

TTG.L
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TT ELECTRONICS' NEW PRODUCTS DRIVING FUTURE GROWTH

TT electronics is a world leader in sensor and electronic components technology and today announces its preliminary results for the year to 31 December 2006.

KEY POINTS

- Group revenue on continuing activities of £600.3 million (2005: £565.3 million).
- Operating profit before exceptional items up by 21 per cent to £36.2 million (2005: £29.9 million).
- Earnings per share from trading increased by 32 per cent to 14.1p (2005: 10.7p).
- The Board is recommending a maintained final dividend of 6.36p per share bringing the total for the year to 10.05p (2005: 10.05p).
- The acquisition of Apsco Holdings Inc in November 2006 established a global footprint for our electronic manufacturing services business.
- With a strong foundation of new product introductions, the group is poised for further growth, especially in the expanding markets in China and India.

John Newman, Executive Chairman, said today:

"TT electronics has a leading position in the expanding automotive sensor market. The production of vehicles incorporating our Autopad® range of inductive sensors will begin this year and it is anticipated that volumes will increase as these sensors are built into further ranges of new vehicles. The group expects significant growth in 2007 from our electronic manufacturing services business which is benefiting from the recent acquisition of Apsco.

"TT electronics' strong performance is due to improved market conditions, the benefits arising from the rationalisation of loss-making businesses and an increased pace of new product introduction which will generate further growth. The group continues to drive margin improvement through the progressive transfer of manufacturing to low labour cost economies, where 39 per cent of our total global workforce is now based.

"These successes, together with further acquisitions, will enable the group to be well positioned for future growth."

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Chairman's statement

2006 has been a successful year for TT electronics plc. Revenue has increased by 6 per cent to £600.3 million from £565.3 million in the previous year. Operating profit before exceptional items improved by 21 per cent to £36.2 million compared to £29.9 million in the previous year. Finance costs (net) were £5.7 million (2005: £6.1 million) comprising £3.8 million of bank and finance lease interest and £1.9 million relating to pension fund accounting. Profit before tax and exceptional items was £30.5 million compared with £24.7 million in 2005, an increase of 23 per cent. Taxation charge excluding the charge on exceptional items was £8.7 million compared with £8.1 million in 2005 at an effective rate of 29 per cent (2005: 29 per cent). Basic earnings per share from continuing operations and before exceptional items were 14.1p (2005: 10.7p), an increase of 32 per cent. Basic earnings per share were 18.1p (2005: 8.4p).

The exceptional item in 2006 was a profit of £8.8 million resulting from a curtailment in future benefits due to the three year freeze on pensionable salaries. This is part of the major reorganisation of pension arrangements which takes effect in 2007. The exceptional item in 2005 was a profit of £2.1 million from the gain on sale of land, disposal of a business less closure costs of two businesses.

We expanded our electronic manufacturing services (ems) activities with the acquisition of Apsco Holdings, Inc in November 2006 for £15.2 million. Apsco is based in Cleveland, USA and reported pre-tax profits of £1.9 million on revenue of £28.5 million for the year to 30 December 2005. Apsco will complement the group's existing ems activities in the UK, Malaysia and China and will be able to make use of low cost manufacturing in our Malaysian and Chinese factories to meet its American customers' requirements.

During the year we closed our loss-making ems factory near Newcastle. The business was transferred to our South Wales factory and to our Malaysian production unit. With the elimination of these losses and the acquisition of Apsco, the group expects a significant growth in 2007 profits from the ems businesses.

Automotive sales represent 37 per cent of TT electronics' revenue. The recent intention of the European Commission to force carmakers to increase the fuel efficiency of new cars by 18 per cent by 2012 indicates that the strong demand for our electronic sensor products will continue. In December 2006, the group signed an agreement to form a joint venture with an established supplier to the automotive industry in India. The company will sell the group's range of sensors and systems to the Indian automotive market, which offers considerable growth potential.

At 31 December 2006, the group's indebtedness was £71.0 million compared to £47.1 million in 2005. The increase was due to the acquisition of Apsco for £15.2 million in November 2006, special cash contributions to the pension schemes and the substantial increase in the cost of copper which has impacted inventories and receivables.

