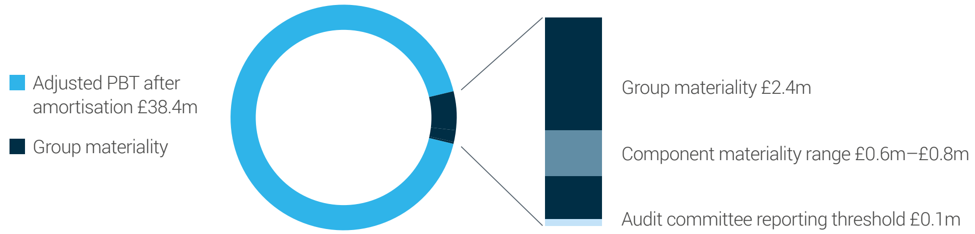
6. OUR APPLICATION OF MATERIALITY

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	£2.4 million (2022: £2.1 million)	£0.8 million (2022: £0.7 million)
Basis for determining materiality	6.2% (2022: 6.1%) of adjusted profit before tax after amortisation. We considered other measures such as revenue, adjusted profit before tax and statutory profit before tax. Materiality for the current year represents: – 0.4% of revenue (2022: 0.3%); – 5.6% of adjusted profit before tax (2022: 4.5%); and – 0.9% of net assets (2022: 0.7%).	Parent company materiality equates to 0.3% (2022: 0.2%) of net assets which is capped at 50% of Group performance materiality (2022: 60%), in order to address the risk of aggregation when combined with other businesses.
Rationale for the benchmark applied	We considered the financial measures that were most relevant to users of the financial statements and concluded that the adjusted profit measure represented the most relevant metric for the purpose of evaluating financial performance.	We believe that use of a balance sheet measure was appropriate given that the parent company 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% (2022: 65%) of Group materiality	70% (2022: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: – our assessment of the respective complexity of the Group and the parent company, and nature of the Group's business model; – the de-centralised nature of the Group's control environment and its variation across the Group; and – the number of misstatements identified in the previous year.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £120k (2022: £105k), 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

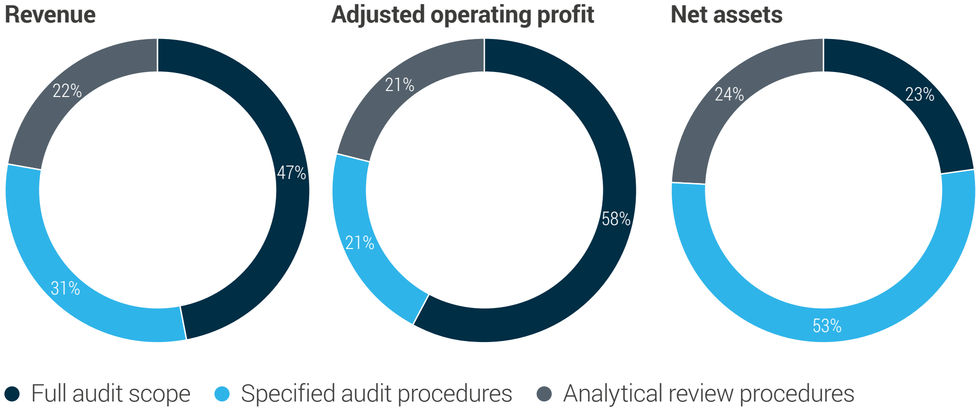
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group and component level.

There are 76 (2022: 72) 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 19 components (2022: 20 components). We selected 10 (2022: 10) reporting components where we requested component auditors to perform a full scope audit of the component's financial information. We also requested component auditors to audit specified account balances at a further 9 (2022: 10) reporting components. Coverage from the in-scope components representing 78% (2022: 81%) of the Group's revenue, 79% (2022: 87%) of the Group's adjusted operating profit and 76% (2022: 80%) of the Group's net assets.

Each component was set a specific component materiality, considering its relative size and any component-specific risk factors such as the location of components. The component materialities applied were in the range £0.6 million to £0.8 million (2021: £0.5 million to £0.7 million).

We tested the consolidation process at the parent company level and conducted analytical procedures for entities not subject to detailed audit work to confirm our conclusion that there was no significant risk of material misstatement in the aggregated financial information.



7.2. Our consideration of the control environment

The Group include their assessment of the internal control environment under the Risk Management section of the annual report included on page 61.

With the involvement of our IT specialist, we have obtained an understanding of the control environment and of the general IT controls, including an understanding of the business processes and relevant controls within the key areas of the audit. We did not rely on the controls given the varying systems used across the Group as a result of the de-centralised nature of the Group's control environment.

We performed an assessment over the Group's largest ERP system used by several operating sites in order to assess the potential to follow a controls reliance approach in future periods.

In some components we have performed testing on controls over the key business cycles such as revenue and the journal entry approval process.

We have also obtained an understanding of the relevant controls over the areas with associated key audit matters relating to classification of assets and liabilities as held for sale, the classification of adjusting items, financial reporting and other deemed relevant controls.

7.3. Our consideration of climate-related risks

Climate change and the transition to a low carbon economy were considered in our audit where they have the potential to impact, directly or indirectly, key judgements and estimates within the Group financial statements. The Group continues to develop its assessment of the potential impacts of climate change as disclosed in the People, Communities and Environment section of the annual report on page 29. The Group has identified sustainability, climate change and the environment as a principal risk to the business.

We performed the following procedures to address the climate-related risks:

– held discussions with management to obtain an understanding of the process for considering the impact of climate-related risks and controls that are relevant to the entity;
– read and understood the work performed by the Group's engaged third party climate specialists and assessed the conclusions reached for consistency with the disclosures made in the financial statements;
– performed a climate-related risk assessment with the involvement of our specialist Environmental, Social & Governance ("ESG") team;
– considered whether information included in the climate related disclosures in the Annual Report were materially consistent with the financial statements and our knowledge obtained in the audit; and
– evaluated the appropriateness of disclosures included in the financial statements in note 1 on page 133.

7. AN OVERVIEW OF THE SCOPE OF OUR AUDIT CONTINUED

7.4. Working with other auditors

We performed site visits to a number of our significant components to discuss significant matters of the audit, audit procedures performed, as well as results of work done. The Group engagement team continued to have online interaction with the Group's largest and most complex businesses during 2023 with a particular focus on locations where work was performed on significant components.

In addition to the above, the Group engagement partner 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 all component audit teams 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 each component team's reporting to us.

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, the Directors and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- 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;
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, pensions, IT, and ESG 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 classification of adjusting items. 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; 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 significant 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 67;
- 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 67;
- the Directors' statement on fair, balanced and understandable set out on page 115;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 62;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 61; and
- the section describing the work of the Audit Committee set out on page 88.

Report on other legal and regulatory requirements continued

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 Group on 6 May 2020 at the 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 4 years, covering the years ending 31 December 2020 to 31 December 2023.

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.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.15R – DTR 4.1.18R, these financial statements will form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

Robert Knight (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London/United Kingdom
6 March 2024

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2023

£million (unless otherwise stated)	Note	2023	2022
Revenue	3	**613.9**	617.0
Cost of sales		**(466.9)**	(481.5)
Gross profit		**147.0**	135.5
Distribution costs		**(26.9)**	(29.6)
Administrative expenses		**(111.4)**	(109.3)
Operating profit/(loss)		**8.7**	(3.4)
Analysed as:			
Adjusted operating profit	3	**52.8**	47.1
Restructuring costs	7	**(2.0)**	(6.4)
Pension restructuring costs	7	**(1.9)**	(13.8)
Asset impairments and measurement losses	7	**(32.5)**	(23.1)
Amortisation of intangible assets arising on business combinations	7	**(4.6)**	(6.0)
Acquisition and disposal related costs	7	**(3.1)**	(1.2)
Finance income	5	**1.6**	2.3
Finance costs	5	**(11.4)**	(9.0)
Loss before taxation		**(1.1)**	(10.1)
Taxation	8	**(5.7)**	(3.1)
Loss for the year attributable to the owners of the Company		**(6.8)**	(13.2)
EPS attributable to owners of the Company (pence)			
Basic	10	**(3.9)**	(7.5)
Diluted	10	**(3.9)**	(7.5)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2023

£million	2023	2022
Loss for the year	**(6.8)**	(13.2)
Other comprehensive (loss) / income for the year after tax		
Items that are or may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	**(17.3)**	26.9
Tax on exchange differences	**1.1**	(1.6)
Gain/(loss) on hedge of net investment in foreign operations	**1.8**	(3.4)
Gain/(loss) on cash flow hedges taken to equity less amounts recycled to the income statement	**3.5**	(2.9)
Deferred tax loss on movement in cash flow hedges	**(0.7)**	(0.4)
Items that will never be reclassified to the income statement:		
Remeasurement of defined benefit pension schemes	**0.2**	(35.9)
Tax on remeasurement of defined benefit pension schemes	**(0.1)**	6.5
Total comprehensive loss for the year attributable to the owners of the Company	**(18.3)**	(24.0)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2023

£million	Note	2023	2022
ASSETS			
Non-current assets			
Right-of-use assets	12	**15.8**	19.6
Property, plant and equipment	13	**61.3**	54.8
Goodwill	14	**140.8**	155.1
Other intangible assets	15	**32.7**	53.7
Deferred tax assets	8	**15.4**	13.2
Derivative financial instruments	21	**0.8**	0.8
Pensions	22	**25.3**	31.3
Total non-current assets		**292.1**	328.5
Current assets			
Inventories	16	**143.5**	189.2
Trade and other receivables	17	**90.2**	120.3
Income taxes receivable		**2.0**	1.1
Derivative financial instruments	21	**5.2**	3.1
Assets classified as held for sale	4	**48.0**	–
Cash and cash equivalents		**74.1**	65.0
Total current assets		**363.0**	378.7
Total assets		**655.1**	707.2
LIABILITIES			
Current liabilities			
Borrowings	20	**1.2**	3.7
Liabilities directly associated with assets classified as held for sale	4	**28.1**	–
Lease liabilities	20, 30	**3.8**	4.4
Derivative financial instruments	21	**1.5**	3.6
Trade and other payables	18	**127.9**	173.2
Income taxes payable		**10.9**	9.6
Provisions	19	**3.1**	3.5
Total current liabilities		**176.5**	198.0
Non-current liabilities			
Borrowings	20	**181.9**	176.6
Lease liabilities	20, 30	**14.4**	18.7
Derivative financial instruments	21	**0.6**	0.8
Deferred tax liability	8	**7.0**	12.4
Pensions	22	**3.1**	2.9
Provisions and other non-current liabilities	18, 19	**1.1**	0.8
Total non-current liabilities		**208.1**	212.2

£million	Note	2023	2022
Total liabilities		**384.6**	410.2
Net assets		**270.5**	297.0
EQUITY			
Share capital	23	**44.3**	44.1
Share premium		**24.0**	22.9
Translation reserve		**40.7**	55.1
Other reserves	24	**11.9**	7.3
Retained earnings		**149.6**	167.6
Total equity		**270.5**	297.0

Approved by the Board of Directors on 6 March 2024 and signed on their behalf by:

Peter France
Director

Mark Hoad
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

£million	Share capital	Share premium	Translation Reserve	Other reserves	Retained earnings	Sub-total	NCI [1]	Total
At 31 December 2021	44.1	22.6	33.2	7.1	221.0	328.0	2.0	330.0
Loss for the year	–	–	–	–	(13.2)	(13.2)	–	(13.2)
Other comprehensive income								
Exchange differences on translation of foreign operations	–	–	26.9	–	–	26.9	–	26.9
Tax on exchange differences	–	–	(1.6)	–	–	(1.6)	–	(1.6)
Loss on hedge of net investment in foreign operations	–	–	(3.4)	–	–	(3.4)	–	(3.4)
Loss on cash flow hedges taken to equity less amounts recycled to the income statement	–	–	–	(2.9)	–	(2.9)	–	(2.9)
Deferred tax on movement in cash flow hedges	–	–	–	0.2	(0.6)	(0.4)	–	(0.4)
Remeasurement of defined benefit pension schemes	–	–	–	–	(35.9)	(35.9)	–	(35.9)
Tax on remeasurement of defined benefit pension schemes	–	–	–	–	6.5	6.5	–	6.5
Total comprehensive income/(loss)	–	–	21.9	(2.7)	(43.2)	(24.0)	–	(24.0)
Transactions with owners recorded directly in equity								
Equity dividends paid by the Company	–	–	–	–	(10.2)	(10.2)	–	(10.2)
Share-based payments	–	–	–	4.8	–	4.8	–	4.8
Deferred tax on share-based payments	–	–	–	(1.0)	–	(1.0)	–	(1.0)
New shares issued	–	0.3	–	–	–	0.3	–	0.3
Other movements	–	–	–	(0.9)	–	(0.9)	–	(0.9)
Dividend to non-controlling interest	–	–	–	–	–	–	(2.0)	(2.0)
At 31 December 2022	44.1	22.9	55.1	7.3	167.6	297.0	–	297.0
At 31 December 2022	**44.1**	**22.9**	**55.1**	**7.3**	**167.6**	**297.0**	**–**	**297.0**
Loss for the year					**(6.8)**	**(6.8)**	**–**	**(6.8)**
Other comprehensive income/(expense)								
Exchange differences on translation of foreign operations	**–**	**–**	**(17.3)**	**–**	**–**	**(17.3)**	**–**	**(17.3)**
Tax on exchange differences	**–**	**–**	**1.1**	**–**	**–**	**1.1**	**–**	**1.1**
Gain on hedge of net investment in foreign operations	**–**	**–**	**1.8**	**–**	**–**	**1.8**	**–**	**1.8**
Gain on cash flow hedges taken to equity less amounts recycled to the income statement	**–**	**–**	**–**	**3.5**	**–**	**3.5**	**–**	**3.5**
Deferred tax on movement in cash flow hedges	**–**	**–**	**–**	**(0.7)**	**–**	**(0.7)**	**–**	**(0.7)**
Remeasurement of defined benefit pension schemes	**–**	**–**	**–**	**–**	**0.2**	**0.2**	**–**	**0.2**
Tax on remeasurement of defined benefit pension schemes	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**	**–**	**(0.1)**
Total comprehensive (loss)/income	**–**	**–**	**(14.4)**	**2.8**	**(6.7)**	**(18.3)**	**–**	**(18.3)**
Transactions with owners recorded directly in equity								
Equity dividends paid by the Company	**–**	**–**	**–**	**–**	**(11.3)**	**(11.3)**	**–**	**(11.3)**
Share-based payments	**–**	**–**	**–**	**3.1**	**–**	**3.1**	**–**	**3.1**
Deferred tax on share-based payments	**–**	**–**	**–**	**(0.1)**	**–**	**(0.1)**	**–**	**(0.1)**
New shares issued	**0.2**	**1.1**	**–**	**–**	**–**	**1.3**	**–**	**1.3**
Other movements	**–**	**–**	**–**	**(1.2)**	**–**	**(1.2)**	**–**	**(1.2)**
At 31 December 2023	**44.3**	**24.0**	**40.7**	**11.9**	**149.6**	**270.5**	**–**	**270.5**

1 NCI is an abbreviation of non-controlling interests which was eliminated with a dividend payment in 2022.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2023

£million	Note	2023	2022
Cash flows from operating activities			
Loss for the year		**(6.8)**	(13.2)
Taxation	8	**5.7**	3.1
Net finance costs		**9.8**	6.7
Restructuring costs and non underlying asset impairments and remeasurements	7	**36.4**	43.3
Acquisition and disposal related costs	7	**7.7**	7.2
Adjusted operating profit		**52.8**	47.1
Adjustments for:			
Depreciation	12, 13	**14.0**	13.9
Amortisation of intangible assets	15	**2.5**	2.2
Share based payment expense		**3.1**	4.8
Scheme funded pension administration costs		**1.6**	–
Other items		**(0.7)**	0.5
Decrease/(increase) in inventories		**4.5**	(40.4)
Decrease/(increase) in receivables		**10.5**	(26.3)
(Decrease)/increase in payables and provisions		**(15.5)**	27.9
Adjusted operating cash flow		**72.8**	29.7
Reimbursement of pension surplus		**3.2**	–
Restructuring and acquisition related costs		**(4.0)**	(11.1)
Net cash generated from operations		**72.0**	18.6
Net income taxes paid		**(9.1)**	(5.9)
Net cash flow from operating activities		**62.9**	12.7
Cash flows from investing activities			
Purchase of property, plant and equipment	13	**(22.3)**	(11.4)
Proceeds from sale of property, plant and equipment and government grants received		**0.5**	0.3
Capitalised development expenditure	15	**(1.6)**	(2.3)
Purchase of other intangibles	15	**(0.6)**	(0.6)
Acquisition of business		**–**	(8.3)
Net cash flow used in investing activities		**(24.0)**	(22.3)

£million	Note	2023	2022
Cash flows from financing activities			
Issue of share capital	23	**1.3**	0.4
Interest paid		**(10.6)**	(7.5)
Repayment of borrowings		**(26.1)**	(149.3)
Proceeds from borrowings		**32.7**	174.3
Capital payment of lease liabilities		**(4.4)**	(4.3)
Other items		**(1.2)**	(1.0)
Dividends paid to minority shareholders		**–**	(2.0)
Dividends paid by the Company	9	**(11.3)**	(10.2)
Net cash flow (used in)/from financing activities		**(19.6)**	0.4
Cash transferred to held for sale		**(3.6)**	–
Net increase/(decrease) in cash and cash equivalents		**15.7**	(9.2)
Cash and cash equivalents at beginning of year	26	**61.3**	67.2
Exchange differences	26	**(4.1)**	3.3
Cash and cash equivalents at end of year	26	**72.9**	61.3
Cash and cash equivalents comprise:			
Cash at bank and in hand		**74.1**	65.0
Bank overdrafts		**(1.2)**	(3.7)
Cash and cash equivalents at end of year		**72.9**	61.3
Cash and cash equivalents included within assets classified as held for sale		**3.6**	–
Cash and cash equivalents at end of year including those within assets classified as held for sale		**76.5**	61.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

at 31 December 2023

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 22 to 24. The Consolidated Financial Statements of the Group for the year ended 31 December 2023 were authorised in accordance with a resolution of the Directors of TT Electronics Plc on 6 March 2024.

