
Building for the future

Interim Report 2009

Key points

- **Group revenue was down 19% to £237.0 million (2008: £292.0 million). Excluding the impact of foreign exchange, Group revenue was down 29%, reflecting the severe economic downturn**
- **Loss before tax and exceptional items was £3.9 million (2008: profit of £15.0 million)**
- **Significant reduction in working capital of £13.1 million and full year target revised upwards. Underlying operating cash flow improved by 19% to £28.4 million (2008: £23.9 million)**
- **Net debt reduced to £100.0 million (December 2008: £113.2 million) and the Group continues to trade comfortably within its banking facilities and covenants**
- **Accelerated cost reduction programme already yielding benefits. Despite reduced volumes, the Group has traded profitably since May**
- **Good progress in implementing initiatives identified in the Strategic Review with the new divisional structure and leadership enabling clear focus on delivery and accountability**
- **Overall trading for the full year expected to remain in line with previous expectations**

Financial summary

	2009 First half £million	2008 First half £million	2008 Full year £million
Continuing operations			
Revenue	237.0	292.0	584.3
Operating profit ¹	(0.6)	17.2	27.0
Profit before taxation ¹	(3.9)	15.0	21.1
Headline earnings per share ¹	(3.1)p	7.2p	9.2p
Dividend per share	–	3.69p	3.69p
Cash generated from operations ¹	28.4	23.9	47.9

¹ The above are reported before exceptional items

Chairman's statement

In the first half of 2009 revenue from continuing operations was £237.0 million compared with £292.0 million for the same period in 2008 with an operating loss of £0.6 million compared with £17.2 million profit in 2008. Exceptional costs were £10.6 million related to restructuring, closures and redundancies.

Finance costs were £3.3 million (2008: £2.2 million) which comprised £2.2 million of banking and finance interest, (2008: £1.8 million) and £1.1 million relating to pension fund accounting (2008: £0.4 million). The basic loss per share was 9.9 pence compared to earnings per share of 7.2 pence in 2008.

In line with the dividend policy previously announced, the Board has decided not to pay an interim dividend. In 2008 an interim dividend of 3.69 pence per share was paid.

TT electronics' performance was affected by significant reductions in the demand for components from the automotive industry and reduced demand from our industrial customers. The Group's profitability suffered from the recession and the cost of redundancies and factory closures. During the past year the number of employees of TT electronics worldwide has been reduced by 21 per cent in order to align costs with demand. This has placed the Group in a positive position to handle the continuing recession.

The Group's net indebtedness at 30 June 2009 was £100.0 million, compared with £84.3 million at 30 June 2008 and £113.2 million at 31 December 2008. The policy of the Group has been to reduce its indebtedness by limiting capital expenditure and reducing stock levels, which have been offset by closure and redundancy costs. The Board anticipates that borrowings will continue to be reduced during the rest of the year.

The Board would like to express its appreciation to employees worldwide for their continuing support and commitment in difficult times, particularly those who have had to reduce their working hours.

Geraint Anderson, Group Chief Executive and Shatish Dasani, Group Finance Director joined TT electronics a year ago, immediately initiating a comprehensive review of the business. As a result, the strategic direction of the Group has been redefined with our key focus on the design and manufacture of highly engineered electronic components for specialist markets where attractive margins can be achieved. Significant restructuring of the business has been implemented both to harness our global resources to deliver a more co-ordinated sales effort and to withdraw from unattractive business sectors. Working capital employed in the business is being significantly reduced. While the current recession masks the benefits of the actions taken in the short term the Board is confident that the business is now in good shape to exploit and build on its strong position in a number of attractive markets.

With Geraint Anderson and Shatish Dasani having now been with the Group for over a year, I am pleased to announce that with effect from 1 September 2009 I shall become Non-executive Chairman, having been Executive Chairman for the last 14 years.

The short term outlook for the business is affected by the global recession. While there is no sign of any sustained upturn as yet, some of our customers are now beginning to re-order after a period of significant destocking. We remain cautious for the short term and are making good progress in implementing the initiatives identified in the Strategic Review.