We merged six of the group's nine principal UK pension schemes into one during the year and this and the remaining three schemes will merge with effect from April 2007. The group has continued to make special contributions and ordinary payments into the schemes. These totalled £11.4 million in 2006. These payments, the upward movement in the stock market, the increase in the discount rate, the curtailment and changes in mortality assumptions have overall reduced the deficit of the pension funds to £72.6 million compared to £90.2 million in the previous year.

The Board of TT electronics plc recommends a final dividend of 6.36p per share which, following the 3.69p per share interim dividend, makes a total for the year of 10.05p, the same as last year.

My thanks to all the employees of TT electronics for contributing to the improved performance of the group and for their continued efforts in the future.

Martin Leigh, the Company Secretary for many years, retired at the end of 2006. I should like to thank him for his contribution to the group and wish him well for the future. Wendy Sharp has been appointed as Company Secretary.

TT electronics has profited from both product innovation and the move of manufacturing to low labour cost countries. These successes together with further acquisitions will enable the group to be well positioned for future growth.

John W Newman
Executive Chairman
16 March 2007

Business review

Highlights

- Growth in operating profit before exceptional items to £36.2 million from £29.9 million
- Acquisition of Apsco strategically enhances global electronic manufacturing services operations
- Employees in low cost manufacturing operations are now 39 per cent of the total workforce
- Continued success from Autopad® – new contracts won in 2006.

TT electronics designs, manufactures and sells electronic and electrical products worldwide. The electronic products concentrate on sensors, automotive electronic systems, components based on resistive and optoelectronic technology and outsourced contract electronic assembly manufacture. The electrical products are electricity generating sets, uninterruptible power supplies, electrical cables and cable accessories. The main markets served are automotive, telecoms and computer and industrial.

TT electronics' strategy is to provide specialist innovative products with superior product quality and reliability over those of our competitors. The markets in which we operate are global and there is considerable price pressure particularly in the automotive market which represents 37 per cent of group revenue. The continuing introduction of new products which have better functionality or are more cost effective is an important element in the short and long term strategy of the group.

The summary of key financial performance indicators and a review of the performance for the group overall as well as for each sector of the group's operations are set out below.

Overview of group performance

	2006	2005
	£million	£million
Revenue		
sensors and electronic systems	184.8	195.0
electronic components	139.9	129.6
electronic manufacturing services	72.1	60.3
Electronic sector	396.8	384.9
power systems	63.1	50.4
power transmission	140.4	130.0
Electrical sector	203.5	180.4
Group total	600.3	565.3
Operating profit(1)		
sensors and electronic systems	11.6	9.1
electronic components	11.4	8.7
electronic manufacturing services	1.3	2.0
Electronic sector	24.3	19.8
power systems	5.4	4.6
power transmission	6.5	5.5
Electrical sector	11.9	10.1
Group total	36.2	29.9
Capital employed	286.8	272.5
Return on capital employed	13%	11%
Number of employees	7,940	8,430

(1) Throughout this review operating profit is stated before exceptional items of profit of £8.8 million (2005: £2.1 million).

TT electronics has achieved an operating profit before exceptional items of £36.2 million, which is a growth of 21 per cent over the prior year of £29.9 million.

This growth is built on improved market conditions and the rationalisation of operations in the UK and France during 2005.

The increase in return on capital employed to 13 per cent (2005: 11 per cent) has been diluted due to the increased investment in working capital resulting from the higher cost of copper metal used in the electrical sector.

The rationalisation of our high volume electronic manufacturing services unit based in the North East of England was completed during the year.

We announced in November 2006 our plans to establish a controlling interest in a joint venture company based in Delhi, India, to serve the Indian automotive market. It is intended that our sensor technology combined with our partner's customer contacts will enable us to sell into this rapidly expanding market. The progressive adoption by the Indian government of European emission control standards for automotive products will provide our joint venture with excellent market opportunities.

Our companies have grown due to demand generally strengthening across many of our business units. The North American automotive market is an exception and demand here has continued to decline; however, our exposure to this market downturn is relatively small being less than 7 per cent of TT electronics' total revenue and many of our new products have been on newly launched vehicles where volumes in the initial stages of production have been healthy. Our new range of inductive sensors is anticipated to be incorporated into several new series of vehicles thereby generating growth when production of these vehicles starts in late 2007 with volumes accelerating through 2009.