These consolidated financial statements are presented in pounds sterling, which is also the functional currency of the Company. 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 UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have also been prepared in accordance with International Financial Reporting Standards as issued by the IASB.

The financial statements set out on pages 126 to 129 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 2023 and the Group's financial performance for the year ended 31 December 2023.

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, impairment charges significant in nature and/or value, 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.

These financial statements include alternative performance measures that are not prepared in accordance with IFRS. These APMs 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1 Basis of preparation continued

These APMs 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 APMs: adjusted operating profit, free cash flow, adjusted EPS and adjusted effective tax rate.

All APMs are presented on pages 174 to 177 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 IFC to 67. The Strategic Report analyses the financial position of the Group, its cash flows, liquidity position and borrowing facilities. In addition, note 21 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has experienced continued improvement in trading momentum and strong growth on our 2022 results. We continue to see benefit from our strategic repositioning in our chosen structural growth markets as well as our focus on building close relationships with our clients and this can be seen in both the order book and financial performance of the Group.

The Group's financial position remains strong, at 31 December 2023 it had:

– £2263.3 million of total borrowing facilities available (comprising committed facilities of £240.7 million and uncommitted facilities of £22.6 million representing overdraft lines and an accordion facility of £17.6 million). The Group's primary source of finance is the £162.4 million committed revolving credit facility (RCF) which was signed in June 2022 and will mature in June 2027 following the Group exercising an option to extend the previously existing maturity by one year in May 2023. The RCF includes a £15.0 million committed extension converted from the existing uncommitted accordion facilities in February 2023. At 31 December 2023 £108.8 million of this facility had been drawn down. The Group's RCF is payable on a floating rate basis above GBP SONIA, USD SOFR or EURIBOR depending on the currency of the loan.

In December 2021, the Group issued £75 million of fixed rate loan notes with three institutional investors; the issue is evenly split between 7- and 10- year maturities with an average interest rate of 2.9% and covenants in line with our bank facility.

– A leverage ratio (banking covenant defined measure) of 1.7 times at 31 December 2023 compared to the RCF (and PP loan notes) covenant maximum of 3.0 times. Interest cover (banking covenant defined measure) of 6.1 times compared to the RCF (and PP loan notes) 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 growth in 2024. Under the Group's base case financial projections, the Group retains significant liquidity and covenant headroom throughout the forecast period, with both metrics improving from the position as at 31 December 2023.

The Group's financial projections have been stress tested for "business as usual" risks (such as profit growth, supply chain pressure and working capital variances), and the impact of the following principal risks: general revenue reduction, contractual risks, research and development, 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 adequate throughout the forecast period. 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.

1 Basis of preparation continued

In addition to the stress tests described above the Group's stress test scenario has been sensitised for supply chain challenges and capacity constraints which shows a reduction in revenue and operating profit compared to the latest forecast. Despite this further reduction these projections show that the Group should remain within its facilities headroom and within bank covenants for the twelve months following the approval of these financial statements. 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.

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 considered the following revised standards or interpretations, however they were deemed not to have a material effect on the financial statements:

- IFRS 17 Insurance Contracts
- Amendments to IFRS 17
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Initial Application of IFRS 17 and IFRS 9 — Comparative Information (Amendment to IFRS 17)
- Definition of Accounting Estimates (Amendments to IAS 8)
- International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12) – application of the exception and disclosure of that fact
- International Tax Reform — Pillar Two Model Rules (Amendments to IAS 12) — other disclosure requirements

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:

- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information
- IFRS S2 — Climate-related Disclosures
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7).

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 2023 did not have any material impact on the financial position or performance of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1 Basis of preparation continued

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.

The Directors have assessed that there is currently no material impact arising from climate change on the judgements and estimates determining the valuations within the financial statements.

Critical judgements

In the course of preparing the Financial Statements, critical judgements within the scope of paragraph 122 of IAS 1: "Presentation of Financial Statements" were made during the process of applying the Group's accounting policies. These are outlined below.

Assets classified as held for sale and directly related liabilities

Judgement was required in determining the classification of the Group's assets and directly associated liabilities classified as held for sale, particularly with the timing of the held for sale classification as the transaction was not complete by 31 December 2023. It is management's assessment that it is highly probable that the transaction will be completed within 12 months of the balance sheet date. Further details are set out in note 4.

Adjusting items

Judgements were required as to whether items were 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 2023 is included in note 1c.

Critical judgements involving estimates that have had a significant effect on the amounts recognised in the financial statements 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 8 – Taxation. Accruals for tax contingencies require management to make judgements and estimates in relation to tax authority audits 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 2023 includes tax provisions of £9.3 million (2022: £8.4 million). The Group believes the range of reasonable possible outcomes in respect of these exposures is tax liabilities of up to £12.3 million (2022: £11.1 million).

2 Summary of material accounting policies

The following material 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 to external customers excluding value added tax and other sales related taxes and is recognised when the customer obtains control of goods for revenues which are not recognised over time. In most cases this is at the point in time of transfer of legal title of the goods; terms vary by customer, but the two most common arrangements are at the time of dispatch and at the time of delivery. Where revenue is recognised over time this is recognised with regards to completion of performance obligation milestones. 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, the calculated interest income on pensions assets for schemes which are in surplus and net foreign exchange gains or losses on cash balances and loans receivables. Interest income is recognised using the effective interest rate. Net foreign exchange gains or losses on other monetary assets or liabilities are recognised either within other income or cost of sales, depending on what the underlying monetary asset or liability relates to.

c) Finance costs

Finance costs comprise interest expense on borrowings which are not capitalised under the borrowing costs policy, the calculated interest expense on pension liabilities for schemes which are in deficit, the interest costs on lease liabilities and net foreign exchange gains or losses on external loans. Net foreign exchange gains or losses on other monetary assets or liabilities are recognised either within other income or cost of sales, depending on what the underlying monetary asset or liability relates to.

d) Discontinued operations and assets held for sale

Discontinued operations

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

Assets classified as held for sale and directly associated liabilities

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. Assets held for sale and directly associated liabilities are remeasured to their fair value less costs to sell. Any impairment is first applied to non-current assets and then current assets in the order deemed most appropriate by management

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 material 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 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2 Summary of material accounting policies continued

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.

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) 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.

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.

Trade payables are carried at the amounts expected to be paid to counterparties and are held at amortised cost.

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.

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. Cash and cash equivalents are initially recognised at fair value and subsequently are measured at amortised cost because they meet the SPPI test.

In determining estimated fair value, investments are valued at quoted bid prices on the trade date.

2 Summary of material accounting policies continued

Derivatives and hedge accounting

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 reclassified to 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.

When hedging the FX risk on a forecast business combination, the Group includes the accumulated gains or losses on hedging instruments within goodwill as a 'basis adjustment'.

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 that 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 breaching contract; it being 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. Receivables written off are still subject to enforcement activity and pursued by the Group.

p) 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.

q) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) because of a past event, 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.

r) 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).

2 Summary of material accounting policies continued

The Group recognises remeasurements immediately in other comprehensive income and all other expenses related to defined 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.

s) 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 retained earnings.

t) 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 recorded within 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.

u) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

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 or an aggregation of operating segments in accordance with IFRS 8 'Operating Segments'. The chief operating decision maker is the Chief Executive Officer. 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; Power and Connectivity is an aggregation of two operating segments due to similarities in products and markets served;
- 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 the section titled 'Reconciliation of KPIs and non IFRS measure' for the 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 arms 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 of which they are part.

a) Income statement information

£million	Power and Connectivity	Global Manufacturing Solutions	Sensors and Specialist Components	Total Operating Segments	Corporate	Total
						2023
Sales to external customers	**169.7**	**299.2**	**145.0**	**613.9**	**–**	**613.9**
Adjusted operating profit	**14.3**	**27.6**	**19.0**	**60.9**	**(8.1)**	**52.8**
Add back: adjustments made to operating profit (note 7)						**(44.1)**
Operating loss						**8.7**
Net finance costs						**(9.8)**
Loss before taxation						**(1.1)**

£million	Power and Connectivity	Global Manufacturing Solutions	Sensors and Specialist Components	Total Operating Segments	Corporate	Total
						2022
Sales to external customers	154.2	323.0	139.8	617.0	–	617.0
Adjusted operating profit	7.9	25.2	21.8	54.9	(7.8)	47.1
Add back: adjustments made to operating profit (note 7)						(50.5)
Operating profit						(3.4)
Net finance costs						(6.7)
Loss before taxation						(10.1)

b) Segment assets and liabilities

£million	Assets 2023	Assets 2022	Liabilities 2023	Liabilities 2022
Power and Connectivity	**186.7**	231.0	**37.5**	48.1
Global Manufacturing Solutions	**148.3**	210.0	**75.0**	118.9
Sensors and Specialist Components	**147.3**	148.6	**29.5**	31.0
Segment assets and liabilities	**482.3**	589.6	**142.0**	198.0
Pensions	**25.3**	31.3	**3.1**	2.9
Unallocated	**147.5**	86.3	**239.5**	209.3
Total assets/liabilities	**655.1**	707.2	**384.6**	410.2

Unallocated assets of £147.5 million (2022: £86.3 million) comprise deferred tax asset of £15.4 million (2022: £13.2 million), cash and cash equivalents of £74.1 million (2022: £65.0 million), income tax receivable of £2.0 million (2022: £1.1 million), assets held for sale of £48.0 million (2022: £nil) and assets associated with the central corporate function of £8.0 million (2022: £7.0 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3 Segmental reporting continued

Unallocated liabilities of £239.5 million (2022: £209.3 million) comprise borrowings (excluding leases and overdrafts) of £181.9 million (2022: £176.6 million), overdrafts of £1.2 million (2022: £3.7 million), deferred tax liability of £7.0 million (2022: £12.4 million), income tax payable of £10.9 million (2022: £9.6 million), liabilities transferred to assets held for sale of £28.1 million (2022: £nil) and liabilities associated with the central corporate function of £10.4 million (2022: £7.0 million).

	Capital expenditure		Depreciation and amortisation	
£million	2023	2022	2023	2022
Power and Connectivity	10.5	5.4	5.5	5.5
Global Manufacturing Solutions	8.2	2.4	4.4	4.6
Sensors and Specialist Components	5.8	6.5	6.6	6.0
Total	24.5	14.3	16.5	16.1

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	2023	2022 [1]
United Kingdom	144.7	130.0
Rest of Europe	95.7	104.3
North America	225.1	235.2
Asia	145.5	144.7
Rest of the World	2.9	2.8
	613.9	617.0

1 Revenue by destination in 2022 has been represented following a reclassification of end market for one customer.

Revenue from services is less than 1% of Group revenues. All other revenue is from the sale of goods.

Non-current assets

The carrying amount of non-current assets, excluding deferred tax assets, derivatives and pensions, analysed by the geographical area is shown below:

£million	2023	2022
United Kingdom	80.3	103.6
Rest of Europe	0.1	0.2
North America	157.2	162.6
Central and South America	4.9	5.0
Asia	8.1	11.8
	250.6	283.2

d) Market information key customers

The Group operates in the following markets:

£million	2023	2022 [1]
Healthcare	146.3	172.1
Aerospace and defence	123.5	95.3
Automation and electrification	221.4	237.0
Distribution	122.7	112.6
	613.9	617.0

1 Revenue by market in 2022 has been represented following a reclassification of end markets for several key customers.

The Group had no customers who contributed greater than 10% of revenues in 2023 (2022: one customer who contributed 12% and whose revenues were recognised in the Global Manufacturing Solutions segment).

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4 Held for sale

On 4 March 2024 the Group announced the agreement to sell three business operating units within the GMS and Power and Connectivity segments to the Cicor Group for a cash consideration of £20.8 million on a cash and debt free basis subject to normal working capital adjustments.

The divestment relates to business units in Hartlepool and Cardiff, UK and Dongguan, China which provide electronics manufacturing services and certain connectivity products, principally to industrial clients.

The criteria of a highly probable sale were met in December 2023 and the Directors were committed to the disposal at the balance sheet date. Accordingly, the assets and related liabilities of the disposal group are shown as being held for sale. The carrying value of assets held for sale exceeded the fair value less costs to sell and accordingly a measurement loss of £32.5 million has been recognised within adjusting items of which £22.6 million related to the IoT Solutions CGU and £9.9 million related to the GMS CGU.

Of the £32.5 million remeasurement, the following assets were fully written down: other intangible assets (£14.9 million), goodwill (£8.6 million), right of use assets (£4.5 million) and property plant and equipment (£3.1 million). The remaining write down of £1.4 million was recorded against inventories.

In the prior year an impairment of £17.7 million was recognised to reduce the carrying value of the IoT Solutions CGU to the recoverable amount as at 31 December 2022 (see note 7).

The assets and liabilities of the disposal group as well as the allocated remeasurement has been presented below as follows:

£million	Net
ASSETS	
Derivative financial instruments	0.2
Inventories	29.5
Trade and other receivables	14.7
Cash and cash equivalents	3.6
Assets classified as held for sale	**48.0**
LIABILITIES	
Lease liabilities	2.6
Derivative financial instruments	0.8
Trade and other payables	21.4
Income taxes payable	0.1
Provisions	1.9
Deferred tax liability	1.3
Liabilities directly associated with assets classified as held for sale	**28.1**
Held for sale net assets	**19.9**

The disposal group does not constitute a major line of business or geographical location and therefore the results and cash flows continue to be treated as continuing operations as required by IFRS 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

5 Finance costs and finance income

£million	2023	2022
Interest income	**0.1**	0.1
Net interest income on pension schemes in surplus	**1.5**	2.2
Finance income	**1.6**	2.3
Interest expense	**9.9**	7.1
Interest on lease liabilities	**0.8**	0.8
Net interest expense on pension schemes in deficit	**0.1**	0.1
Amortisation of arrangement fees	**0.6**	1.0
Finance costs	**11.4**	9.0
Net finance costs	**9.8**	6.7

Within 'Amortisation of arrangement fees' is an expense of £nil (2022: £0.5 million) relating to the acceleration of capitalised loan arrangement fees.