John W Newman
Executive Chairman

20 August 2009

TT electronics is a technology-based group providing components, sensors, integrated manufacturing services and secure power solutions to a broad base of customers worldwide.

The Group carried out a Strategic Review of its business in the second half of 2008, the results of which were announced on 21 January 2009. Following the review, a new divisional structure was introduced to improve execution, facilitate cross divisional co-operation and drive sales. We are beginning to see the benefits of this action.

We have established virtual teams in certain market areas to allow us to bring together the full extent of the Group's world-class facilities, technologies and skill-base to enhance our customer offering. We are seeing good progress by the Military and Aerospace team with the combined Group capabilities being presented to key customers via an ongoing programme of technical 'road shows'. Our connectors business has secured a substantial new customer in Smiths Detection in support of their chemical detection products, and a number of other new opportunities have been identified with major military companies. The creation of the Hybrid Vehicle Electronics team has allowed us to map our Group-wide capabilities against specific applications including in the areas of battery management and powertrain and we are working on over 20 separate projects, including with major car manufacturers. Although the Medical Electronics team has been slower to develop, we remain of the view that this represents a growth market for us which can be better served on a co-ordinated Group-wide basis.

The Strategic Review identified the need to reduce the Group's cost base and to decrease our exposure to the automotive market. Significant progress has been made during the first half, both as a result of action taken to reduce headcount across our global operations and the exit from non-profitable sectors. The Group has maintained its core world-class engineering skills in order to increase our focus on specialist high margin products to drive growth.

Working capital reduced by £13.1 million in the first half compared with the full year target reduction of £10-15 million. The target for 2009 as a whole has now been revised upwards to £17-20 million.

In the strategy review announcement in January we identified a reduction in headcount of 1,295 worldwide in 2008 and 2009. As a result of the severe economic downturn in the first quarter of 2009, this target was revised upwards to ensure that costs were more closely aligned to lower levels of demand. As a result, we are ahead of the original plan with total headcount being reduced by 1,668 globally in the period from 30 June 2008 to 30 June 2009 and some further headcount reductions are expected in the second half of the year.

The summary of key financial performance indicators and a review of the Group's overall performance for the first half are set out below.

Overview of Group performance

Following the Strategic Review which was announced in January 2009, the Group's businesses were reorganised into the following divisions:

- Components
- Sensors
- Integrated Manufacturing Services (IMS)
- Secure Power
- General Industrial

The segmental analysis is presented on the same basis. The primary focus of the Group is on the Components division and the delivery of highly engineered, bespoke electronic components for specialist growth markets. The segment also includes the connectors business previously classified under Secure power and industrial. The Sensors segment comprises the core sensors businesses in Germany, UK and China. The climate control business of AB Automotive, which was previously reported in the Sensors and electronic systems segment, is being closed and is shown under General Industrial.

The Integrated Manufacturing Services and Secure Power businesses are now run as separate divisions with dedicated leaders to ensure that their growth potential is fully supported and realised.

Continuing operations

	2009 First half £million	2008 First half £million	2008 Full year £million
Revenue			
Components	93.9	91.7	192.1
Sensors	46.8	69.6	125.9
Integrated Manufacturing Services	38.5	52.0	103.4
Secure Power	26.4	28.0	65.9
General Industrial	31.4	50.7	97.0
	237.0	292.0	584.3
Operating profit¹			
Components	2.4	4.8	9.7
Sensors	(4.3)	3.3	1.1
Integrated Manufacturing Services	1.5	3.7	6.0
Secure Power	2.0	2.3	7.8
General Industrial	(2.2)	3.1	2.4
	(0.6)	17.2	27.0

¹ Throughout this review operating profit is stated before exceptional items

Revenue reduced by 19% in the half year to £237.0 million (2008: £292.0 million); however this was affected by foreign exchange movements and the underlying reduction was 29%. Revenue in the Sensors division was down by 42% on an underlying basis due to the sharp drop in automotive demand from the fourth quarter of 2008. Underlying revenue in the General Industrial division was down by 41% but this was distorted by the AB Automotive climate control business which the Group is in the process of exiting. The IMS division suffered the effects of the recession late in the cycle and was down by 39% following a robust performance last year. The Components division was down by 24% on an underlying basis after adjusting for foreign exchange and also the contributions from the Semelab and New Chapel acquisitions in 2008. The reduction in revenue of the Secure Power division was much smaller at 7%, due to a strong performance from the UK service business.