The development of new products is an essential part of the successful future of TT electronics. We have increased the pace of new product introduction in both the electronic and electrical sectors. This will provide a strong platform for future growth.

Sensors and electronic systems

Our product range includes: electronic sensors which measure pressure, temperature, angle and rotational speed for applications such as engine management, accelerator pedals, suspension movement and engine speed; climate control systems used in vehicle heating and ventilation units; optoelectronic sensors which detect both visible and infrared light beams.

	2006	2005
	£million	£million
Revenue	184.8	195.0
Operating profit	11.6	9.1
Capital employed	87.4	89.1
Return on capital employed	13%	10%
Number of employees	2,601	2,804

The development of the Autopad® sensor product range has continued and during the year we have won new business. These sensors will be used in angle measurement applications. The Hall effect non-contacting sensors are more suitable for measuring speed such as engine crankshaft or road wheel rotation speeds. These are also progressing well and particularly pleasing is the development of our Hall effect torque and digital angular position sensor used in steering technology. This has been developed alongside our Autopad® system and provides an alternative contactless sensor technology. We also produce a successful range of contacting sensors.

We are expanding our operation based near Dresden, Germany where our success in developing new products for pressure and temperature sensing applications has continued. The manufacture of the first of our newly developed range of combined pressure and temperature sensors started in late 2006.

The reorganisation of our electronic systems business on to a single site in the UK was completed in mid 2006. New climate control business has been won from North American OEMs. This will be manufactured in a newly established Chinese factory by mid 2007.

We had high hopes of growth from our discrete visible optoelectronic product range launched in late 2005. However, interruption in the supply of components has delayed this growth. We have established a new, more reliable source of components and the product was re-launched in December 2006.

The overall revenue of this sector has declined by £10.2 million resulting from the closure of our loss-making business in France which had revenue of £11.3 million in 2005.

Price competition is fierce. New product development is the key strength for the group's sensor and system operations by which we maintain our position as one of the world leaders producing excellent specialised products which fulfil our customers' technically demanding expectations.

Electronic components

We sell a broad range of electronic components largely based on our extensive electronic resistive technologies. These components range from very complex individual microcircuits to complex hybrid power control circuits used in advanced aerospace and automotive applications. New products have been a feature of this year's sales efforts in our global operations.

An example is our Anotherm™ product which has been developed to provide efficient heat management of bright visible light emitting diode (VLED) assemblies. This has achieved success with the award of two contracts for applications in the flat screen television market. Further developments of this substrate technology have attracted much interest in both automotive and industrial markets and we anticipate that these will provide further growth in the future.

	2006	2005
	£million	£million
Revenue	139.9	129.6
Operating profit	11.4	8.7
Capital employed	95.9	101.4
Return on capital employed	12%	9%
Number of employees	2,598	2,597

Our specialist automotive electronic control module business based in Austria supplying the German automotive market has had an exceptional year. Additional manufacturing capacity is now planned to support a range of new products – such as VLED vehicle lighting assemblies and power control modules.

TT electronics manufactures specialist thin film resistive products for high frequency applications. High demand has required our Texas based factory to work seven days a week to meet customer requirements. We are confident of this demand continuing and investment in additional production capacity has been authorised which will be completed during 2007.

It is central to our marketing strategy to supply technically advanced products for specialist applications. These attract higher margins than commodity products but only the development of new products maintains our competitive advantage.

Electronic manufacturing services

Our electronic manufacturing services businesses provide high quality resources for the assembly of both complete products as well as the manufacture of printed circuit assemblies. The group has factories in the UK from where the more specialised, lower volume defence and aerospace markets are served and in China and Malaysia where typically lower margin, high volume telecom products are assembled.

	2006	2005
	£million	£million
Revenue	72.1	60.3
Operating profit	1.3	2.0
Capital employed	31.4	15.6
Return on capital employed	4%	13%
Number of employees	888	739

In November we acquired Apsco, a high margin, low volume electronic manufacturing services business based in Cleveland, USA. Apsco specialises in providing complex power solutions to a number of long standing customers. We anticipate that this business will require a low cost manufacturing capability to enhance its existing business and also to enable it to grow from the excellent opportunities with existing and new customers.