6 Loss for the year

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

£million	2023	2022
Depreciation of property, plant and equipment	**10.0**	9.6
Depreciation of right-of-use assets	**4.0**	4.3
Amortisation of intangible assets [1]	**7.2**	8.2
Impairment of goodwill (excluded from adjusted operating profit, note 14)	**–**	17.7
Impairment of other assets (excluded from adjusted operating profit) [2]	**–**	5.4
Measurement loss of assets classified as held for sale excluded from operating profit (see note 4)	**32.5**	–
Net foreign exchange losses recognised within operating profit	**2.2**	1.1
Cost of inventories recognised as an expense	**466.9**	481.5
Research and development	**11.0**	10.1
Staff costs (see note 11)	**180.6**	164.5
Restructuring costs (excluded from adjusted operating profit)	**2.0**	6.4
Pension restructuring costs (excluded from adjusted operating profit)	**1.9**	13.8
Acquisition and disposal related costs (excluded from adjusted operating profit)	**3.1**	1.2
Remuneration of Group Auditor:		
– audit of these financial statements	**1.0**	0.8
– audit of financial statements of subsidiaries of the Company	**1.0**	0.8
– assurance and other services [3]	**0.1**	0.1
Government grants	**(0.2)**	(0.1)
Share-based payments	**3.1**	4.8

1 Included within amortisation of intangible assets is £4.6 million (2022: £6.0 million) reported within items excluded from adjusted operating profit. The remaining charge is within administrative expenses.
2 Included within impairment of other assets of £5.4 million in 2022 is £2.8 million in respect of inventories, £1.5 million in respect of property, plant and equipment, £0.8 million in respect of receivables and £0.3 million in respect of capitalised product development costs.
3 Assurance and other services of £0.1 million relate to the half year review (2022: £0.1 million relating to the half year review).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

7 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.

£million	2023 Operating profit	2023 Tax	2022 Operating profit	2022 Tax
As reported	**8.7**	**(5.7)**	(3.4)	(3.1)
Restructuring costs				
Restructuring costs	**(2.0)**	**0.7**	(6.4)	1.2
	(2.0)	**0.7**	(6.4)	1.2
Pension restructuring costs				
Pension restructuring costs	**(1.9)**	**0.7**	(2.0)	0.4
Pension enhanced transfer value exercise	**–**	**–**	(11.8)	2.2
	(1.9)	**0.7**	(13.8)	2.6
Asset impairments and measurement losses				
Goodwill impairment	**–**	**–**	(17.7)	–
Asset impairments	**–**	**–**	(5.4)	1.0
Measurement loss on assets classified as held for sale	**(32.5)**	**–**	–	–
	(32.5)	**–**	(23.1)	1.0
Amortisation of intangible assets arising on business combinations				
Amortisation of intangible assets arising on business combinations	**(4.6)**	**1.6**	(6.0)	0.3
	(4.6)	**1.6**	(6.0)	0.3
Acquisition and disposal related costs				
Torotel integration costs	**(0.4)**	**0.1**	(0.1)	–
Ferranti Power and Control acquisition and integration costs	**(1.3)**	**0.2**	(1.1)	0.2
Disposal costs	**(1.2)**	**0.2**	–	–
Other	**(0.2)**	**–**	–	–
	(3.1)	**0.5**	(1.2)	0.2
Total items excluded from adjusted measure	**(44.1)**	**3.5**	(50.5)	5.3
Adjusted measure	**52.8**	**(9.2)**	47.1	(8.4)

Restructuring costs £2.0 million (2022: £6.4 million)

Restructuring costs charged in the period primarily relate to costs associated with the relocation of production facilities from our USA site in Covina to Kansas (£1.9 million), representing the last stage of the self-help programme which started in 2020.

Prior year's restructuring costs of £6.4 million comprise £2.7 million relating to the restructure of the North America Resistors business, which includes pre-production costs at our new Plano facility; £2.0 million relating to closure of our site in Lutterworth, UK, £1.5 million relating to the relocation of production facilities from Covina, USA to Kansas, USA and £0.2 million relating to the relocation of production facilities from Medina, USA to Minneapolis, USA.

Pension restructuring costs £1.9 million (2022: £13.8 million)

Pension restructuring costs of £1.9 million (2022: £2.0 million relating to costs associated with the enhanced transfer value exercise) relate to costs associated with scheme buy-outs. Prior period's pension enhanced transfer value exercise of £11.8 million represents the settlement cost of a liability management exercise undertaken ahead of the buy-in completed in 2022.

Amortisation of intangible assets arising on business combinations £4.6 million (2022: £6.0 million)

Amortisation of intangible assets arising on business combinations £4.6 million (2022: £6.0 million) relate to amortisation of the fair value of acquired order books, acquired customer relationships and other intangible assets acquired on business combinations.

Asset impairments and measurement losses £32.5 million (2022: £23.1 million)

Measurement loss on assets classified as held for sale of £32.5 million relate to the writing down of assets held for sale in our IoT Solutions and GMS CGUs, further information is disclosed in note 4.

Prior year asset impairments of £23.1 million comprise £17.7 million to reduce the carrying value of the IoT Solutions CGU to the recoverable amount and £5.4 million associated with Virolens related assets both of which were as a result of revised forecasts in the context of a weaker macro-economic environment and the impact of the evolution of the COVID pandemic on the potential demand for COVID testing.

Acquisition and disposal related costs £3.1 million (2022: £1.2 million)

Acquisition and disposal related costs charged in the year comprise £1.2 million (2022: £nil) relating to costs incurred in preparing held for sale assets and liabilities for sale; £1.3 million (2022: £0.3 million acquisition and £0.8 million integration) of integration costs relating to the acquisition of the Power and Control business of Ferranti Technologies Ltd based in Oldham, UK and £0.4 million (2022: £0.1 million) of integration costs of Torotel, Inc.; and £0.2 million relating to other costs.

8 Taxation

a) Analysis of the tax charge for the year

£million	2023	2022
Current tax		
Current income tax charge	**11.1**	9.1
Adjustments in respect of current income tax of previous year	**1.9**	(0.5)
Total current tax charge	**13.0**	8.6
Deferred tax		
Relating to origination and reversal of temporary differences	**(2.9)**	(3.4)
Change in tax rate	**–**	(1.2)
Adjustments in respect of deferred tax of previous years	**(4.4)**	(0.9)
Total deferred tax credit	**(7.3)**	(5.5)
Total tax charge in the income statement	**5.7**	3.1

The enacted UK tax rate applicable from 1 April 2017 to 31 March 2023 was 19%. From 1 April 2023 the UK tax rate increased to 25%. The applicable tax rate for the period is based on the UK standard rate of corporation tax of 23.5% (2022: 19%). Overseas taxation is calculated at the rates prevailing in the respective jurisdictions. The Group's effective tax rate for the year was -518% (the adjusted tax rate was 21.4%, see section 'Reconciliation of KPIs and non IFRS measures'). Included within the total tax charge above is a £3.5 million credit relating to items reported outside adjusted profit (2022: £5.3 million credit).

b) Reconciliation of the total tax charge for the year

£million	2023	2022
Loss before tax from continuing operations	**(1.1)**	(10.1)
Loss before tax multiplied by the standard rate of corporation tax in the UK of 23.5% (2022: 19%)	**(0.2)**	(1.9)
Effects of:		
Impact on deferred tax arising from changes in tax rates	**0.1**	(1.2)
Overseas tax rate differences	**(0.5)**	0.8
Items not deductible for tax purposes or income not taxable	**9.6**	8.8
Adjustment to current tax in respect of prior periods	**0.1**	(0.5)
Current year tax losses and other items not recognised	**(0.8)**	(2.0)
Adjustments in respect of deferred tax of previous years	**(2.6)**	(0.9)
Total tax charge reported in the income statement	**5.7**	3.1

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 2023 includes tax provisions of £9.3 million (2022: £8.4 million). The Group believes the range of reasonable possible outcomes in respect of these exposures is tax liabilities of up to £12.3 million (2022: £11.1 million).

c) Deferred tax

The Group completed a five year forward looking strategic plan covering the periods from 2024 to 2028 in which it was forecast that all divisions would show increasing profitability. Therefore, a deferred tax asset is recognised on the basis that it is considered probable that net taxable profits will be recognised in the future.

On 22 November 2023, the Government announced that the authorised pension surplus payments charge would be reduced from 35% to 25% from 6 April 2024. This has not been legally enacted as at the date of issue of these financial statements and therefore the deferred tax liability in respect of the retirement benefit obligations has not currently been calculated using the updated rate. The deferred tax liability has been recognised at 35% (2022: 35%) but we expect this to reduce should the legislation be enacted as expected, which will result in a reduction in the deferred tax liability in respect of the defined benefit pension scheme surplus of £2.5 million (based on the surplus at 31 December 2023).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

8 Taxation continued

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

£million	As at 1 Jan 2023	Continuing operations	Recognised in equity/OCI	Transferred to assets and liabilities classified as held for sale	Net exchange translation	As at 31 December 2023
Intangible assets	(12.4)	1.2	–	2.7	–	(8.5)
Property, plant and equipment	0.8	(1.2)	–	(1.0)	–	(1.4)
Deferred development costs	(0.5)	0.2	–	–	–	(0.3)
Retirement benefit obligations	(10.4)	2.1	(0.1)	–	–	(8.4)
Inventories	0.9	(0.2)	–	–	0.1	0.8
Tax losses	10.7	2.6	–	–	(0.2)	13.1
Unremitted overseas earnings	(1.8)	1.0	–	–	–	(0.8)
Share-based payments	0.7	–	(0.1)	–	0.1	0.7
Cash flow hedges	0.1	–	(0.7)	–	–	(0.6)
Short-term temporary differences	12.7	1.6	–	(0.4)	(0.1)	13.8
Net deferred tax asset/(liability)	0.8	7.3	(0.9)	1.3	(0.1)	8.4
Deferred tax assets	13.2					15.4
Deferred tax liabilities	(12.4)					(7.0)
Net deferred tax asset/(liability)	0.8					8.4

£million	As at 1 Jan 2022	Continuing operations	Recognised on acquisition	Recognised in equity/OCI	Net exchange translation	As at 31 December 2022
Intangible assets	(11.4)	0.9	(1.2)	–	(0.7)	(12.4)
Property, plant and equipment	1.5	(0.6)	–	–	(0.1)	0.8
Deferred development costs	(0.5)	0.2	–	–	(0.2)	(0.5)
Retirement benefit obligations	(18.9)	1.8	–	6.5	0.2	(10.4)
Inventories	1.1	(0.5)	–	–	0.3	0.9
Tax losses	9.3	0.9	–	–	0.5	10.7
Unremitted overseas earnings	(2.3)	0.5	–	–	–	(1.8)
Share-based payments	1.9	(0.2)	–	(1.0)	–	0.7
Cash flow hedges	0.5	–	–	(0.4)	–	0.1
Short-term temporary differences	9.9	2.5	–	(1.6)	1.9	12.7
Net deferred tax asset/(liability)	(8.9)	5.5	(1.2)	3.5	1.9	0.8
Deferred tax assets	11.3					13.2
Deferred tax liabilities	(20.2)					(12.4)
Net deferred tax asset/(liability)	(8.9)					0.8

Deferred tax	Description
Intangible assets	Deferred tax relating to intangible assets created on acquisitions by the Group. This excludes any internally generated intangibles relating to product development costs.
Property, plant and equipment	Deferred tax relating to temporary differences in the value of property, plant and equipment between Group accounting and local accounting and/or tax returns.
Deferred development costs	Deferred tax relating to deferred development costs.
Retirement benefit obligations	Deferred tax relating to retirement benefit obligations.
Inventories	Deferred tax relating to temporary differences between the local book value and Group consolidated value of inventory.
Tax losses	Deferred tax relating to recognised tax losses carried forwards for offset against future profits of the Group. Included within tax losses as at 31 December 2023 is an asset of £6.6 million (2022: £2.2 million) in respect of capitalised US R&D expenses.
Unremitted overseas earnings	Deferred tax relating to the repatriation of subsidiary profits to the Group's ultimate holding company.
Share based payments	Deferred tax relating to share based payment.
Cash flow hedges	Deferred tax relating to derivatives designated as cash flow hedges.
Short term temporary differences	Deferred tax relating to temporary differences between Group accounts and local accounts or tax return arising where a tax deduction is received on payment of an amount either between Group companies or to external unconnected third parties rather than on an accounting basis. This includes product development costs.

At 31 December 2023, the gross amount and expiry date of losses not recognised for deferred tax purposes but 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	0.6	–	71.2	71.8

Deferred tax is not recognised on these losses because profit projections do not support the utilisation of these losses.

Tax losses of £58.2 million are subject to substantial limitations in the type of profits they can be offset against and no such capital disposals are currently anticipated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

8 Taxation continued

At 31 December 2022, 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	0.6	–	71.6	72.2

At 31 December 2023, the Group had no other items for which no deferred tax assets have been recognised (2022: £nil).

9 Dividends

	2023 pence per share	**2023 £million**	2022 pence per share	2022 £million
Final dividend paid for prior year	**4.30**	**7.5**	3.80	6.7
Interim dividend declared for current year	**2.15**	**3.8**	2.00	3.5

The Directors recommend a final dividend of 4.65 pence per share. The Group has a progressive dividend policy. The final dividend will be paid on 15 May 2024 to shareholders on the register on 12 April 2024.

10 Earnings per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of shares in issue during the year.

Pence	**2023**	2022
Loss per share		
Basic	**(3.9)**	(7.5)
Diluted	**(3.9)**	(7.5)

As the Group made a statutory loss in 2023 and 2022, diluted statutory EPS for 2023 and 2022 has been calculated using the basic weighted average number of shares because using weighted average diluted shares would be anti-dilutive.

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 (unless otherwise stated)	**2023**	2022
Loss for the year attributable to owners of the Company	**(6.8)**	(13.2)
Restructuring costs	**2.0**	6.4
Pension restructuring costs	**1.9**	13.8
Asset impairments and measurement losses	**32.5**	23.1
Amortisation of intangible assets arising on business combinations	**4.6**	6.0
Acquisition and disposal related costs	**3.1**	1.2
Tax effect of above items (see note 7)	**(3.5)**	(5.3)
Adjusted earnings	**33.8**	32.0
Adjusted earnings per share (pence)	**19.2**	18.2
Adjusted diluted earnings per share (pence)	**19.0**	18.0

The weighted average number of shares in issue is as follows (new shares issued in the year described in note 23):

million	**2023**	2022
Basic	**175.6**	175.8
Adjustment for share awards	**2.6**	2.0
Diluted	**178.2**	177.8

11 Employee information

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

Number	**2023**	2022
By function		
Production	**4,357**	4,352
Sales and distribution	**311**	296
Administration	**328**	324
	4,996	4,972
By division		
Power and Connectivity	**1,645**	1,650
Global Manufacturing Solutions	**1,605**	1,567
Sensors and Specialist Components	**1,746**	1,755
Total	**4,996**	4,972

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

11 Employee information continued

Aggregate emoluments, including those of Directors, for the year were:

£million	2023	2022
Wages and salaries	135.6	124.8
Social security charges	36.8	30.5
Employers' pension costs	3.5	3.2
Defined benefit pension costs	1.6	1.2
Share based payments expense	3.1	4.8
	180.6	164.5

Remuneration in respect of the Directors was as follows:

£million	2023	2022
Emoluments	2.4	2.1

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

£million	2023	2022
Short-term benefits	3.5	3.5
Pension and other post-employment benefit expense	–	0.2
Share based payments	1.2	2.2
	4.7	5.9

The Schedule 5 requirements of the Accounting Regulations for directors' remuneration are included within the Directors' remuneration report on pages 102 to 111.