Following a difficult first four months of the year, the Group started to trade profitably on an overall basis from May as the benefits of the cost reduction actions began to offset the drop in volumes. Operating loss for the half year of £0.6 million compares with the prior year profit of £17.2 million.

The favourable effect of translation on revenue and operating profit was £29.4 million and £0.4 million respectively due to the weakening of sterling against major currencies (average first half rates for 2009 against 2008).

The restructuring programme, which was commenced in the last quarter of 2008 and accelerated in 2009, has been implemented with vigour across all business units with a series of measures to reduce the cost base and improve performance including headcount reduction, short time working, pay freeze and extended shutdowns. At the time of the Strategic Review announcement in January, we identified a reduction in headcount of 1,295 worldwide in 2008 and 2009. Headcount was reduced by 1,668 between June 2008 and June 2009 representing 21% of the global workforce and further reductions are expected in the second half.

The cost of the restructuring was £11.5 million in the first half, of which £10.6 million relates to major programmes or plant shutdowns and is treated as an exceptional cost. The balance of £0.9 million has been charged to operating profits. The benefits of cost reductions in the first half, arising from the actions taken in both 2008 and 2009, are estimated to be £9.4 million.

The projected full year costs for 2008 and 2009 and the associated benefits in terms of annualised cost reductions are summarised below:

	Costs		Benefits - annualised cost reduction £million
	2008 £million	Estimated 2009 £million	
AB Automotive – climate control exit	2.7	3.3	4.0
Sensors – European restructuring	–	7.5	8.2
Sensors – Romford closure	1.1	–	1.2
IMS – UK consolidation	–	1.2	1.8
Other restructuring	–	2.0	2.2
Total exceptional	3.8	14.0	17.4
Operating	2.1	1.6	13.1
Total	5.9	15.6	30.5

The total cost for exceptional items over both years of £17.8 million compares with the previous estimate in the Strategic Review of £16.9 million and the benefits are projected to be £3.0 million higher. The annualised total cost reduction of £30.5 million is £6.0 million higher than the original projection in the Strategic Review, and it is estimated that around 70% of the benefit will come through in 2009.

Details of the exceptional items charged in the first half of 2009 are described later in this review.

Components

	2009 First half £million	2008 First half £million	2008 Full year £million
Revenue	93.9	91.7	192.1
Operating profit	2.4	4.8	9.7
Operating profit margin	2.6%	5.2%	5.0%

Underlying revenue was down by 24% after adjusting for foreign exchange movements and the contributions made by Semelab and New Chapel which were acquired last year. Gross margins (at standard costs) held up across most businesses but there was a decline in operating profit due to the significant reduction in volumes offset to some extent by cost reductions. Redundancy costs of £0.8 million were charged to operating profits in the first half and there was a headcount reduction of 467. The restructuring of the UK Components facility in Bedlington was completed at the end of March as planned.

The Semelab business acquired in August 2008 has made a good contribution and investment in new product development has commenced.

A new sales structure for Europe was implemented with effect from 1 July so as to improve the way in which all of the division's businesses in the USA and Europe address specific markets and customers. The key account management programme, focused on the military, aerospace and medical segments, has initially been applied to the division's top eight accounts and will be further extended by the end of the year. There has been a positive reaction from our customers to this initiative.

Our connectors business launched a new military range in the first half of the year and has been successful in securing significant revenue supplying connectors for US mine repellent vehicles. New Chapel which was acquired in April 2008 has been successfully integrated into the division and has performed very well.