Our Chinese operations have recently been expanded to 15,000 square metres of floor area in six factories. China will be able to provide the infrastructure and support platforms for the group's future growth.

The UK business has been rationalised and low margin, high volume business has been transferred to our Malaysian plant which has been expanded to cope with this additional demand. Other more specialist customers are being resourced from our factory in Wales.

All our electronic manufacturing services businesses now operate under a single management structure as a global supplier, targeting high margin, low volume business in niche markets. This strategy is expected to generate good returns and provide a basis for future profit growth.

Electrical

The electrical power systems businesses provide solutions which ensure that electrical power is reliably delivered to customers. The markets served are supermarkets, banks, hospitals and telecom where an uninterrupted service is key. The power transmission operations manufacture and sell electrical cable from domestic sizes to 11KV, along with connection systems, cable accessories and fuse gear.

The end markets for the cable products are mainly building infrastructure, mass transit rail projects, naval and ground based defence systems.

	2006	2005
	£million	£million
Revenue		
power systems	63.1	50.4
power transmission	140.4	130.0
	203.5	180.4
Operating profit		
power systems	5.4	4.6
power transmission	6.5	5.5
	11.9	10.1
Capital employed	72.1	66.4
Return on capital employed	17%	15%
Number of employees	1,853	2,033

Our electrical businesses have produced excellent profits during the year and are concentrating on expanding existing and new specialist high margin products into niche markets.

The major contract to provide generator sets to Central America was completed very successfully by our Mexican business which also experienced very strong growth in revenue and profit from the demand for reliable electrical power within its domestic market.

Our UK based electrical connection system operation has also been particularly successful; it is further expanding its product range and will benefit from the newly established cable harness facility based in China. New defence and mass transit contracts have fuelled strong profit generation.

Our cable accessories business surpassed expectations with new business won in the UK export markets. Manufacture of some fuse gear products is now starting at our Chinese operation and we expect improved profit from the benefit of these low cost supplies.

The cable manufacturing operation based in the United Kingdom had an acceptable year but pricing in this highly competitive commodity market remains difficult.

Overall the market conditions for our electrical businesses were favourable, with growing demand for diesel powered electricity generators to both act as standby units in the event of overall power failures and also to produce lower cost electricity at times of peak pricing. The military demand for both connection systems and specialist cable has boosted this year's profit.

Exceptional items

The pensionable salaries in the major UK pension schemes have been frozen for three years. This means that the final pensionable salaries which are typically anticipated to increase at a rate slightly above inflation will be unchanged for this period and therefore the future liability for pension payments is reduced. The effect of this is a reduction in liabilities of £8.8 million which is treated as a curtailment under the requirements of IAS 19 Employee Benefits and reported as a profit through the consolidated income statement. The exceptional item in 2005 related to the gain on sale of land, profit on disposal of a business and the closure costs of two operations.

Dividends and earnings per share

The final dividend is proposed to be 6.36p per share and would result in a total unchanged dividend of 10.05p per share for the year. This dividend is covered 1.4 times by earnings before exceptional items.

Earnings per share excluding exceptional items are 14.1p (2005: 10.7p per share). Basic earnings per share from continuing activities are 18.1p per share (2005: 11.8 p per share).

Taxation

The overall rate of tax is 29 per cent (2005: 29 per cent). Profits are mostly earned in jurisdictions with a higher rate of tax than the UK but certain incentives for investment in locations such as China enable the overall rate to be held below the standard rate for the UK. There are unrelieved tax losses carried forward in the UK arising from the additional special cash contributions paid to pension schemes.

Treasury and borrowings

	2006	2005
	£million	£million
Net borrowings	71.0	47.1
Cash generated from operations	32.1	58.3
Capital expenditure	20.6	15.6
	Days	Days
Debtors	53	50
Creditors	43	44
Inventory	72	74

The group borrowing facilities are mainly provided by a £70 million committed unsecured multi-currency facility which expires in 2011; there are also unsecured overdraft facilities provided in the UK, USA and Germany by major clearing banks. The borrowing facilities available to the group amounted to £175.5 million (2005: £168.9 million).