12 Right-of-use assets

£million	Land and buildings	Other	Right-of-use assets
Cost			
At 1 January 2022	41.5	2.0	43.5
Additions	2.3	–	2.3
Disposals	(0.5)	(0.1)	(0.6)
Business acquired	0.2	–	0.2
Net exchange adjustment	2.7	(0.4)	2.3
At 1 January 2023	46.2	1.5	47.7
Additions	5.0	0.6	5.6
Disposals	(6.1)	(0.4)	(6.5)
Transferred to assets held for sale	(5.4)	–	(5.4)
Net exchange adjustment	(1.5)	–	(1.5)
At 31 December 2023	38.2	1.7	39.9
Depreciation			
At 1 January 2022	22.6	1.3	23.9
Depreciation charge	4.0	0.3	4.3
Impairment reversal	(0.2)	–	(0.2)
Disposals	(0.5)	(0.1)	(0.6)
Net exchange adjustment	0.9	(0.2)	0.7
At 1 January 2023	26.8	1.3	28.1
Depreciation charge	3.7	0.3	4.0
Disposals	(6.1)	(0.4)	(6.5)
Transferred to assets held for sale	(0.9)	–	(0.9)
Net exchange adjustment	(0.6)	–	(0.6)
At 31 December 2023	22.9	1.2	24.1
Net book value			
At 31 December 2023	15.3	0.5	15.8
At 31 December 2022	19.4	0.2	19.6

£4.5 million of right of use assets were transferred to assets classified as held for sale (see note 4).

Additions during the year relate to a new lease agreement in Cardiff, UK (£4.4 million) and other locations throughout the Group (£1.2 million).

The Group only leases land and buildings for use in trading activities. Lease liabilities are disclosed in note 20. Contractual cashflows for these leases are disclosed in note 21e.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

13 Property, plant and equipment

£million	Land and buildings	Plant and equipment	Total
Cost			
At 1 January 2022	24.2	171.8	196.0
Additions	1.8	9.6	11.4
Disposals	(0.3)	(21.5)	(21.8)
Business acquired	–	0.4	0.4
Net exchange adjustment	1.9	11.5	13.4
At 1 January 2023	**27.6**	**171.8**	**199.4**
Additions	**1.0**	**21.3**	**22.3**
Disposals	**(0.4)**	**(9.9)**	**(10.3)**
Transferred to assets held for sale	**(1.9)**	**(20.4)**	**(22.3)**
Reclassification	**0.7**	**(0.7)**	**–**
Net exchange adjustment	**(1.1)**	**(7.1)**	**(8.2)**
At 31 December 2023	**25.9**	**155.0**	**180.9**
Depreciation and impairment			
At 1 January 2022	6.3	139.3	145.6
Depreciation charge	1.2	8.4	9.6
Impairment	–	1.5	1.5
Disposals	(0.5)	(21.5)	(22.0)
Net exchange adjustment	0.3	9.6	9.9
At 1 January 2023	**7.3**	**137.3**	**144.6**
Depreciation charge	**1.6**	**8.4**	**10.0**
Disposals	**(0.4)**	**(9.9)**	**(10.3)**
Transferred to assets held for sale	**(1.2)**	**(18.0)**	**(19.2)**
Net exchange adjustment	**(0.2)**	**(5.3)**	**(5.5)**
At 31 December 2023	**7.1**	**112.5**	**119.6**
Net book value			
At 31 December 2023	**18.8**	**42.5**	**61.3**
At 31 December 2022	20.3	34.5	54.8

£3.1 million of property, plant and equipment was transferred to assets classified as held for sale (see note 4).

Included within land and buildings is one investment property with a carrying value of £nil (2022: £nil) and a fair value of £0.7 million (2022: £0.7 million). Rental income of £0.2 million (2022: £0.2 million) was recognised within other income in relation to this property.

14 Goodwill

£million	
Cost	
At 1 January 2022	156.5
Additions	5.0
Net exchange adjustment	11.3
At 31 December 2022	172.8
Transferred to held for sale	(26.3)
Net exchange adjustment	(5.7)
At 31 December 2023	**140.8**
Impairment	
At 1 January 2022	–
Impairment	17.7
At 31 December 2022	17.7
Transferred to held for sale	(17.7)
At 31 December 2023	**–**
Net book value	
At 31 December 2023	**140.8**
At 31 December 2022	155.1

£8.6 million of goodwill was transferred to assets classified as held for sale (see note 4).

The £5.0 million addition in goodwill in 2022 arose upon the acquisition of Power and Control business of Ferranti Technologies Ltd and is considered part of the Power Solutions CGU. In the year ended 31 December 2023 £8.6 million of goodwill (net of £17.7 million impairment) was transferred to assets held for sale (see note 4). The amount transferred comprised £6.4 million (net of £17.7 million impairment) relating to the IoT Solutions CGU and £2.2 million related to the Global Manufacturing Solutions CGU.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14 Goodwill continued

Goodwill, excluding amounts transferred to assets held for sale, is attributed to the following CGUs in the divisions shown below:

£million	2023	2022
Power and Connectivity:		
Power Solutions	**63.7**	65.6
IoT Solutions	**3.5**	9.9
Global Manufacturing Solutions:		
Global Manufacturing Solutions	**16.7**	19.5
Sensors and Specialist Components:		
Resistors	**32.3**	34.2
Sensors	**24.6**	25.9
	140.8	155.1

Impairment Testing

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 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.

In determining the cost of equity, the Capital Asset Pricing Model has been used. Accordingly the cost of equity is determined by adding a risk premium, based on an industry adjustment, 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 Electronics 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. The discount rates used in the annual impairment test for the year ended 31 December 2023 are shown below:

	2023			2022		
	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	**13.8%**	**2.0%**	**5**	13.4%	1.7%	5
IoT Solutions	**14.1%**	**1.9%**	**5**	14.3%	1.6%	5
Global Manufacturing Solutions	**16.5%**	**3.1%**	**5**	13.8%	1.9%	5
Resistors	**13.8%**	**1.9%**	**5**	13.5%	1.6%	5
Sensors	**13.6%**	**2.0%**	**5**	13.2%	1.7%	5

The date of the annual impairment test was 30 September 2023 to align with internal forecasting and review processes. The impairment tests were performed as of September, with an additional impairment test for IoT Solutions and GMS being tested as of December following the transfer of part of the CGU to assets classified as held for sale. No impairment losses have been recognised in the current year in respect of the other CGUs as recoverable amounts exceed carrying value of assets in respect of those businesses. Sensitivity analysis has been provided in respect of reasonably possible changes to key assumptions where applicable.

Key assumptions in the value in use test are 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14 Goodwill continued

Sensitivity Analysis

Sensitivity analysis has been performed on the key assumptions; operating cash flow projections, revenue growth rates and discount rate. Cash flows can be impacted by changes to sales prices, direct costs and replacement capital expenditure; individually they are not significant assumptions.

The directors have not identified reasonably possible changes in significant assumptions that would cause the recoverable amount to fall below the carrying value of recognised goodwill.

15 Other intangible assets

£million	Product development costs	Patents, licences and other	Customer relationships	Total
Cost				
At 1 January 2022	18.6	35.9	63.6	118.1
Additions	2.3	0.6	–	2.9
Disposals	(0.1)	(0.3)	–	(0.4)
Business acquired	–	2.3	3.0	5.3
Net exchange adjustment	1.4	0.9	2.6	4.9
At 1 January 2023	**22.2**	**39.4**	**69.2**	**130.8**
Additions	**1.6**	**0.6**	**–**	**2.2**
Disposals	**(0.3)**	**(0.2)**	**–**	**(0.5)**
Transferred to assets held for sale	**(7.4)**	**(1.2)**	**(17.7)**	**(26.3)**
Net exchange adjustment	**(0.9)**	**(0.2)**	**(1.4)**	**(2.5)**
At 31 December 2023	**15.2**	**38.4**	**50.1**	**103.7**
Amortisation				
At 1 January 2022	10.6	33.6	22.2	66.4
Charge for the year	1.2	2.8	4.2	8.2
Impairment	0.3	–	–	0.3
Disposals	(0.1)	(0.3)	–	(0.4)
Net exchange adjustment	1.1	0.9	0.6	2.6
At 1 January 2023	**13.1**	**37.0**	**27.0**	**77.1**
Charge for the year	**1.8**	**1.5**	**3.9**	**7.2**
Disposals	**(0.3)**	**(0.2)**	**–**	**(0.5)**
Transferred to assets held for sale	**(3.7)**	**(1.0)**	**(6.7)**	**(11.4)**
Net exchange adjustment	**(0.6)**	**(0.4)**	**(0.4)**	**(1.4)**
At 31 December 2023	**10.3**	**36.9**	**23.8**	**71.0**
Net book value				
At 31 December 2023	**4.9**	**1.5**	**26.3**	**32.7**
At 31 December 2022	9.1	2.4	42.2	53.7

£14.9 million of intangible assets were transferred to assets classified as held for sale (see note 4).

Included within the amortisation charge for the year is £4.6 million (2022: £6.0 million) included within items excluded from adjusted profit as the charge relates to intangibles acquired upon acquisition of businesses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

15 Other intangible assets continued

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 7. The composition of customer relationships and the years remaining until they are fully amortised is shown below.

Customer relationships held on the balance sheet are summarised below.

£million	Net book value	Years remaining
Stadium Group	1.1	9.3
Aero Stanrew	7.8	7.0
Torotel	10.0	18.9
Precision Inc.	4.9	8.7
Ferranti Power and Control	2.5	11.0
At 31 December 2023	**26.3**	

Following the transfer of activities from Covina, US to Kansas, US intangible assets relating to Covina have been transferred to Torotel.

£million	Net book value	Years remaining
Stadium Group	13.4	10.3
Aero Stanrew	8.9	8.0
Torotel	7.9	19.9
Precision Inc.	5.8	9.7
Covina	3.5	11.2
Ferranti Power and Control	2.7	12.0
At 31 December 2022	42.2	

16 Inventories

£million	2023	2022
Raw materials	**86.9**	130.9
Work in progress	**36.8**	34.8
Finished goods	**19.8**	23.5
	143.5	189.2

£30.9 million of inventories were transferred to assets classified as held for sale (see note 4).

Inventories are stated after a provision for obsolescence of £17.8 million (2022: £25.8 million). The directors do not consider there to be a material difference between net book value and replacement cost for inventories.

17 Trade and other receivables

£million	2023	2022
Trade receivables	**72.3**	101.3
Prepayments	**8.1**	8.1
VAT and other taxes receivable	**3.4**	3.4
Accrued income	**1.3**	1.4
Contract assets	**0.8**	1.7
Other receivables	**4.3**	4.4
	90.2	120.3

£14.7 million of trade and other receivables were transferred to assets classified as held for sale (see note 4).

Loss allowance for expected credit losses in respect of trade receivables and amounts owed by non-controlling interests are shown in note 21d(ii) and note 21d(iii) respectively.

18 Trade and other payables

£million	2023	2022
Current liabilities		
Trade payables	**68.5**	97.0
Taxation and social security	**2.7**	4.1
Accruals	**27.4**	27.9
Deferred income	**21.0**	31.3
Goods received not invoiced	**6.3**	10.1
Other payables	**2.0**	2.8
	127.9	173.2

£21.4 million of trade and other payables were transferred to liabilities directly associated with assets classified as held for sale (see note 4).

£million	2023	2022
Non-current liabilities		
Accruals	**0.1**	0.1

Deferred income primarily represents pre-funded inventory which is expected to be converted into finished goods and sold within 12 months. All the brought forward balance carried over from 2022 was converted into finished goods and sold to the end customer within the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

19 Provisions

£million	Property	Reorganisation	Legal, warranty and other	Total
At 1 January 2022	0.8	1.4	1.1	3.3
Utilised	–	(0.3)	(1.7)	(2.0)
Released	(0.1)	–	(0.2)	(0.3)
Transfer	–	(0.7)	0.5	(0.2)
Arising during the year	–	–	0.3	0.3
Businesses acquired	–	–	3.0	3.0
Exchange differences	–	–	0.1	0.1
At 1 January 2023	**0.7**	**0.4**	**3.1**	**4.2**
Utilised	**–**	**(0.2)**	**(1.9)**	**(2.1)**
Arising during the year	**2.2**	**–**	**1.8**	**4.0**
Transferred to held for sale	**(1.9)**	**–**	**–**	**(1.9)**
Exchange differences	**–**	**–**	**(0.1)**	**(0.1)**
At 31 December 2023	**1.0**	**0.2**	**2.9**	**4.1**

£1.9 million of provisions were transferred to liabilities directly associated with assets classified as held for sale (see note 4).

£million	2023	2022
Non-current	**1.0**	0.7
Current	**3.1**	3.5
	4.1	4.2

Property

Property provisions of £1.0 million (2022: £0.7 million) relate to dilapidation provisions. £2.2 million of new provisions arose during the year of which £1.9 million was later classified as part of the held for sale assets and liabilities.

Reorganisation

Reorganisation provisions relate to committed costs in respect of restructuring programmes, as described in note 7, usually resulting in cash spend within one year.

£0.2 million (2022: £0.4 million) relate to the integration of the closed Covina, USA, facility into the Torotel facility in Kansas, USA.

Legal, warranty and other

Legal, warranty and other claims represent the best estimate for the cost of settling outstanding product and other claims, and warranty provisions created on the disposal of businesses.

£0.7 million (2022: £0.7 million) relate to local warranty provisions of which £0.7 million was utilised, £0.8 million was charged to the income statement during the year and £0.1m was recognised within translation reserve in equity.

£1.3 million (2022: £1.9 million) relate to onerous contracts acquired within the Ferranti Power and Control business of which £0.9 million was utilised and £0.3 million was charged to the income statement during the year.

£0.2 million (2022: £nil) relate to severance costs which arose as part of the Torotel Inc. acquisition and were charged to the income statement in year. These costs were excluded from adjusted operating profit.

£0.2 million (2022: £0.1 million) relate to integration activity payments made following the acquisition of the Ferranti Power and Control business in 2022. £0.1 million was utilised in the year with a further charge of £0.2 million relating to integration activity payments following the relocation to a new purpose built site in Manchester in the year. These costs were excluded from adjusted operating profit.

£0.5 million (2022: £0.4 million) relates to other provisions with £0.2 million utilised in the year and a further £0.3 million charged to the income statement in the year.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

20 Borrowings and lease obligations

£million	Maturity	Currency of denomination	Current	Non-current	Total
At 31 December 2023					
£162.4 million multi-currency revolving credit facility	**2027**	**GBP**		**68.0**	**68.0**
	2027	**USD**		**40.8**	**40.8**
Unsecured loan note	**2028**	**GBP**		**37.5**	**37.5**
Unsecured loan note	**2031**	**GBP**		**37.5**	**37.5**
Overdrafts			**1.2**	**–**	**1.2**
Lease liabilities			**3.8**	**14.4**	**18.2**
Loan arrangement fee			**–**	**(1.9)**	**(1.9)**
Total			**5.0**	**196.3**	**201.3**
At 31 December 2022					
£147.4 million multi-currency revolving credit facility	2026	GBP		72.0	72.0
	2026	USD		31.6	31.6
Unsecured loan note	2028	GBP		37.5	37.5
Unsecured loan note	2031	GBP		37.5	37.5
Overdrafts			3.7	–	3.7
Lease liabilities			4.4	18.7	23.1
Loan arrangement fee			–	(2.0)	(2.0)
Total			8.1	195.3	203.4

The Group's primary source of finance is the £162.4 million committed revolving credit facility (RCF), and an uncommitted accordion facility of £17.6 million, which was signed in June 2022. The Group's RCF is payable on a floating rate basis above GBP SONIA or USD depending on the currency of the loan and will mature in June 2027. As at 31 December 2023, £108.8 million (31 December 2022: £103.6 million) of the facility was drawn down. Arrangement fees with amortised cost of £1.9 million (2022: £2.0 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 GBP SONIA, or USD SOFR depending on the currency of denomination of the loan.

In December 2021 the Group issued £75.0 million of unsecured loan notes with £37.5 million maturing in seven years and £37.5 million maturing in 10 years respectively to a collection of three counterparties. The average interest rate on the loan notes is 2.9 per cent.

Undrawn facilities

At 31 December 2023, the total lease liabilities and borrowing facilities available to the Group net of £1.9 million of loan arrangement fees (2022: £2.0 million) amounted to £282.4 million (2022: £288.3 million). At 31 December 2023, the Group had available £56.9 million (2022: £47.4 million) of undrawn committed borrowing facilities (comprising the main facility £53.6 million (2022: £43.8 million) and China £3.3 million (2022: £3.6 million)) and £22.6 million (2022: £41.2 million) of undrawn uncommitted borrowing facilities, representing overdraft lines and the accordion facility.

In February 2023 £15.0 million of accordion was converted from uncommitted into committed facility.