Sensors

	2009 First half £million	2008 First half £million	2008 Full year £million
Revenue	46.8	69.6	125.9
Operating profit	(4.3)	3.3	1.1
Operating profit margin	–	4.7%	0.9%

Underlying revenue excluding the effect of foreign exchange fell by 42% due to the significant reduction in automotive demand from the last quarter of 2008. The impact of this was partly mitigated by cost reductions but operating profit reduced sharply from £3.3 million in 2008 to a loss of £4.3 million. The division is now trading profitably as the cost reduction benefits come through more fully.

As part of the fundamental realignment of the division's cost base, a major restructuring programme has been implemented at our German sensors business, resulting in a headcount reduction of 225 in April and a further 26 announced in June. The cost arising from this of £6.4 million has been charged as an exceptional item and annualised savings of £6.9 million are projected from these actions.

The closure of the AB Electronic facility at Romford, which was announced last year, has been completed on schedule and the business successfully transferred to existing low-cost facilities in India and China.

A new Divisional Chief Executive joined the Sensors division in May bringing valuable market knowledge and operational experience.

Integrated Manufacturing Services

	2009 First half £million	2008 First half £million	2008 Full year £million
Revenue	38.5	52.0	103.4
Operating profit	1.5	3.7	6.0
Operating profit margin	3.9%	7.1%	5.8%

The impact of the recession on the IMS division was later in the cycle and underlying sales fell by 39% in the first half of 2009 following a robust performance in the last six months of 2008. Operating profit reduced as a result by £2.2 million to £1.5 million (2008: £3.7 million).

In the UK, the rationalisation of our two facilities is well advanced. During the first half, the management and sales function for the Rogerstone and Aylesbury businesses were integrated. The closure of the Aylesbury plant has been announced and the transfer of business from Aylesbury to Rogerstone will commence in the second half. It is anticipated that the Aylesbury facility will close by the first quarter of 2010 to ensure no disruption to our customers.

Headcount in the division reduced by 130 in the first half, of which 60 were in Rogerstone and Aylesbury.

The global footprint of the IMS operations with facilities in the UK, USA, Malaysia and China is a key strength of the business increasingly valued by our customers. The division has now been reorganised under one Divisional Chief Executive and the strategy is to deliver integrated supply chain solutions to our customers, focused on higher value-added services for lower volume, complex build and assembly electronic products.

We are continuing to develop the global brand for the IMS business and a co-ordinated global sales structure is now in place under the Divisional Chief Executive.

Secure Power

	2009 First half £million	2008 First half £million	2008 Full year £million
Revenue	26.4	28.0	65.9
Operating profit	2.0	2.3	7.8
Operating profit margin	7.6%	8.2%	11.8%

The Secure Power division delivered a good first half performance despite increasingly difficult market conditions which resulted in a 7% reduction in underlying revenue excluding foreign exchange impact. Operating profit was lower by £0.3 million at £2.0 million (2008: £2.3 million). The successful completion of a gas turbine refurbishment project in Kazakhstan coupled with the ongoing supply of secure power systems to a number of UK hospitals helped underpin performance. The Mexican operation benefited from new contracts in the domestic oil exploration and power utilities sector. This helped offset weakness both in the domestic and global market for generating sets.

As part of the strategic development of Secure Power service business, a facility has been opened in Aberdeen to support our growing offshore oil and gas maintenance customer and contract base in the region. In addition, four regional support centres have been established in Mexico to enhance customer service and increase the capture and retention of service business. The division has also taken steps to increase its export business with sales resource strengthened in the Middle East and Latin America.

Further investment has been made in both design and development and the manufacturing process at the facility in Mexico. An improved range of acoustic enclosures is currently being launched for medium power generating sets.