The policy of the group is to minimise in a cost effective manner the risks of potentially adverse changes in exchange rates, interest rates, the cost of copper and other key raw materials. These risks are managed by the use of forward contracts, swaps or other derivative instruments.

The major currencies to which the group is exposed other than its reporting currency are the US dollar, the euro and the Chinese yuan. The multi-currency facility provided borrowings of US\$124 million at the end of December 2006 and is the basis of the hedge against differences arising from the translation of overseas assets denominated in US dollars. There are also euro borrowings in the local operating companies which provide a natural hedge against the euro denominated assets. The net effect of changes since 2005 in foreign currency exchange rates used to translate operating profit and revenue were an increase of £0.3 million and a reduction of £5.1 million respectively.

The total net borrowings at the end of 2006 were £71.0 million (2005: £47.1 million). The increase in borrowings is set out in detail in the consolidated cash flow statement. The major factors were the acquisition of Apsco in November 2006, special cash contributions to the pension schemes, the need for increased working capital for growth in revenue and the increase in the value of stocks of copper metal held to cover the transitional arrangements between suppliers.

There has been no major change in the credit terms with respect to either debtors or creditors.

At the end of December the group's net gearing was 45 per cent (2005: 31 per cent).

Acquisition

On 6 November we announced the acquisition of Apsco. The consideration was £15.2 million, the costs of acquisition were £0.1 million and the fair value of assets amounted to £8.8 million including intangible assets other than goodwill of £1.1 million. The revenue for the two months since acquisition was £5.0 million and the operating profit was £0.4 million.

Pensions

The group operated nine significant defined benefit pension schemes in the UK and two overseas. During the year six of the schemes in the UK merged into one and this and the remaining three schemes will merge in April 2007.

From this date the employee contributions will increase or accrual rates will reduce. Pensionable salaries in these schemes have also been frozen for three years. These changes will reduce the future ongoing service and administration costs. The curtailment in future benefits resulting from the freeze in pensionable salaries amounting to £8.8 million has been treated as an exceptional item in the group income statement.

As part of the agreement to these changes the Company has committed to eliminate the IAS19 deficit as re-measured each year over the next eight years and to an additional special contribution of £5.5 million. Payments of cash into the funds totalled £11.4 million (2005: £14.1 million).

The present value of liabilities has reduced by £8.8 million. The market value of assets of the pension schemes have increased by £26.4 million which is £9.4 million better than actuarial expectations. Mainly as a result of these changes and cash contributions, the deficit of the pension schemes has reduced from £90.2 million at December 2005 to £72.6 million at the end of 2006.

Outlook

Our established markets are stable and the group is poised for further growth in the expanding markets in China and India with a strong foundation of new product introductions. The continued transfer of manufacturing to low labour cost areas is achieving further improvement in profitability.

The acquisition of Apsco in 2006 completes the transformation of our electronic manufacturing services business into a global player.

We remain confident about the future growth in revenue for 2007 and beyond.

Neil A Rodgers
Chief Executive
16 March 2007

Roderick W Weaver
Finance Director
16 March 2007

Consolidated income statement
 for the year ended 31 December 2006

	Note	2006 £million	2005 £million
Continuing operations			
Revenue	2	600.3	565.3
Cost of sales		(485.5)	(460.3)
Gross profit		114.8	105.0
Distribution costs		(38.8)	(40.5)
Administrative expenses		(40.8)	(35.2)
Other operating expenses		(0.1)	(1.0)
Other operating income		1.1	1.6
Operating profit before exceptional items	3	36.2	29.9
Exceptional items	4	8.8	2.1
Operating profit		45.0	32.0
Finance income	5	15.3	12.0
Finance costs	5	(21.0)	(17.2)
Profit before taxation	3	39.3	26.8
Taxation		(11.3)	(8.5)
Profit for the year from continuing activities	3	28.0	18.3
Discontinued operation			
Loss for the year from discontinued operation		-	(5.3)
Profit for the year attributable to shareholders		28.0	13.0
Earnings per share			
	7		
From continuing and discontinued operations			
- basic		18.1p	8.4p
- diluted		17.9p	8.3p
From continuing operations			
- basic		18.1p	11.8p
- diluted		17.9p	11.7p