21 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 2o.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

21 Financial risk management continued

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 forward currency contracts have been designated as cash flow hedges and the effective portion of the mark to market valuation of these derivatives at 31 December 2023 is taken to the hedging reserve within equity. Currency basis spread that is not designated is taken to the income statement.

The Group has designated £40.8 million ($52.0 million) (2022: £31.6 million ($38.0 million)) of loans in a net investment hedge of USD net assets. No ineffectiveness was recorded (2022: £nil) and a gain of £1.8 million (2022: £3.4 million loss) 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 2023 was an accumulated loss of £1.9 million (2022: accumulated loss of £3.7 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 interest rate hedging instruments are floating to fixed rate interest rate swaps used to manage the Group's interest cost.

At 31 December 2023, the Group had a net derivative financial asset of £3.9 million (2022: £0.5 million net liability).

Foreign exchange (FX) hedges	Notional Amount (£m)	Average Hedged Rate	Fair value (£m)	Type of hedge
31 December 2023				
USD:CNY	**61.1**	**6.76**	**(1.9)**	**CFH – Forward rate**
USD:MXN	**44.9**	**20.29**	**4.9**	**CFH – Forward rate**
USD:GBP	**21.7**	**1.03**	**0.6**	**CFH – Forward rate**
EUR:GBP	**11.3**	**0.87**	**–**	**CFH – Forward rate**
USD:MYR	**10.1**	**4.53**	**–**	**CFH – Forward rate**
CNY:GBP	**7.2**	**0.12**	**0.2**	**CFH – Forward rate**
CNY:EUR	**4.6**	**0.13**	**0.1**	**CFH – Forward rate**
GBP:USD	**2.6**	**1.26**	**–**	**CFH – Forward rate**
Total	**163.5**		**3.9**	
31 December 2022				
USD:CNY	74.2	6.65	(1.6)	CFH – Forward rate
USD:MXN	35.2	21.95	2.1	CFH – Forward rate
USD:GBP	31.5	1.07	(0.9)	CFH – Forward rate
GBP:USD	20.1	1.26	0.6	CFH – Forward rate
EUR:GBP	17.0	0.87	(0.5)	CFH – Forward rate
HKD:CNY	10.1	0.88	(0.1)	CFH – Forward rate
USD:MYR	9.7	4.32	(0.1)	CFH – Forward rate
CNY:GBP	6.8	8.57	(0.4)	CFH – Forward rate
CNY:EUR	4.2	7.50	(0.1)	CFH – Forward rate
GBP:EUR	1.9	1.15	–	CFH – Forward rate
GBP:SEK	1.3	12.02	(0.1)	CFH – Forward rate
Total	212.0		(1.1)	

CFH is an abbreviation for cash flow hedge.

21 Financial risk management continued

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 December 2023 was an accumulated gain of £3.2 million (2022: accumulated loss of £1.1 million). 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 year end 31 December 2023.

Hedges with a notional amount of £106.6 million (2022: £148.6 million) are due within 12 months with the remainder maturing within 24 months.

Interest rate swaps	Notional amount (£m)	Fair value (£m)	Type of hedge
31 December 2023			
GBP	–	–	N/A
	–	–	
31 December 2022			
GBP	19.0	0.6	CFH – SONIA
	19.0	0.6	

During the year, up until their maturity date of November 2023, the Group held interest rate swap instruments to fix the cost of GBP SONIA on borrowings under the bank facility. Under the terms of the swaps on the bank borrowings and excluding the bank margin, the Group paid a weighted average fixed cost of approximately 1.5%.

The average cost of the debt for the Group is expected to be approximately 5.3% over the next 12 months. The interest rate swaps were designated as cash flow hedges and were highly effective throughout 2023.

The fair value of the contracts as at 31 December 2023 and the prior year is disclosed in the table above. For the year ending 31 December 2023 an accumulated gain of £0.6 million (2022: accumulated loss of £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 £nil (2022: loss of £3.0 million) was recognised within other comprehensive income.

The closing value of the hedging reserve in relation to interest rate swaps on 31 December 2023 was £nil (2022: credit of £0.6 million). Swaps with a notional value of £19.0 million matured in November 2023.

No ineffectiveness was recognised through the income statement in 2023 (2022: £nil) or is expected to be recognised in future periods.

b) Foreign exchange risk

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.

The Group's exposure to foreign currency before the impact of hedging is shown below:

£million	GBP	USD	Euro	Other	Total
31 December 2023					
Trade and other receivables	**–**	**17.6**	**2.4**	**0.1**	**20.1**
Cash and cash equivalents	**–**	**13.8**	**2.6**	**0.3**	**16.7**
Borrowings	**–**	**(40.8)**	**–**	**–**	**(40.8)**
Lease liabilities	**–**	**–**	**–**	**(1.0)**	**(1.0)**
Trade and other payables	**(0.5)**	**(14.2)**	**(1.5)**	**(0.9)**	**(17.2)**
Net Derivative financial instruments	**0.8**	**–**	**0.1**	**3.0**	**3.9**
Total	**0.3**	**(23.6)**	**3.6**	**1.5**	**(18.3)**
31 December 2022					
Trade and other receivables	–	23.8	1.9	0.6	26.3
Cash and cash equivalents	–	18.6	3.3	1.8	23.7
Borrowings	–	(32.7)	–	–	(32.7)
Lease liabilities	–	–	–	(1.6)	(1.6)
Trade and other payables	(0.7)	(23.0)	(1.3)	(2.8)	(27.8)
Net Derivative financial instruments	(1.8)	1.2	(0.1)	(0.4)	(1.1)
Total	(2.5)	(12.1)	3.8	(2.4)	(13.2)

21 Financial risk management continued

A 10% strengthening of GBP against the following currencies at 31 December 2023 would have reduced loss 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 2023 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.

£million	2023	2022
US dollar	**1.7**	1.8
Euro	**0.4**	0.4

A 10% strengthening of GBP against the following currencies at 31 December 2023 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	2023	2022
US dollar	**2.4**	(3.0)
Euro	**(0.4)**	–

10% weakening of GBP against the above currencies at 31 December 2023 would have had an equal but opposite effect on the above currencies to the amount shown above, on the basis that all other variables remain constant.

c) Interest rate risk

The Group has financial assets and liabilities which are exposed to changes in market interest rates. Changes in interest rates primarily impact borrowings by changing their future cash flows (floating rate debt) or their fair value (fixed rate debt) and deposits. The 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	2023 total
Financial assets				
Trade and other receivables	**–**	**–**	**72.3**	**72.3**
Cash and cash equivalents	**14.7**	**–**	**59.4**	**74.1**
Derivative financial instruments	**–**	**–**	**6.0**	**6.0**
Total financial assets	**14.7**	**–**	**137.7**	**152.4**
Financial liabilities				
Borrowings (including overdrafts)	**(110.0)**	**(75.0)**	**1.9**	**(183.1)**
Lease liabilities	**–**	**(18.2)**	**–**	**(18.2)**
Trade and other payables	**–**	**–**	**(102.3)**	**(102.3)**
Derivative financial instruments	**–**	**–**	**(2.1)**	**(2.1)**
Total financial liabilities	**(110.0)**	**(93.2)**	**(102.5)**	**(305.7)**

£million	Floating rate	Fixed rate	Non-interest bearing	2022 total
Financial assets				
Trade and other receivables	–	–	101.3	101.3
Cash and cash equivalents	19.4	–	45.6	65.0
Derivative financial instruments	0.6	–	3.3	3.9
Total financial assets	20.0	–	150.2	170.2
Financial liabilities				
Borrowings (including overdrafts)	(88.3)	(94.0)	2.0	(180.3)
Lease liabilities	–	(23.1)	–	(23.1)
Trade and other payables	–	–	(135.1)	(135.1)
Derivative financial instruments	–	–	(4.4)	(4.4)
Total financial liabilities	(88.3)	(117.1)	(137.5)	(342.9)

At 31 December 2023, 41% of borrowings was at a fixed rate when including the effect of derivatives (2022: 52%).

The interest charged on floating rate financial liabilities is based on the relevant benchmark rate (such as GBP SONIA and USD SOFR). 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 2023, 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 loss 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 £0.7 million (2022: £0.6 million). The impact on equity would be materially the same.

21 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.

During the year there was a £0.3 million impairment of trade receivables as at 31 December 2023 (2022: £0.4 million) recognised within admin expenses. The solvency of the debtor and their ability to repay the receivables were considered in assessing the impairment of such assets. The Group performed an expected credit loss model at 31 December 2023 and a general provision of £nil (2022: £nil) was required.

(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	2023	2022
Europe (including UK)	**22.6**	40.2
North America	**35.2**	35.3
Asia	**14.3**	25.4
Rest of the World	**0.2**	0.4
	72.3	101.3

(ii) Impairment losses

The ageing of trade receivables at 31 December was:

£million	Gross	2023 Impairment	Gross	2022 Impairment
Not past due	**63.0**	**–**	90.1	–
Past due 1 – 60 days	**7.4**	**–**	9.9	–
Past due 61 – 120 days	**2.1**	**(0.2)**	1.1	–
More than 120 days	**0.4**	**(0.4)**	2.3	(2.1)
	72.9	**(0.6)**	103.4	(2.1)

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

£million	2023	2022
At 1 January	**2.1**	2.1
Charged to income statement	**0.3**	0.4
Utilised	**(1.8)**	(0.4)
At 31 December	**0.6**	2.1

(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 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 credit risk of the counterparties is between AA- and A- on the S&P's long term credit risk scale. The same process is undergone for counterparts with which the Group enters into hedging agreements. As such credit risk on these financial assets (cash and cash equivalents and derivatives) is calculated as £nil.

The expected credit risk model was applied to other receivables as described in note 2o where the credit risk was deemed immaterial.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

21 Financial risk management continued

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

£million	2023	2022
Cash and cash equivalents	74.1	65.0
Derivative financial instruments	6.0	3.9

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 2023, the Group had £56.9 million of undrawn committed borrowing facilities (2022: £47.4 million) and £22.6 million (2022: £41.2 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 2023										
Borrowings (excl overdrafts)	181.9	219.9	–	1.6	6.8	8.4	8.4	114.1	39.7	40.9
Overdrafts	1.2	1.2	1.2	–	–	–	–	–	–	–
Lease liabilities	18.2	21.9	–	1.1	3.4	3.9	3.9	1.8	1.3	6.5
Trade and other payables	102.3	102.3	–	100.4	1.9	–	–	–	–	–
Derivatives settled gross	2.1	82.5	–	10.3	41.8	30.4	–	–	–	–
	305.7	427.8	1.2	113.4	53.9	42.7	12.3	115.9	41.0	47.4
31 December 2022										
Borrowings (excl overdrafts)	176.6	208.9	–	1.0	5.5	6.0	6.0	107.7	2.2	80.5
Overdrafts	3.7	3.7	3.7	–	–	–	–	–	–	–
Lease liabilities	23.1	26.8	–	1.2	3.8	4.8	3.7	3.2	2.1	8.0
Trade and other payables	135.1	135.1	–	131.8	3.3	–	–	–	–	–
Derivatives settled gross	4.4	148.3	–	28.4	75.8	44.1	–	–	–	–
Interest rate swaps	(0.6)	–	–	–	–	–	–	–	–	–
	342.3	522.8	3.7	162.4	88.4	54.9	9.7	110.9	4.3	88.5

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).

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	At 31 December 2023 Carrying value	At 31 December 2023 Fair value	At 31 December 2022 Carrying value	At 31 December 2022 Fair value
Held at amortised cost					
Cash and cash equivalents	n/a	74.1	74.1	65.0	65.0
Trade and other receivables	n/a	72.3	72.3	101.3	101.3
Trade and other payables	n/a	(102.3)	(102.3)	(135.1)	(135.1)
Borrowings (excluding unsecured loan notes)	2	(108.1)	(108.1)	(105.3)	(105.3)
Unsecured loan notes	3	(75.0)	(61.2)	(55.1)	(55.1)
Held at fair value					
Derivative financial instruments (assets)	2	6.0	6.0	3.9	3.9
Derivative financial instruments (liabilities)	2	(2.1)	(2.1)	(4.4)	(4.4)
Assets classified as held for sale and associated liabilities	3	19.9	19.9 –	–	–
Held at depreciated cost				–	–
Investment properties	3	–	0.7 –	0.7	0.7

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 (£6.0 million) and liabilities (£2.1 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

21 Financial risk management continued

- the fair value of investment properties are based on market valuations obtained through third party valuations (level 3).
- The fair value of unsecured loan notes has been derived from available market data for borrowings of similar terms and maturity period.

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 £126.2 million (2022: £138.4 million). Included within the debt facilities are certain financial covenants related to IFRS (excluding IFRS 16 update, and after the application of other covenant defined adjustments) net debt divided by adjusted EBITDA. 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.

22 Retirement benefit schemes

Defined contribution schemes

The Group operates 401(k) plans in North America and defined contribution arrangements in the rest of the world. The assets of these schemes are held independently of the Group and are not on its balance sheet. The total contributions charged by the Group in respect of defined contribution schemes were £3.5 million (2022: £3.2 million).

Defined benefit schemes

At 31 December 2023 the Group operated one defined benefit schemes in the UK (the TT Group (1993) Pension Scheme) and one overseas defined benefit scheme in the USA. These schemes are closed to new members and the UK scheme is closed to future accrual.

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.

In November 2022, the Trustees of the TT Group Scheme entered into a bulk annuity insurance contract with an insurer in respect of the liabilities of the defined benefit scheme ('buy-in'). The insurer will pay into the Scheme cash matching the benefits due to members. The Trustee is of the opinion that this investment decision is appropriate, reduces the risks in the Scheme and provides additional security for the benefits due to members of the Scheme. The Trustee continues to be responsible for running the Scheme and retains the legal obligation for the benefits provided under the Scheme.

As the buy-in policy is a qualifying insurance asset, the fair value of the insurance policy is deemed to be the present value of the obligations that have been insured. The policy secured matches the benefits due to Scheme members under the Scheme's Trust Deed and Rules.

Since the assets of the Scheme were greater than the premium required to secure the liabilities through the buy-in, the Scheme Is in a net asset position at 31 December 2023 of £25.3 million. A 'true-up premium/refund' may be payable to/from the insurer during 2024, subject to a data cleanse exercise to formally agree the final benefits that are covered by the buy-in contract.

Prior to the buy-in, the TT Group scheme exposed the Group to a number of actuarial risks such as longevity risk, currency risk, inflation risk, interest rate risk and market (investment) risk. The buy-in mitigates the majority of these risks and the principal risk remaining is the credit risk associated with the insurer, which is assessed to be very low. 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.
- Following the buy-in the Scheme's financial and demographic risks are now fully hedged by the insurer. There will be no material impact on the reported accounting position in future of a change in interest rates, inflation, or a change in life expectancies, in relation to the Scheme's liabilities and matching insurance policy asset. However, a small amount of residual investment risk remains within the surplus assets held by the Trustee.
- The Scheme's investment strategy has been assessed as being low risk as the insured asset matches changes in the assessed value of the Schemes liabilities due to changes in interest rates, inflationary expectations and longevity expectations. The buy-in policy therefore matches the term and nature of the liabilities.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

22 Retirement benefit schemes continued

The weighted average duration of the TT Group scheme defined benefit obligation is around 11 years.

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 last triennial valuation of the TT Group scheme as at April 2022 showed a net surplus of £45.4 million against the Trustee's statutory funding objective.

Due to the favourable funding position the Trustee and Company have agreed that there was no requirement for any further funding contributions to the TT Group scheme. In December 2023 an initial £5.0 million refund of the surplus was paid to the group out of scheme assets by the Trustee (£3.2 million after tax suffered by the scheme).

The Trustee and Company agreed that the Trustee should undertake an exercise during 2022, whereby deferred members were offered an enhanced transfer value option. In the year ended 31 December 2022 a £11.8 million settlement cost was recognised within items excluded from adjusted operating profit as a result of this exercise.

In the year ended 31 December 2022 the Trustees of the Southern & Redfern Ltd Retirement Benefits Scheme completed a buy-out of the scheme with a leading insurer, securing the pensions of members for the future. As a result, the assets (£0.6 million) and liabilities (£0.6 million) of the scheme were derecognised. The subsequent wind-up of the Southern & Redfern Ltd Retirement Benefits Scheme was completed in October 2023.