General Industrial

	2009 First half £million	2008 First half £million	2008 Full year £million
Revenue	31.4	50.7	97.0
Operating profit	(2.2)	3.1	2.4
Operating profit margin	–	6.1%	2.5%

The exit from the climate control business of AB Automotive is on track to be completed by the end of the year. Negotiations have been concluded with key customers to agree final build programmes and the transfer of know-how, inventory and equipment covering operations in the UK, USA, Brazil and China. The closure of the Cardiff site was completed in May and the property sold in June for £2.3 million with the proceeds being received in July.

A new Divisional Director joined the Group in April to manage all the other businesses in the General Industrial division. Revenue for these companies reduced by 28% on an underlying basis and the result was break-even at the operating level. During the period we completed the sale of a small business in Australia that was part of our magnetics group.

The relocation of the AEI Compounds business to a new facility together with additional investment in new capacity is on track and production at the new plant is expected to commence in the second half.

Exceptional Items

An exceptional restructuring charge of £10.6 million has been made at the half year:

	2009 First half £million	2008 Full year £million
Sensors		
– Closure of Romford	–	(1.1)
– German restructuring	(6.4)	–
AB Automotive – climate control exit		
– Exit costs	(4.2)	(2.7)
– Sale of Cardiff site	0.9	–
UK IMS business		
– Consolidation phase 1	(0.7)	–
Other restructuring	(0.2)	–
Total	(10.6)	(3.8)

There were no exceptional items in the first half of 2008.

Taxation

The tax charge for the half year was £0.9 million (2008: £3.9 million). The charge arises from the profits generated in overseas countries, in particular Mexico and China. There is no tax payable in the UK due to current year and brought forward tax losses.

Earnings per share and dividends

Headline loss per share was 3.1 pence (2008: earnings of 7.2 pence). Basic loss per share was 9.9 pence (2008: earnings of 7.2 pence).

No interim dividend has been declared for 2009. The dividend policy as set out in the Strategic Review is to maintain cover of at least two times underlying earnings per share.

Pensions

The Group operates both defined benefit and defined contribution schemes in the UK. Assets and liabilities of the defined benefit scheme are summarised below:

	June 2009 £million	December 2008 £million	June 2008 £million
Fair value of assets	268.5	283.1	282.1
Liabilities	(301.7)	(301.7)	(302.8)
Deficit	(33.2)	(18.6)	(20.7)

The increase in the deficit during the half year was due to the market fall in the value of assets. The scheme has been closed to new entrants for a number of years and the freeze on pensionable salaries which has been in place since April 2006 has been extended for a further two years.

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

Cash flow, borrowings and facilities

Underlying operating cash flow of £28.4 million was generated in the first half, 19% ahead of last half year (2008: £23.9 million). Working capital reduced by £13.1 million in the first half, due to the actions taken across the businesses arising from the Strategic Review and also due to the impact of the recession. The reduction is significantly ahead of the annual target of £10-15 million set in the Strategic Review and an upgraded target reduction of £17-20 million for the full year has been set.

Exceptional cash costs of £6.3 million were incurred in the first half, resulting in cash generated from operations of £22.1 million (2008: £23.9 million).

Capital expenditure was restricted at £4.8 million compared with depreciation of £12.3 million. Net cash flow for the half year was £7.2 million (2008: £8.7 million negative) and this, together with the favourable £6.0 million exchange variance, led to a £13.2 million reduction in net debt to £100.0 million (December 2008: £113.2 million).

The Group has total banking facilities available of £160.0 million, of which £46.0 million are working capital facilities with a number of major UK and overseas banks which in the ordinary course are periodically reviewed. The main term loan of £70.0 million is a multi-currency revolving facility with HSBC extending to 2011.

The loan was drawn down in sterling in June 2009, having previously been drawn down in US\$. The other term loans of £20.4 million and £10.0 million fall due for renewal in December 2009 and September 2009 respectively and discussions on extending these are ongoing with the banks concerned.