Consolidated balance sheet
 at 31 December 2006

	Note	2006 £million	2005 £million
Assets			
Non-current assets			
Property, plant and equipment		108.6	118.0
Goodwill		53.1	52.5
Other intangible assets		16.0	15.7
Deferred tax assets		21.0	30.0
Total non-current assets		198.7	216.2
Current assets			
Inventories		99.8	93.9
Trade and other receivables		104.6	95.1
Financial derivatives		0.6	-
Cash and cash equivalents		9.5	24.0
Total current assets		214.5	213.0
Total assets		413.2	429.2
Liabilities			
Current liabilities			
Short term borrowings		11.5	4.0
Financial derivatives		-	0.4
Trade and other payables		87.3	94.8
Current tax payable		1.3	4.9
Provisions for liabilities		0.9	1.6
Total current liabilities		101.0	105.7
Non-current liabilities			
Long term borrowings		69.0	67.1
Deferred tax provision		5.4	6.1
Pensions and other post employment benefits	10	72.6	90.2
Provisions for liabilities		0.7	1.0
Other non-current liabilities		7.5	7.4
Total non-current liabilities		155.2	171.8
Total liabilities		256.2	277.5
Net assets		157.0	151.7
Equity			
Share capital		38.7	38.7
Share options reserve		0.8	0.5
Hedging and translation reserve		(6.1)	3.5
Retained earnings		121.6	107.0
Minority interests		2.0	2.0
Total equity	8	157.0	151.7

Consolidated cash flow statement
for the year ended 31 December 2006

	Note	2006 £million	2005 £million
Operating activities			
Profit for the year		28.0	13.0
Adjustments for:			
Finance costs		5.7	6.1
Taxation		11.3	5.2
Depreciation of property, plant and equipment		23.2	26.8
Amortisation of intangible assets		9.1	10.4
Share based payment expense		0.3	0.3
Gain on disposal of property, plant and equipment		(2.0)	(12.0)
Gain on disposal of subsidiary		-	(4.1)
Exceptional pension curtailment gain	4	(8.8)	-
Other non cash items		0.1	(0.2)
Additional payments to pension funds		(7.0)	(9.3)
Operating cash flow before movements in working capital		59.9	36.2
Decrease in property assets		-	0.1
(Increase)/decrease in financial derivatives		(1.0)	0.7
(Increase)/decrease in inventories		(0.8)	5.1
(Increase)/decrease in receivables		(5.6)	12.1
(Decrease)/increase in payables		(14.0)	0.1
Exchange differences		(6.4)	4.0
Cash generated from operations		32.1	58.3
Tax paid		(7.0)	(8.7)
Net cash from operating activities		25.1	49.6
Cash flows from investing activities:			
Purchase of property, plant and equipment		(20.6)	(15.6)
Proceeds from sale of property, plant and equipment and grants received		7.1	21.3
Development expenditure		(8.6)	(8.7)
Acquisition of subsidiary net of cash acquired	9	(14.7)	(10.1)
Net cash proceeds from sale of subsidiaries		-	7.8
Net cash used in investing activities		(36.8)	(5.3)
Cash flows from financing activities:			
Interest paid (net)		(3.8)	(3.4)
Net changes in long-term borrowings and finance lease liabilities		10.0	7.2
Dividends paid		(15.6)	(15.6)
Net cash used in financing activities		(9.4)	(11.8)
Net (decrease)/increase in cash and cash equivalents		(21.1)	32.5
Cash and cash equivalents at beginning of period		22.3	(9.6)
Exchange difference		(0.5)	(0.6)
Cash and cash equivalents at end of period		0.7	22.3
Cash and cash equivalents comprise:			
Cash and cash equivalents		9.5	24.0
Bank overdrafts		(8.8)	(1.7)
		0.7	22.3

Consolidated statement of recognised income and expense
for the year ended 31 December 2006

	2006	2005
	£million	£million
Profit for the year	28.0	13.0
Exchange differences on net foreign currency investments	(9.6)	5.7
Income tax on foreign currency exchange differences	-	0.7
Actuarial net gain/(loss) on defined benefit pension schemes	3.2	(26.0)
Deferred tax on actuarial gain or loss	(1.0)	7.8
Total recognised income and expense for the year attributable to shareholders	20.6	1.2