An actuarial valuation of the USA defined benefit schemes was carried out by independent qualified actuaries in 2023 using the projected unit credit method. Pension scheme assets are stated at their market value at 31 December 2023. In the year ended 31 December 2023 the Trustees of the BI Technologies Corporation Retirement Plan, one of the US defined benefit schemes in the USA, completed a partial buy-out and a bulk settlement exercise, extinguishing gross liabilities of £5.5 million in total.

An analysis of the pension surplus/(deficit) by scheme is shown below:

£million	At 31 December 2023	At 31 December 2022
TT Group (1993)	25.3	31.3
USA schemes	(3.1)	(2.9)
Net surplus	22.2	28.4

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 ongoing expenses of running the Scheme are now met from the remaining Scheme assets.

The Group is aware of the High Court ruling in the case of Virgin Media Ltd v Pension Trustees II Ltd and is waiting for the outcome of the appeal, scheduled for June 2024 as well as confirmation from the UK Government regarding whether it will issue new regulations in response to this issue.

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

%	TT Group 2023	TT Group 2022
Discount rate	4.80	5.00
Inflation rate (RPI)	3.20	3.30
Increases to pensions in payment (LPI 5% pension increases)	2.95	3.05
Increases to deferred pensions (CPI)	2.70	2.65

The mortality tables applied by the actuaries at 31 December 2023 for the TT Group (1993) Scheme were S3 tables ('Middle' for females) with 107% (male)/104% (female) weighting for pensioners and 114% (male)/107% (female) weighting for non-pensioners with a 1.5% long-term rate of improvement in conjunction with the CMI 2022 projection model. The assumptions are equivalent to life expectancies as follows: Current pensioner aged 65: 86 years (male), 88 years (female). Future retiree currently aged 45: 87 years (male), 90 years (female).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

22 Retirement benefit schemes continued

Risk and sensitivity

Following the buy-in, changes in actuarial assumptions will impact the liabilities and insured asset to the same extent, with no overall impact on the net reporting position. A decrease in the discount rate by 0.1% per annum increases the liabilities and assets by approximately £4 million. An increase by 0.1% per annum in the inflation rate increases the liabilities and assets by approximately £2 million. An increase in the life expectancy of 1 year increases the liabilities and assets by approximately £11 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.

The amounts recognised in respect of the pension surplus in the consolidated balance sheet are:

£million	2023	2022
Equities	1.2	4.8
Government bonds	–	15.4
Corporate bonds	–	1.0
Cash and cash equivalents	24.5	14.0
Insured assets	336.9	357.9
Other	0.9	3.7
Fair value of assets	363.5	396.8
Present value of defined benefit obligation	(341.3)	(368.4)
Net surplus recognised in the consolidated balance sheet	22.2	28.4

The schemes' assets are unquoted unless otherwise stated and do not include the Group's financial instruments, 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.

Amounts recognised in the consolidated income statement are:

£million	2023	2022
Scheme administration costs	(1.9)	(1.2)
Net loss on pension projects (excluded from adjusted operating profit)	(1.3)	(13.8)
Net interest credit	1.4	2.1

Amounts recognised in the consolidated statement of comprehensive income are a gain of £0.2 million (2022: loss of £35.9 million) which comprises of; the actual return on scheme assets excluding interest income, a loss of £18.3 million (2022: loss of £215.3 million) and the remeasurement of the schemes obligations, a gain of £18.5 million (2022: gain of £179.5 million).

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

£million	2023	2022
Defined benefit obligation at 1 January	368.4	577.4
Past service charge and settlements	(5.5)	(20.3)
Interest on obligation	17.7	11.9
Remeasurements:		
Effect of changes in demographic assumptions	(9.7)	(0.5)
Effect of changes in financial assumptions	6.0	(197.2)
Effect of experience adjustments	(15.0)	18.2
Benefits paid	(20.2)	(22.6)
Exchange	(0.4)	1.5
Defined benefit obligation at 31 December	341.3	368.4
TT Group (1993)	336.9	357.9
USA schemes	4.4	10.5
	341.3	368.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

22 Retirement benefit schemes continued

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

£million	2023	2022
Fair value of schemes' assets at 1 January	**396.8**	651.9
Interest income on defined benefit scheme assets	**19.1**	14.0
Return on scheme assets, excluding interest income	**(18.3)**	(215.4)
Contributions by employer	**0.2**	1.3
Return of pension surplus [1]	**(5.0)**	–
Pension scheme expenses	**(3.2)**	(1.2)
Settlements	**(5.5)**	(32.1)
Benefits paid	**(20.2)**	(22.6)
Exchange	**(0.4)**	0.9
Fair value of schemes' assets at 31 December	**363.5**	396.8

1 During the year the TT Group (1993) Pension Scheme returned £3.2 million of pension surplus as cash to the Group. This was net of £1.8m of tax paid directly by the scheme to HMRC.

23 Share capital

Share capital

£million	2023	2022
Issued and fully paid		
177,371,049 (2022: 176,486,627) ordinary shares of 25p each	**44.3**	44.1

During the period the Company issued 884,422 ordinary shares as a result of share options being exercised under the Sharesave scheme and Share Purchase plans.

The performance conditions of the Restricted Share Plan awards issued in 2020, 2021 and 2022 were met and shares were allocated to award holders from existing shares held by an Employee Benefit Trust for £nil consideration. The performance conditions of the Long-term Incentive Plan awards issued in 2020 were not met and therefore no new shares were issued to award holders.

The aggregate consideration received for all share issues during the year was £1.3 million which was represented by a £0.2 million increase in share capital and a £1.1 million increase in share premium.

24 Other reserves

£million	Share Based Payment Reserve	Employee Benefit Trust	**Share options reserve**	Hedging Reserve	Merger reserve	**Total**
At 1 January 2022	1.3	(0.3)	**1.0**	2.7	3.4	**7.1**
Share based payment charge	4.8	–	**4.8**	–	–	**4.8**
Awards made to employees	(0.8)	0.4	**(0.4)**	–	–	**(0.4)**
Deferred tax on share based payments	(1.0)	–	**(1.0)**	–	–	**(1.0)**
Funding of employee benefit trust	–	(0.5)	**(0.5)**	–	–	**(0.5)**
Loss on cash flow hedges taken to equity less amounts taken to income statement	–	–	**–**	(2.9)	–	**(2.9)**
Deferred tax on movement in cash flow hedges	–	–	**–**	0.2	–	**0.2**
Other movement	–	–	**–**	–	–	**–**
At 1 January 2023	4.3	(0.4)	**3.9**	–	3.4	**7.3**
Share based payment charge	3.1	–	**3.1**	–	–	**3.1**
Awards made to employees	(1.0)	1.1	**0.1**	–	–	**0.1**
Deferred tax on share based payments	(0.1)	–	**(0.1)**	–	–	**(0.1)**
Funding of employee benefit trust	–	(1.3)	**(1.3)**	–	–	**(1.3)**
Loss on cash flow hedges taken to equity less amounts recycled to income statement	–	–	**–**	3.5	–	**3.5**
Deferred tax on movement in cash flow hedges	–	–	**–**	(0.7)	–	**(0.7)**
At 31 December 2023	6.3	(0.6)	**5.7**	2.8	3.4	**11.9**

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 2023:

– Long-term Incentive Plan ("LTIP") for senior executives;
– Restricted Share Plan ("RSP") for certain senior executives; and
– Sharesave plans for UK employees and a Share Purchase plan for US employees.

The LTIP and RSP schemes have been classified as equity settled schemes. The terms of the LTIP and RSP schemes state that the Group has the right as to how to settle these awards and it is the Group's intention to settle these with equity. At the date of vesting the Group will settle the awards either with new issue shares or shares purchased on the market at an earlier point in time.

The Group offers the employees the option for the Group to settle the tax liability, which the employee would incur upon receipt of the award, on behalf of the employee with the relevant tax authority. In this circumstance the Group may choose to pay, in cash, the tax liability due on behalf of the employee to the tax authority and the employee would receive the remaining value of their award in equity. In 2023 the Group paid £0.5 million to settle the employees' tax liabilities (2022: £0.9 million). The Group estimates that the future cashflows associated with the above would remain consistent with the 2023 outflows. The Group also offers the employee the option for the Group to sell the remaining shares on the employees' behalf and to forward that cash to the employee, although the Group is not compelled to do so no matter what the employee chooses. In 2023 £0.1 million was used for these purposes (2022: £nil). The Group estimates that the future cashflows associated with the above would remain consistent in future years with the 2023 outflows. These arrangements do not change the assessment that the share-based payments are equity settled.

The Sharesave scheme has also been classified as an equity settled scheme. The rules of this scheme state that the participant must always be paid in equity and that neither party can request settlement in any other way.

a) Long-term Incentive Plans

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

	2023 Number of share awards	2022 Number of share awards
At 1 January	**3,958,289**	5,379,293
Granted	**1,238,163**	650,871
Forfeited/Lapsed	**(2,931,224)**	(1,614,554)
Exercised/Vested	**–**	(457,321)
At 31 December	**2,265,228**	3,958,289
Exercisable at 31 December	**–**	–

During 2023 grants of awards were made under the LTIP for the issue of shares in 2026. 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 105.

The fair value of the shares was estimated at the grant date using a Monte Carlo simulation model, considering 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 considers historic dividends and share price fluctuations to predict the distribution of relative share price performance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25 Share-based payment plans continued

The table below lists the awards which were made during the year the inputs to the model:

Grant date	Number of awards	Fair value at grant date	Share price at grant date	Exercise price	Expected volatility	Vesting period (years)
2023						
14 March 2023	758,233	135.1p	183.0p	£nil	38%	3.0
2 October 2023	479,930	117.8p	171.0p	£nil	38%	3.0
2022						
14 March 2022	650,871	164.9p	202.5p	£nil	37%	3.0

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.

The performance conditions of the LTIP grants made in 2020 that reached the end of their performance periods in 2023 were not met and no shares were allocated to award holders.

b) Restricted Share Plan

During the year the Group granted 1,530,984 shares (2022: 1,219,914) under the restricted plan. Awards are typically subject to continuing employment with no other vesting criteria.

Details of the restricted share plan awards outstanding during the year are as follows:

	2023 Number of share awards	2022 Number of share awards
At 1 January	**2,289,873**	2,193,182
Granted	**1,530,984**	1,219,914
Forfeited/Lapsed	**(123,745)**	(476,619)
Exercised/Vested	**(786,612)**	(646,604)
At 31 December	**2,910,500**	2,289,873
Exercisable at 31 December	**–**	–

During the year 76,536 (2022: 59,874) notional RSP share awards were granted to senior managers which will ultimately be settled in cash.

The performance conditions of the RSP grants made in 2020, 2021 and 2022 that reached the end of their performance periods in 2023 were partially met and shares were allocated to award holders from existing shares held by an Employee Benefit Trust for £nil consideration.

The table below lists the awards which were made during the year the inputs to the model:

Grant date	Number of awards	Fair value at grant date	Share price at grant date	Exercise price	Expected volatility	Vesting period (years)
2023						
16 March 2023	**1,247,648**	**183.0p**	**183.0p**	**£nil**	**38%**	**3.0**
3 August 2023	**56,460**	**153.0p**	**153.0p**	**£nil**	**38%**	**3.0**
2 October 2023	**226,876**	**172.0p**	**172.0p**	**£nil**	**38%**	**3.0**

Grant date	Number of awards	Fair value at grant date	Share price at grant date	Exercise price	Expected volatility	Vesting period (years)
2022						
10 January 2022	14,053	264.0p	264.0p	£nil	37%	3.0
14 March 2022	948,429	202.5p	202.5p	£nil	37%	3.0
14 March 2022	107,413	202.5p	202.5p	£nil	37%	3.0
6 June 2022	49,342	200.5p	200.5p	£nil	37%	3.0
20 June 2022	60,677	187.0p	187.0p	£nil	37%	3.0
21 November 2022	40,000	170.0p	170.0p	£nil	37%	3.0

All of the above awards are subject to continuing employment with the Group.

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. All Sharesave scheme awards are accounted for as equity settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25 Share-based payment plans continued

Details of the save as you earn share plan awards outstanding during the year are as follows:

	2023 Number of share awards	2022 Number of share awards
At 1 January	**3,749,876**	2,465,154
Granted	**1,292,868**	1,930,800
Forfeited/Lapsed	**(908,159)**	(601,348)
Exercised	**(682,620)**	(44,730)
At 31 December	**3,451,965**	3,749,876
Exercisable at 31 December	**303,407**	507,668

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

Date price set	Market price	Option price	Fair value	Options outstanding
30 August 2020	187.0p	151.0p	84.0p	304,474
7 September 2021	271.0p	226.0p	110.9p	263,887
6 September 2022	149.3p	119.5p	67.5p	1,625,595
5 September 2023	174.1p	139.4p	66.5p	1,258,009

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 debit of £0.1 million (2022: £0.2 million credit) arising from the above share scheme plans was £3.1 million (2022: £4.8 million).

26 Reconciliation of net cash flow to movement in net debt

Net cash of £76.5 million (2022: £61.3 million) comprises cash at bank and in hand of £74.1 million (2022: £65.0 million), overdrafts of £1.2 million (2022: £3.7 million) and cash within assets held for sale of £3.6 million.

£million	Net cash	Lease liabilities	Borrowings	Net debt
At 1 January 2022	67.2	(22.6)	(147.1)	(102.5)
Cash flow	(9.2)	–	–	(9.2)
Businesses acquired	–	(0.2)	–	(0.2)
Repayment of borrowings	–	–	149.3	149.3
Proceeds from borrowings	–	–	(174.3)	(174.3)
Payment of lease liabilities	–	4.3	–	4.3
New leases	–	(2.3)	–	(2.3)
Net movement in loan arrangement fees	–	–	0.7	0.7
Exchange differences	3.3	(2.3)	(5.2)	(4.2)
At 31 December 2022	**61.3**	**(23.1)**	**(176.6)**	**(138.4)**
Cash flow	**19.3**	**–**	**–**	**19.3**
Transferred to held for sale	**(3.6)**	**2.6**	**–**	**(1.0)**
Repayment of borrowings	**–**	**–**	**26.1**	**26.1**
Proceeds from borrowings	**–**	**–**	**(32.7)**	**(32.7)**
Payment of lease liabilities	**–**	**4.4**	**–**	**4.4**
New leases	**–**	**(3.4)**	**–**	**(3.4)**
Net movement in loan arrangement fees	**–**	**–**	**(0.1)**	**(0.1)**
Exchange differences	**(4.1)**	**1.3**	**1.4**	**(1.4)**
At 31 December 2023	**72.9**	**(18.2)**	**(181.9)**	**(127.2)**
Included within assets classified as held for sale and associated liabilities	**3.6**	**(2.6)**	**–**	**1.0**
At 31 December 2023	**76.5**	**(20.8)**	**(181.9)**	**(126.2)**

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
At 1 January 2022	(22.6)	(147.1)	(0.3)	(170.0)
Cash movements				
Cash flows	5.1	(17.9)	0.1	(12.7)
Non cash movements				
Fair value movements	–	–	0.8	0.8
Business acquired	(0.2)	–	–	(0.2)
Interest accrued	(0.8)	(7.1)	–	(7.9)
Net movement in loan arrangement fees	–	0.7	–	0.7
New leases	(2.3)	–	–	(2.3)
Exchange differences	(2.3)	(5.2)	–	(7.5)
At 1 January 2023	**(23.1)**	**(176.6)**	**0.6**	**(199.1)**
Cash movements				
Cash flows	**5.2**	**3.3**	**(0.6)**	**7.9**
Non cash movements				
Transferred to held for sale	**2.6**	**–**	**–**	**2.6**
Interest accrued	**(0.8)**	**(9.9)**	**–**	**(10.7)**
Net movement in loan arrangement fees	**–**	**(0.1)**	**–**	**(0.1)**
New leases	**(3.4)**	**–**	**–**	**(3.4)**
Exchange differences	**1.3**	**1.4**	**–**	**2.7**
At 31 December 2023	**(18.2)**	**(181.9)**	**–**	**(200.1)**
Included within liabilities associated with assets classified as held for sale	**(2.6)**	**–**	**–**	**(2.6)**
At 31 December 2023	**(20.8)**	**(181.9)**	**–**	**(202.7)**

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 19, the Directors consider the likelihood of any other claims giving rise to a significant liability to be remote.