The main financial covenants are in the HSBC loan agreement and restrict gross debt to be below three times total earnings before interest, tax, depreciation, amortisation and exceptional items ("EBITDA before exceptionals"). In addition, the EBITDA before exceptionals is required to cover gross interest by at least six times. The covenants are tested annually and were satisfied comfortably at December 2008. The covenants are also met comfortably on a pro-forma basis at June 2009:

	Term	June 2009 Pro-forma*
Gross debt/EBITDA before exceptionals	<3	2.5
EBITDA before exceptionals/gross interest	>6	9.6

(* based on EBITDA for previous 12 months)

The Directors have reviewed the forecasts for 2009 and the projections for 2010 developed during the recent update of the Strategic Review, which have been adjusted to take account of the current trading environment. Demand in most of the Group's end markets has been severely affected by the global economic recession. Recognising this, the Directors have considered a range of different scenarios and the impact of these on the Group's cash flow, facilities and headroom within its banking covenants. Further, the Directors have assessed the future funding requirements of the Group and compared them with the level of available borrowing facilities. The Directors are satisfied that the Group has adequate resources for the foreseeable future.

Exposure to risk and uncertainties

Financial risks

- **Liquidity**

The current economic conditions create uncertainty over the availability of bank financing in the present banking climate and consequently there is a risk that the Group may have insufficient resources to meet its financial liabilities as they fall due. The Group addresses this risk by maintaining adequate banking facilities, continuously monitoring forecast and actual cash flows and regular discussions with its principal bankers.

- **Foreign currency**

The Group's main foreign exchange exposures are to the effect of the translation of profits, and net assets denominated in overseas currencies into sterling and transactions in foreign currencies. The policy of the Group is to use hedges to reduce these risks as appropriate. These hedges are achieved through forward currency contracts and currency borrowings.

- **Interest cost**

The interest rate is capped on \$50.0 million of total borrowings until February 2010. Short-term interest rate fixes are also used to reduce volatility in interest costs.

Commercial and other risks

The current recession presents significant challenges to the Group, principally related to the level of market demand.

The Group's largest market sector is automotive where, directly and indirectly, it serves automotive OEM customers. This exposes the Group to several risks including significantly decreasing manufacturing volumes, the potential for material quality claims and financial exposure should such customers be unable to continue trading in their current form.

In addition, the Group is exposed to risks of product liability, credit risk, reliance on customers' commitments and other usual commercial risks in all of its businesses. The Group has a wide portfolio of products and operates in a number of market sectors.

There are established control procedures in place to manage such risks, including production quality control, management and financial control procedures and insurance with reliable insurers, which take into account the risk involved and the marketplace in which the exposure arises.

Outlook

Trading conditions in the first half of 2009 have been very challenging with destocking in many markets due to the severe economic downturn in the first quarter. Whilst there are signs of some stability in recent weeks in certain markets, we have yet to see any signs of a sustained recovery. There remains very limited visibility with orders being received on short lead times.

The cost reduction programmes initiated last year were accelerated in the first few months of 2009 and we are well advanced in having a cost base aligned to the current levels of demand, resulting in the Group now trading profitably.

Overall trading for the full year is expected to remain in line with our previous expectations.

Geraint Anderson
Group Chief Executive

20 August 2009

Shatish D Dasani
Group Finance Director

20 August 2009

Responsibility statement

We confirm that to the best of our knowledge

- (a) the condensed set of financial statements has been prepared in accordance with IAS34 'Interim Financial Reporting'.
- (b) the interim management report includes a fair review of the information required by DTR 4.2.7R:
 - (i) an indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of financial statements, and
 - (ii) a description of the principal risks and uncertainties for the remaining six months of the year.
- (c) the interim management report includes a fair review of the information required by DTR 4.2.8R:
 - (i) related parties transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group in that period, and
 - (ii) any changes in the related parties transactions described in the Annual Report 2008 that could have a material effect on the financial position or performance of the Group in the current period.