Notes to the financial statements

1. Basis of accounting

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

The information set out below, which does not constitute full financial statements within the meaning of S240 CA, 1985 is extracted from the audited financial statements of the group for the year ended 31 December 2006 which:

- were approved by the Directors on 16 March 2007
- carry an unqualified audit report, which did not contain statements under S237 CA, 1985
- will be posted to shareholders and available to the public in April 2007
- will be filed with the Registrar of Companies following the Annual General Meeting on 16 May 2007

2. Revenue

By sector	2006 £million	2005 £million
Electronic		
- sensors and electronic systems	184.8	195.0
- electronic components	139.9	129.6
- electronic manufacturing services	72.1	60.3
Total electronic	396.8	384.9
Electrical		
- power systems	63.1	50.4
- power transmission	140.4	130.0
Total electrical	203.5	180.4
Total	600.3	565.3

By destination	2006 £million	2005 £million
United Kingdom	159.7	161.1
Rest of Europe	203.9	199.9
North America	148.0	131.7
Rest of the World	88.7	72.6
Total	600.3	565.3

Notes to the financial statements continued

3. Profit by sector

	2006 £million	2005 £million
Electronic		
- sensors and electronic systems	11.6	9.1
- electronic components	11.4	8.7
- electronic manufacturing services	1.3	2.0
Total electronic	24.3	19.8
Electrical		
- power systems	5.4	4.6
- power transmission	6.5	5.5
Total electrical	11.9	10.1
Operating profit before exceptional items	36.2	29.9
Exceptional operating items (note 4)	8.8	2.1
Operating profit	45.0	32.0
Finance income	15.3	12.0
Finance costs	(21.0)	(17.2)
Profit before tax	39.3	26.8
Taxation	(11.3)	(8.5)
Profit for the year from continuing operations	28.0	18.3

4. Exceptional items

	2006 £million	2005 £million
Curtailment of pension scheme benefits	8.8	-
Net gain on sale of land and closure of Gravesend cables operation	-	4.7
Profit on sale of Houchin Aerospace Limited	-	4.1
Closure costs of AB Automotive (France) SAS	-	(6.7)
	8.8	2.1

The pensionable salaries of members of the UK defined benefit schemes have been frozen for three years. The consequent reduction in the liabilities of the schemes has been recognised in the actuarial valuations of the schemes at 31 December 2006 and under the requirements of IAS19 is reported in operating profit.

5. Finance costs - net

	Continuing operations	
	2006 £million	2005 £million
Interest receivable	0.8	0.6
Expected return on pension scheme assets	14.5	11.4
Finance income	15.3	12.0
Interest on bank overdrafts and loans	4.3	3.4
Interest on finance leases	0.3	0.3
Unwinding of the discount on pension scheme liabilities	16.4	13.5
Finance costs	21.0	17.2
Finance costs – net	5.7	5.2

In 2005 the loss for the discontinued operation included £0.9m of net finance costs.

Notes to the financial statements continued

6. Dividends

The following dividends have been paid in the year:

	2006 pence per share	2006 £million	2005 pence per share	2005 £million
Final dividend for prior year	6.36	9.9	6.36	9.9
Interim dividend for current year	3.69	5.7	3.69	5.7
	10.05	15.6	10.05	15.6

The Directors propose that a final dividend of 6.36p will be paid on 25 May 2007 to shareholders on the register on 18 May 2007. The ex-dividend date is 16 May 2007. This dividend is subject to the approval of shareholders at the Annual General Meeting and has not been included as a liability in these accounts. The total estimated cost of the dividend to be paid is £9.9 million.