29 Capital commitments

£million	2023	2021
Contractual commitments for the purchase of property, plant and equipment	**2.7**	3.1

30 Leases

The total cash outflow for leases is £5.1 million (2021: £4.7 million) comprising lease repayments of £4.3 million (2021: £3.9 million), interest on lease liabilities of £0.8 million (2021: £0.8 million).

Interest on lease liabilities is shown in note 5, the maturity of the lease liabilities is shown in note 21(e) and the corresponding assets to which the lease liabilities relate are shown in note 12.

31 Related party transactions

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

No related party transactions have taken place in 2022 or 2021 that have affected the financial position or performance of the Group.

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

32 Subsequent events

On 4 March 2024 the Group announced the agreement to sell three business operating units within the Global Manufacturing Solutions and Power and Connectivity segments to the Cicor Group for a cash consideration of £20.8 million on a cash and debt free basis subject to normal working capital adjustments. The assets and related liabilities of the disposal group are shown as being held for sale as at 31 December 2023 as detailed in note 4.

COMPANY STATEMENT OF FINANCIAL POSITION

at 31 December 2023

£million	Note	2023	2022
Non current assets			
Right-of-use assets	2	**0.4**	0.5
Property, plant and equipment	2	**0.3**	0.5
Intangible assets	2	**0.8**	0.9
Investments	3	**126.4**	126.4
Deferred tax asset	11	**3.4**	2.8
Pensions	10	**25.3**	31.3
Debtors	4	**128.1**	121.2
Total fixed assets		**284.7**	283.6
Current assets			
Debtors	4	**27.6**	20.5
Cash at bank and in hand	13	**1.4**	0.5
Total current assets		**29.0**	21.0
Current liabilities			
Lease liabilities	6	**0.2**	0.2
Creditors: amounts falling due within one year	5	**18.6**	9.0
Total current liabilities		**18.8**	9.2
Net current assets		**10.2**	11.8
Non current liabilities			
Lease liabilities	6	**0.3**	0.5
Deferred tax liability	11	**8.4**	11.0
Total non current liabilities		**8.7**	11.5
Net assets		**286.2**	283.9
Capital and reserves			
Called up share capital	7	**44.3**	44.1
Share premium account	7	**24.0**	22.9
Share options reserve	8	**5.8**	3.9
Merger reserve		**3.4**	3.4
Profit and loss account	9	**208.7**	209.6
Shareholders' funds		**286.2**	283.9

The Company reported a profit for the financial year ended 31 December 2023 of £10.2 million (2022: loss of £38.2 million).

Approved by the Board of Directors on 6 March 2024 and signed on their behalf by:

Peter France
Director

Mark Hoad
Director

COMPANY STATEMENT OF CHANGES IN EQUITY

at 31 December 2023

£million	Share capital	Share premium	Merger reserve	Share options reserve	Profit and loss account	Total
At 1 January 2021	44.1	22.6	3.4	1.0	288.7	359.8
Loss for the year	–	–	–		(38.2)	(38.2)
Other comprehensive income						
Remeasurement of defined benefit pension schemes	–	–	–	–	(37.5)	(37.5)
Tax on remeasurement of defined benefit pension schemes	–	–	–	–	6.8	6.8
Total comprehensive income	–	–	–	–	(68.9)	(68.9)
Transactions with owners recorded directly in equity						
Dividends paid by the Company	–	–	–	–	(10.2)	(10.2)
Share-based payments	–	–	–	4.8	–	4.8
Deferred tax on share-based payments	–	–	–	(1.0)	–	(1.0)
Other movements	–	–	–	(0.9)	–	(0.9)
New shares issued	–	0.3	–	–	–	0.3
At 31 December 2022	**44.1**	**22.9**	**3.4**	**3.9**	**209.6**	**283.9**
Profit for the year	**–**	**–**	**–**		**10.2**	**10.2**
Other comprehensive income						
Remeasurement of defined benefit pension schemes	**–**	**–**	**–**	**–**	**0.3**	**0.3**
Tax on remeasurement of defined benefit pension schemes	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Total comprehensive income	**–**	**–**	**–**	**–**	**10.4**	**10.4**
Transactions with owners recorded directly in equity						
Dividends paid by the Company	**–**	**–**	**–**	**–**	**(11.3)**	**(11.3)**
Share-based payments	**–**	**–**	**–**	**3.1**	**–**	**3.1**
Other movements	**–**	**–**	**–**	**(1.2)**	**–**	**(1.2)**
New shares issued	**0.2**	**1.1**	**–**	**–**	**–**	**1.3**
At 31 December 2023	**44.3**	**24.0**	**3.4**	**5.8**	**208.7**	**286.2**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 Material 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 2023 did not have any impact on the financial position or performance of the Group.

b) Estimation uncertainty

During the year there were no judgements made by the Directors, in the application of the adopted accounting policies, deemed to have a significant effect on the financial statements nor were there any estimates deemed to carry a significant risk of material adjustment in the next year.

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 Strategic Report on page 67.

c) Investments

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

d) 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 Non Current Assets

£million	Intangible Assets	Plant, equipment and vehicles	Right-of-use assets
Cost			
At 1 January 2022	19.4	1.2	1.2
Disposals	(1.6)	–	–
Additions	0.2	–	–
At 31 December 2022	18.0	1.2	1.2
Disposals	–	–	(0.1)
Additions	0.4	–	–
At 31 December 2023	**18.4**	**1.2**	**1.1**
Depreciation			
At 1 January 2022	17.8	0.6	0.6
Disposals	(1.6)	–	–
Depreciation charge	0.9	0.1	0.1
At 31 December 2022	17.1	0.7	0.7
Disposals	–	–	(0.1)
Depreciation charge	0.5	0.2	0.1
At 31 December 2023	**17.6**	**0.9**	**0.7**
Net book value			
At 31 December 2023	**0.8**	**0.3**	**0.4**
At 31 December 2022	0.9	0.5	0.5

Intangible assets solely relate to software.

Disposals in the prior year relate to redundant intangible assets which held a carrying value of £nil at the start of the year.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

3 Investments

£million	Subsidiary undertakings
Cost	
At 1 January 2022	253.0
Disposals	(1.0)
At 31 December 2022	252.0
At 31 December 2023	**252.0**
Provisions	
At 1 January 2022	78.8
Impairment	46.8
At 31 December 2022	125.6
At 31 December 2023	**125.6**
Net book value	
At 31 December 2023	**126.4**
At 31 December 2022	126.4

During the prior year an impairment of £46.8 million was recognised to reduce the investment in IoT Solutions UK Limited to its carrying value of £nil (2022: £46.8 million).

The Company's subsidiary undertakings and their locations are shown in note 14. Shareholdings are held indirectly for all principal operating subsidiary undertakings.

4 Debtors

£million	2023	2022
Current debtors		
Amounts owed by subsidiary undertakings	**25.7**	19.4
Prepayments, accrued income and other receivables	**1.9**	1.1
Amounts due within one year	**27.6**	20.5
Non Current debtors		
Amounts owed by subsidiary undertakings	**128.1**	121.2
Amounts due later than one year	**128.1**	121.2
Total	**155.7**	141.7

'Amounts owed by subsidiary undertakings' have been considered for impairment using the 12 months expected credit loss model because there was no change in credit risk since initial recognition. The expected credit loss is considered immaterial because the probability of default is negligible.

As at 31 December 2023 £128.1 million (2022: £121.2 million) of debtors have been classified as non current due to management's expectation that these will not be settled within 12 months.

5 Creditors

£million	2023	2022
Amounts falling due within one year		
Trade creditors	**2.6**	2.0
Amounts owed to subsidiary undertakings	**8.7**	1.4
Taxation and social security	**0.9**	1.4
Accruals and deferred income	**6.4**	4.2
	18.6	9.0

6 Lease obligations

£million	Current lease liabilities	Non-current lease liabilities	Total
At 31 December 2022	0.2	0.5	0.7
Capital repayments	–	(0.2)	(0.2)
At 31 December 2023	**0.2**	**0.3**	**0.5**

7 Share capital

£million	2023	2022
Issued, called up and fully paid		
177,371,049 (2022: 176,486,627) ordinary shares of 25p each	**44.3**	44.1

During the period the Company issued 884,422 ordinary shares as a result of share options being exercised under the Sharesave scheme and Share Purchase plans.

The performance conditions of the Restricted Share Plan awards issued in 2020, 2021 and 2022 were met and shares were allocated to award holders from existing shares held by an Employee Benefit Trust for £nil consideration. The performance conditions of the Long-term Incentive Plan awards issued in 2020 were not met and therefore no new shares were issued to award holders.

The aggregate consideration received for all share issues during the year was £1.3 million which was represented by a £0.2 million increase in share capital and a £1.1 million increase in share premium.

8 Share-based payments

Details of share-based payments are shown in note 25 of the Consolidated financial statements. Any charge associated with share-based payments made to employees of subsidiaries are recharged out to the relevant subsidiaries within the same financial year.

9 Profit for the year

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its profit and loss account for the year. The profit after tax of the Company for the year was £10.2 million (2022: loss of £38.2 million). The auditor's remuneration for audit services is disclosed in note 6 to the Consolidated financial statements.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

10 Pension schemes

Defined benefit scheme

In November 2022, the Trustees of the TT Group Scheme entered into a bulk annuity insurance contract with an insurer in respect of the liabilities of the defined benefit scheme ('buy-in'). The insurer will pay into the Scheme cash matching the benefits due to members. The Trustee is of the opinion that this investment decision is appropriate, reduces the risks in the Scheme and provides additional security for the benefits due to members of the Scheme. The Trustee continues to be responsible for running the Scheme and retains the legal obligation for the benefits provided under the Scheme.

As the buy-in policy is a qualifying insurance asset, the fair value of the insurance policy is deemed to be the present value of the obligations that have been insured. The policy secured matches the benefits due to Scheme members under the Scheme's Trust Deed and Rules.

Since the assets of the Scheme were greater than the premium required to secure the liabilities through the buy-in, the Scheme is in a net asset position at 31 December 2023 of £25.3 million. A 'true-up premium/refund' may be payable to/from the insurer during 2024, subject to a data cleanse exercise to formally agree the final benefits that are covered by the buy-in contract.

The last triennial valuation of the TT Group scheme as at April 2022 showed a net surplus of £45.4 million against the Trustee's statutory funding objective.

Due to the favourable funding position the Trustees and Company have agreed that there was no requirement for any further funding contributions to the TT Group scheme. In December 2023 an initial £5.0 million refund of the surplus was paid to the group out of scheme assets by the Trustees (£3.2 million after tax suffered by the scheme).

The Trustee and Company agreed that the Trustee should undertake an exercise during 2022, whereby deferred members were offered an enhanced transfer value option. In the year ended 31 December 2022 a £11.8 million settlement cost was recognised within items excluded from adjusted operating profit as a result of this exercise.

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 2023 were £0.6 million (2022: £0.5 million).

11 Deferred tax

The deferred tax asset of £3.4 million comprises £0.7 million asset in respect of share-based payments (2022: £0.7 million asset); £1.2 million in respect of non-current assets (2022: £1.4 million asset) the movement in which has been recognised in profit and loss (£0.2 million); and £1.5 million in respect of tax losses (2022: £0.7 million) the movement in which has been recognised in profit and loss (£0.8 million).

The deferred tax liability of £8.4 million is in respect of the pension asset (2022: £11.0 million liability), the movement in which has been recognised in equity (debit to equity of £0.1 million) and the income statement (credit to income statement of £2.7 million).

12 Employee information

The average number of full time equivalent employees (including Directors) during the year was 80.

13 Related party transactions

During 2023 and 2022, the Company did not have any related party transactions other than with wholly owned subsidiaries.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

14 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
Dongguan Arlec Electrical Products Co. Limited (capital contribution)	(1)
TT Electronics Integrated Manufacturing Services (Suzhou) Co., Ltd	(2)
Ying Si Ke Electrical Products Co. Limited (capital contribution)	(1)
TT Electronics SAS	(3)
TT Electronics GmbH	(4)
Stadium Asia Limited	(5)
STMC Limited	(6)
TT Electronics Srl	(6)
BI Technologies Corporation SDN BHD (ordinary and preference shares)	(7)
BI Technologies S.A. de C.V.	(8)
Optron de Mexico S.A. de C.V.	(9)
TT Electronics Asia Pte Ltd	(10)
TT Electronics Sweden AB	(11)
AB Connectors Limited	(12)
AB Electronic Components Limited	(13)
Abtest Limited [2]	(14)
Aero Stanrew Group Limited (ordinary and preference shares) [1,2]	(15)
Aero Stanrew Limited	(15)
Automotive Electronic Systems Limited [1]	(13)
BI Technologies Limited [2]	(13)
Commendshaw Limited [2]	(13)
Controls Direct Limited [2]	(13)
Crystalate Electronics Limited	(13)
Dale Electric International Limited [1,2]	(13)
Deltight Washers Limited [2]	(13)
Ferrus Power Limited [2]	(13)
Fox Industries Limited [2]	(13)
Hale End Holdings Limited [2]	(13)
Kingslo Limited [2]	(13)
KRP Power Source (UK) Limited [2]	(13)
Linton and Hirst Group Limited [2]	(13)
Midland Electronics Limited	(13)
MMG Linton and Hirst Limited [2]	(13)
Nulectrohms Limited [2]	(13)

Name of subsidiary undertaking	Registered office/principal place of business
Roxspur Measurement & Control Limited	(13)
Semelab Limited	(13)
Sensit Limited [2]	(13)
Stadium Electrical Holdings Limited [2]	(13)
Stadium Electronics Limited [2]	(13)
Stadium IGT Limited	(13)
Stadium Power Limited [2]	(13)
Stadium United Wireless Limited [2]	(13)
Stadium Wireless Devices Limited [2]	(13)
Stadium Zirkon UK Limited [2]	(13)
Stontronics Limited [2]	(13)
The Brearley Group Limited [2]	(13)
TT Asia Holdings Limited	(13)
TT Automotive Electronics Limited [2]	(13)
TT Electronics Europe Limited [1,2]	(13)
TT Electronics Fairford Limited	(16)
TT Electronics Group Holdings Limited [1]	(13)
TT Electronics Holdco Limited	(13)
TT Electronics Integrated Manufacturing Services Limited	(14)
TT Electronics IoT Solutions Limited [1]	(13)
TT Electronics Power Solutions (UK) Limited	(13)
TT Group Limited [2]	(13)
TT Power Solutions Limited [2]	(13)
TTE Trustees Limited [1,2]	(13)
TTG Investments Limited [1]	(13)
TTG Nominees Limited [1,2]	(13)
TTG Pension Trustees Limited [1,2]	(13)
TTG Properties Limited [1]	(13)
Valuegolden Limited [2]	(13)
Welwyn Components Limited	(17)
Welwyn Electronics Limited [2]	(13)
Wolsey Comcare Limited [2]	(13)
Zirkon Holdings Limited [2]	(13)
AB Interconnect, Inc.	(18)
Apsco Holdings, Inc	(18)
BI Technologies Corporation	(18)
Cletronics N.A. Inc,	(19)
International Resistive Company Inc	(18)

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

14 Subsidiary undertakings continued

Name of subsidiary undertaking	Registered office/principal place of business
International Resistive Company of Texas, LLC	(20)
Optek Technology Inc	(18)
Power Partners, Inc	(21)
Precision, Inc	(22)
Torotel, Inc	(23)
Torotel Products, Inc	(23)
TT Electronics Integrated Manufacturing Services, Inc	(24)
TT Electronics Power Solutions (US), Inc	(19)
TT Group Industries, Inc.	(19)

(1) 4th Building, F Zone, Zheng Wei Science Park, Dongkeng Town, Dongguan City, Guangdong, China
(2) 158-24 Hua Shan Road, Snd Suzhou, 215129, China
(3) 4 place Louis Armand, 75012 Paris, France
(4) Max-Lehner-Strasse 31, 85354, Freising, Germany
(5) Unit A, 3/F, Bamboos Centre, 52 Hung To Road, Kwun Tong, Kowloon, Hong Kong
(6) Via Santa Redegonda N. 11, Milano, Italy
(7) Lot 6.05, Level 6, KPMG tower, 8 First Avenue, Bandar Utama 47800 Petaling Jaya, Selangor, Darul Ehsan, Malaysia
(8) Ave Circulo de la Amistad No.102, Parque Industrial Mexicali IV, Mexico
(9) Ave Rio Bravo 1551-a, Parque Industrial Rio Bravo, CD. Juarez Chihuahua, Mexico
(10) 2 Shenton Way, #18-01 SGX Centre 1, 068804, Singapore
(11) Gullfossgatan 3, 164 40 Kista, Sweden
(12) Abercynon, Mountain Ash, Rhondda Cynon Taff, CF45 4SF, Wales
(13) Fourth Floor, St Andrews House, West Street, Woking, Surrey, GU21 6EB, England
(14) Unit 1, Tregwilym Industrial Estate, Rogerstone, Newport, Gwent, NP10 9YA, Wales
(15) Unit 1 Gratton Way, Roundswell Business Park, Barnstaple, Devon, EX31 3AR, England
(16) London Road, Fairford, Gloucestershire, GL7 4DS, England
(17) Welwyn Electronics Park, Bedlington, Northumberland, NE22 7AA, England
(18) Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, United States
(19) CT Corporation System, Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States
(20) Corporation Service Company, 211 East 7th Street, Suite 620, Austin, TX 78701-3218, United States
(21) 155 Northboro Road, Suite #9, Southborough, MA 01772, USA
(22) 1700 Freeway Boulevard, Minneapolis, MN 55430, United States
(23) 520 N Rogers Road, Olathe, KS66062, United States
(24) 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

UK Registered Subsidiaries exempt from audit

The following UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 December 2023. The following entities are 100% owned and have a single class of ordinary share with a nominal value of £1, unless otherwise stated. All subsidiaries below are registered at Fourth floor, St Andrews House, West Street, Woking GU21 6EB, United Kingdom.

Name of subsidiary undertaking	Company number
AB Electronic Components Limited	00578077
Automotive Electronic Systems Limited [1]	01518303
Crystalate Electronics Limited	00691591
Midland Electronics Limited	00675333
TT Asia Holdings Limited	02464046
TT Electronics Group Holdings Limited [1,2]	00299275
Semelab Limited	06649272

1 Shares held directly by TT Electronics plc
2 Single class of ordinary share with a nominal value of £0.25.

FIVE YEAR RECORD

£million (unless otherwise stated)	**2023**	2022	2021	2020	2019
Revenue	**613.9**	617.0	476.2	431.8	478.2
Operating profit	**8.7**	(3.4)	19.3	6.6	16.9
Adjusted operating profit [1]	**52.8**	47.1	34.8	27.5	38.1
(Loss)/profit before taxation	**(1.1)**	(10.1)	16.0	2.9	13.2
Adjusted profit before taxation [1]	**43.0**	40.4	31.5	23.8	34.4
(Loss)/earnings (continuing)	**(6.8)**	(13.2)	12.8	1.3	12.4
Adjusted earnings [1]	**33.8**	32.0	25.3	19.5	29.0
(Loss)/earnings per share – continuing (pence)	**(3.9)**	(7.5)	7.3	0.8	76.0
Adjusted earnings per share (pence) [1]	**19.2**	18.2	14.5	11.7	17.8
Dividends – paid and proposed [2]	**12.0**	11.1	9.9	8.2	11.4
Dividend per share – paid and proposed (pence) [2]	**6.8**	6.3	5.6	4.7	7.0
Average number of shares in issue	**175.6**	175.8	174.8	166.5	163.1
Net debt [3]	**126.2**	138.4	102.5	83.9	69.1
Total equity	**270.5**	297.0	330.0	298.0	268.0

1 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.
2 2023 shows the cashflows/value of the proposed 2023 dividend. 2022 and before shows the cashflows/value of the actual dividends relating to that particular year.
3 Net (debt)/funds includes cash and overdrafts within assets and liabilities held for sale.

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 adjusted operating profit and other adjusted profit measures. 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 7. 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 7	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, impairment charges significant in nature and/or value, 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. 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 7	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 10 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.
Adjusted diluted earnings per share	Diluted earnings per share	See note 10 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 and foreign exchange 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 twelve 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 (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)	None	See note APM 11	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 cash flow	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 share based payment 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). A company is awarded between zero and three stars based on the employee feedback. 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
2023 revenue	169.7	299.2	145.0	**613.9**
2022 revenue	154.2	323.0	139.8	**617.0**
Foreign exchange impact	(0.4)	(10.9)	–	**(11.3)**
2022 revenue at 2023 exchange rates	153.8	312.1	139.8	**605.7**
Organic revenue increase (%)	**10%**	**-4%**	**4%**	**1%**

£million	Power and Connectivity	Global Manufacturing Solutions	Sensors and Specialist Components	Total
2022 revenue	154.2	323.0	139.8	617.0
Acquisitions	7.9	–	–	7.9
2022 revenue (excluding acquisitions)	146.3	323.0	139.8	609.1
2021 revenue	140.2	220.1	115.9	476.2
Foreign exchange impact	7.2	15.4	8.9	31.5
2021 revenue at 2022 exchange rates	147.4	235.5	124.8	507.7
Organic revenue increase (%)	(1%)	37%	12%	20%

APM 2 – Effective tax charge:

£million	2023	2022
Adjusted operating profit	**52.8**	47.1
Net interest	**(9.8)**	(6.7)
Adjusted profit before tax	**43.0**	40.4
Adjusted tax	**(9.2)**	(8.4)
Adjusted effective tax rate	**21.4%**	20.8%

APM 3 – Return on invested capital:

£million	2023	2022
Adjusted operating profit	**52.8**	47.1
Average invested capital	**440.0**	448.6
Return on invested capital	**12.0%**	10.5%

APM 4 – Net capital and development expenditure (net capex):

£million	2023	2022
Purchase of property, plant and equipment	**(22.3)**	(11.4)
Proceeds from sale of investment property, plant and equipment and capital grants received	**0.5**	0.3
Capitalised development expenditure	**(1.6)**	(2.3)
Purchase of other intangibles	**(0.6)**	(0.6)
Net capital and development expenditure	**(24.0)**	(14.0)

RECONCILIATION OF KPIS AND NON IFRS MEASURES CONTINUED

APM 5 – Adjusted operating cash flow:

£million	2023	2022
Adjusted operating profit	**52.8**	47.1
Adjustments for:		
Depreciation	**14.0**	13.9
Amortisation of intangible assets	**2.5**	2.2
Share based payment expense	**3.1**	4.8
Reimbursement of pension surplus	**1.6**	–
Other items	**(0.7)**	0.5
Decrease/(increase) in inventories	**4.5**	(40.4)
Decrease/(increase) in receivables	**10.5**	(26.3)
(Decrease)/increase in payables and provisions	**(15.5)**	27.9
Adjusted operating cash flow	**72.8**	29.7
Special payments to pension funds	**3.2**	–
Restructuring and acquisition related costs	**(4.0)**	(11.1)
Net cash generated from operations	**72.0**	18.6
Net income taxes paid	**(9.1)**	(5.9)
Net cash flow from operating activities	**62.9**	12.7

APM 6 – Adjusted operating cash flow post capex:

£million	2023	2022
Adjusted operating cash flow	**72.8**	29.7
Purchase of property, plant and equipment	**(22.3)**	(11.4)
Proceeds from sale of property, plant and equipment and government grants received	**0.5**	0.3
Capitalised development expenditure	**(1.6)**	(2.3)
Purchase of other intangibles	**(0.6)**	(0.6)
Adjusted operating cash flow post capex	**48.8**	15.7

APM 7 – Working capital cashflow:

£million	2023	2022
(Increase)/decrease in inventories	**4.5**	(40.4)
(Increase)/decrease in receivables	**10.5**	(26.3)
Increase/(decrease) in payables and provisions	**(15.5)**	27.9
Working capital cashflow	**(0.5)**	(38.8)

APM 8 – Free cash flow:

£million	2023	2022
Net cash flow from operating activities	**62.9**	12.7
Net cash flow from investing activities	**(24.0)**	(22.3)
Add back: Acquisition of business	**–**	8.3
Payment of lease liabilities	**(4.4)**	(4.3)
Interest paid	**(10.6)**	(7.5)
Free cash flow	**23.9**	(13.1)

APM 9 – Cash conversion:

£million	2023	2022
Adjusted operating profit	**52.8**	47.1
Adjusted operating cash flow post capex	**48.8**	15.7
Cash conversion	**92%**	33%

APM 10 – R&D cash spend as a percentage of revenue:

£million	2023	2022
Revenue (excluding GMS)	**314.7**	294.0
R&D cash spend	**10.8**	11.0
R&D cash spend as a percentage of revenue	**3.4%**	3.7%

APM 11 – Leverage:

£million	2023	2022
Adjusted operating profit	**52.8**	47.1
Depreciation	**14.0**	13.9
Amortisation	**2.5**	2.2
EBITDA	**69.3**	63.2
Adjustment to align with covenants	**(5.3)**	(5.1)
EBITDA (covenants)	**64.0**	58.1
Net debt as per note 26	**126.2**	138.4
Less: leases	**20.8**	23.1
Net debt excluding leases	**105.4**	115.3
Adjustment to align with covenants	**1.2**	(0.1)
Net debt (covenants)	**106.6**	115.2
Leverage	**(1.7)**	(2.0)

SHAREHOLDER INFORMATION

Ex-dividend date for final dividend
11 April 2024

Record date for final dividend
12 April 2024

AGM and trading update
10 May 2024

Final dividend payment
15 May 2024

2024 half-year results
8 August 2024

Preliminary announcement of 2024 results
March 2025

Annual Report 2024
April 2025

DIVIDENDS

See page 25 for details on the dividend amount per share.

ANNUAL GENERAL MEETING (AGM)

The next AGM will be held on 10 May 2024 at 11.30 a.m. Details of the AGM procedure for 2024 are set out in detail in the Notice of Annual General Meeting available at www.ttelectronics.com/investors/agm-gm/

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 23 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 03456 037 037 between 8.00 a.m. and 4.30 p.m., 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 p.m. 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.

SHAREHOLDER INFORMATION CONTINUED

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 5 March 2024 and 31 December 2023.

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.

	5 March 2024		31 December 2023	
	Number	%	Number	%
Blackrock, Inc	23,340,490	13.15	21,453,542	12.13
FIL Limited	17,651,300	12.03	17,651,300	12.03
Aberforth	14,832,779	9.10	14,832,779	9.10
BennBridge Limited	8,984,103	5.10	8,984,103	5.10
Slater Investments Ltd	8,915,000	5.06	8,915,000	5.06
M&G plc	8,764,166	5.00	8,764,166	5.00
Chelverton Asset Management Ltd	8,797,581	4.98	8,797,581	4.98
Schroders plc	8,672,794	4.91	8,672,794	4.91
Polar Capital LLP	8,539,130	4.88	8,539,130	4.88
Aberdeen Asset Management Ltd	7,835,077	4.83	7,835,077	4.83
NN Group N.V.	7,815,000	4.78	7,815,000	4.78
Franklin Templeton	7,590,000	4.64	7,590,000	4.64

SHAREHOLDER ENQUIRIES

Registrar
The Company's Registrar is Equiniti Limited.

Equiniti provide a range of services to shareholders.

Extensive information including many answers to frequently asked questions can be found online.

Use the QR code to register for FREE at www.shareview.co.uk

Equiniti's registered address is:

Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA.

Equiniti offers a range of shareholder information online at www.shareview.co.uk

WEBSITE

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

GLOSSARY

Advanced Air Mobility	AAM
Annual General Meeting	AGM
Alternative Performance Measure	APM
A TT employee performance initiative	BE Inspired
Basis point	bps
Command, Control, Communications, Computers, Integration, Surveillance and Reconnaissance	C4ISR
Capital Markets Day	CMD
Compound annual growth rate	CAGR
Carbon Disclosure Project	CDP
Chief Operating Officer	COO
Chief Executive Officer	CEO
Chief Financial Officer	CFO
Cash Generating Unit	CGU
Consumer Prices Index	CPI
Certificateless Registry for Electronic Share Transfer	CREST
Customer Relationship Management	CRM
Climate Related Risks & Opportunities	CRR&O
Defined Benefit	DB
Driving the Electric Revolution	DER
Deferred Share Benefit Plan	DSBP
Employee Assistance Programme	EAP
Earnings Before Interest, Taxes, Depreciation and Amortisation	EBITDA
Employee Benefit Trust	EBT
Economic, Cultural and Governance	ECG
Equality, Diversity and Inclusion	ED&I
Electronics Industry Citizenship Coalition	EICC
Executive Leadership Team	ELT
Electro-Magnetic	EM
Earnings Per Share	EPS
Electric Power Steering	EPS
Enterprise Resource Planning	ERP
Environmental, Social and Governance	ESG
European Union	EU
Fair, Balanced and Understandable	FBU
Financial Conduct Authority	FCA
Future Combat Air Systems	FCAS
Financial Reporting Council	FRC
Financial Reporting Standards	FRS
Financial Times Stock Exchange	FTSE
Foreign Exchange	FX
Financial Year	FY
Generally Accepted Accounting Principles	GAAP
Pounds Sterling (£)	GBP
Gross Domestic Product	GDP
Greenhouse Gas	GHG
Global Manufacturing Solutions	GMS
Global Positioning System	GPS
Gigawatt hour/Kilowatt hour	GWh/KWh
Health and safety	H&S
Half (year)	H
Human Resources	HR
Health Safety & Environmental	HSE
International Accounting Standards	IAS
International Accounting Standards Board	IASB
International Energy Agency	IEA
Institute of Environmental Management and Assessment	IEMA
International Financial Reporting Standards	IFRS
Internet of Things	IoT
Intellectual Property	IP
Intergovernmental Panel on Climate Change	IPCC
Investor Relations	IR
International Organisation for Standardisation	ISO
Information Technology	IT
Key Performance Indicator	KPI
Light Emitting Diode	LED
London Interbank Offered Rate	LIBOR
Lost Time Incident	LTI
Limited liability partnership	LLP
Long-Term Incentive Plan	LTIP
Mergers and Acquisitions	M&A
Million	M/m
Magnetic Resonance Imaging	MRI
Morgan Stanley Capital International	MSCI
Megawatt-hour	MWh
Non-Executive Director	NED
New Product Initiatives	NPI
Net Zero Emissions	NZE
Original Equipment Manufacturer	OEM
On time in full	OTIF
Power & Connectivity	P&C
Profit Before Tax	PBT
Public Limited Company	PLC
Purchasing Managers' Index	PMI
The TT Remuneration Policy	Policy
Private Placement	PP
People, Social, Environmental and Ethics	PSEE
Quarter (year)	Q
Questions & Answers	Q&A
Research and Development	R&D
Responsible Business Alliance	RBA
Revolving Credit Facility	RCF
Chinese Yuan	RMB
Regulatory News Service	RNS
Return On Capital Employed	ROCE
Return on Invested Capital	ROIC
Retail Price Index	RPI
Restricted Share Plan	RSP
Sensors & Specialist Components	S&SC
Sustainable Aviation Funds	SAF
Save As You Earn	SAYE
Science Based Targets initiative	SBTi
Senior Independent Director	SID
Senior Leadership Team	SLT
Surface Mount Technology	SMT
Stated Policies Scenario	STEPS
Short-Term Incentive Plan	STIP
Science, Technology, Engineering and Mathematics	STEM
Size, Weight, Power and Cost	SWaP-C
Tonne	t
Task Force on Climate-related Financial Disclosures	TFCD
TT Management Board	TMB
The Board of Directors of TT Electronics plc	the Board
UK Corporate Governance Code	the Code
TT Electronics plc	the Company
The Directors of TT Electronics plc	the Directors
TT Electronics plc and its subsidiaries	the Group
Total Shareholder Return	TSR
TT Electronics plc	TT
TT's values	TT Way
United Kingdom of Great Britain and Northern Ireland	UK
United Nations	UN
Underlying Earnings Before Interest, Taxes, Depreciation and Amortisation	Underlying EBITDA
Weighted Average Cost of Capital	WACC

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