7. Earnings per share

From continuing and discontinued operations:

	2006 pence per share	2005 pence per share
Basic	18.1	8.4
Diluted	17.9	8.3

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

	2006 £million	2005 £million
Profit for the year attributable to shareholders:		
Earnings basic and diluted	28.0	13.0

Weighted average number of shares in issue

	2006 million	2005 million
Basic	154.8	154.8
Adjustment for share options	1.4	1.4
Diluted	156.2	156.2

Notes to the financial statements continued

7. Earnings per share continued

From continuing operations:

	2006	2005
	pence	pence
	per share	per share
Basic	18.1	11.8
Diluted	17.9	11.7

	2006	2005
	£million	£million
Profit for the year attributable to shareholders	28.0	13.0
Add loss for the year from discontinued operation	-	5.3
Earnings from continuing operations	28.0	18.3

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

Earnings per share on continuing operations before exceptional items of 14.1p (2005 : 10.7p) is based on the profit for the year of £28.0 million (2005 : £18.3 million) adjusted for exceptional items of £8.8 million (2005 : £2.1 million) less the associated tax of £2.6 million (2005 : £0.4 million).

8. Shareholders' equity

	£million
At 1 January 2005	166.7
Profit for the year	13.0
Exchange differences on net foreign currency investments	5.7
Income tax on foreign currency exchange differences	0.7
Actuarial net loss on defined benefit pension schemes	(26.0)
Deferred tax on actuarial loss	7.8
Dividends paid	(15.6)
Share based payments	0.3
Distribution to minority interest	(0.9)
At 31 December 2005	151.7
Profit for the year	28.0
Exchange differences on net foreign currency investments	(9.6)
Actuarial net gain on defined benefit pension schemes	3.2
Deferred tax on actuarial gain	(1.0)
Dividends paid	(15.6)
Share based payments	0.3
At 31 December 2006	157.0

9. Acquisition of subsidiary

On 6 November 2006 the group announced the acquisition of Apsco Holdings, Inc and its subsidiary which now trades as TT Apsco, Inc an electronic manufacturing services business located in the USA.

The purchase consideration was £15.2 million for net assets at fair value of £8.8 million. The net assets included cash of £0.6 million and, after costs of £0.1 million, there was a cash outflow of £14.7 million.

Notes to the financial statements continued

10. Defined benefit pension plans

The group operates defined benefit pension plans mainly in the UK. The most recent actuarial valuations have been updated by the actuaries to assess the assets and liabilities of the plans at 31 December 2006.

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

	2006	2005
	%	%
Discount rate	5.3	4.9
Inflation rate	2.9	2.6
Increases to pensions in payment	2.5-2.9	2.5-2.6
Salary increases for 3 years	-	3.2
Salary increases thereafter	3.4	3.2

The expected long-term rates of return on the main classes, net of expenses, set by management having regard to actuarial advice and relevant indices at 31 December 2006 were:

	2006	2005
	%	%
Equities	6.8	6.9
Bonds	4.3	4.3
Gilts and cash	3.8	3.6

The mortality tables applied by the actuaries at 31 December 2006 were PA92 MC + two years.

The amounts recognised on the group balance sheet are:

	2006	2005
	£million	£million
Equities	187.8	170.5
Bonds	10.9	2.9
Gilts and cash	73.4	72.3
Fair value of assets	272.1	245.7
Present value of funded obligation	(344.7)	(335.9)
Net liability recognised on the balance sheet	(72.6)	(90.2)

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

	2006	2005
	£million	£million
Opening defined benefit obligation	335.9	274.4
Current service cost	4.4	4.8
Interest on obligation	16.4	15.3
Plan participant contributions	1.5	2.0
Curtailment (see exceptional items note 4)	(8.8)	-
Change in actuarial estimates and assumptions	6.2	47.6
Exchange differences	(0.8)	0.3
Benefits paid	(10.1)	(8.5)
Closing defined benefit obligation	344.7	335.9

Notes to the financial statements continued

10. Defined benefit pension plans continued

Changes in the fair value of plan assets are:

	2006	2005
	£million	£million
Opening fair value of plan assets	245.7	203.5
Expected return on plan assets	14.5	12.8
Excess of actual over expected returns	9.4	21.6
Contributions by employer	11.4	14.1
Contributions by employees	1.5	2.0
Exchange differences	(0.3)	0.2
Benefits paid	(10.1)	(8.5)
Closing fair value of plan assets	272.1	245.7

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

	2006	2005
	£million	£million
Experience adjustments on plan liabilities	(6.2)	(47.6)
Experience adjustments on plan assets	9.4	21.6