On behalf of the Board

Geraint Anderson
Group Chief Executive
20 August 2009

Shatish D Dasani
Group Finance Director
20 August 2009

Condensed consolidated income statement

for six months ended 30 June 2009

	Note	2009 First half £million	2008 First half £million	2008 Full year £million
Continuing operations				
Revenue	3	237.0	292.0	584.3
Operating profit/(loss) before exceptional items	4	(0.6)	17.2	27.0
Exceptional items	6	(10.6)	–	(3.8)
Operating profit/(loss)		(11.2)	17.2	23.2
Finance income	7	8.0	9.3	18.1
Finance costs	7	(11.3)	(11.5)	(24.0)
Profit/(loss) before taxation		(14.5)	15.0	17.3
Taxation	8	(0.9)	(3.9)	(5.7)
Profit/(loss) for the period attributable to shareholders		(15.4)	11.1	11.6
Earnings/(loss) per share	9			
From continuing operations				
– basic		(9.9)p	7.2p	7.5p
– diluted		(9.9)p	7.1p	7.5p
Dividend per share		–	3.69p	3.69p

Condensed consolidated balance sheet

at 30 June 2009

	Note	2009 30 June £million	2008 30 June £million	2008 31 December £million
Assets				
Non-current assets				
Property, plant and equipment		115.5	117.2	137.4
Goodwill		67.6	55.3	74.5
Other intangible assets		19.5	19.8	23.6
Deferred tax assets		9.6	5.2	5.5
Total non-current assets		212.2	197.5	241.0
Current assets				
Inventories		93.2	97.2	120.0
Trade and other receivables		91.3	108.8	111.5
Cash and cash equivalents		10.8	6.5	10.1
Total current assets		195.3	212.5	241.6
Total assets		407.5	410.0	482.6
Liabilities				
Current liabilities				
Short-term borrowings		39.2	25.3	51.2
Financial derivatives		0.6	1.7	2.9
Trade and other payables		73.1	93.6	99.4
Current tax payable		0.1	3.0	3.1
Provision for liabilities		7.9	0.7	5.6
Total current liabilities		120.9	124.3	162.2
Non-current liabilities				
Long-term borrowings		71.6	65.5	72.1
Deferred tax provision		8.5	6.0	8.7
Pensions and other post employment benefits	10	33.2	20.7	18.6
Other provisions		0.1	0.1	0.1
Other non-current liabilities		6.6	6.9	8.0
Total non-current liabilities		120.0	99.2	107.5
Total liabilities		240.9	223.5	269.7
Net assets		166.6	186.5	212.9
Equity				
Share capital		38.7	38.7	38.7
Share premium account		0.2	0.2	0.2
Share options reserve		1.1	1.1	1.2
Hedging and translation reserve		16.6	3.4	35.8
Retained earnings		107.6	140.7	134.6
Minority interests		2.4	2.4	2.4
Total equity		166.6	186.5	212.9

Condensed consolidated statement of comprehensive income

for the six months ended 30 June 2009

	2009 First half £million	2008 First half £million	2008 Full year £million
Profit/(loss) for the period	(15.4)	11.1	11.6
Exchange differences on net foreign currency investments	(20.8)	5.3	39.4
Hedging reserve	1.6	0.1	(2.1)
Actuarial loss on defined benefit pension schemes	(15.8)	(3.3)	(3.2)
Deferred tax on pension deficit movement	4.2	0.9	–
Comprehensive income/(expense) for the period	(46.2)	14.1	45.7

Condensed consolidated statement of changes in equity

for the six months ended 30 June 2009

	2009 First half £million	2008 First half £million	2008 Full year £million
Comprehensive income/(expense) for the period	(46.2)	14.1	45.7
Dividends paid	–	(9.9)	(15.6)
Share based payments	(0.1)	–	0.1
Minority interests	–	–	0.4
Change in shareholders' equity	(46.3)	4.2	30.6
Shareholders' equity at start of period	212.9	182.3	182.3
Shareholders' equity at end of period	166.6	186.5	212.9

Condensed consolidated cash flow statement

for the six months ended 30 June 2009

	Note	2009 First half £million	2008 First half £million	2008 Full year £million
Operating activities				
Operating profit/(loss) before exceptional items		(0.6)	17.2	27.0
Adjustments for				
Depreciation		12.3	11.7	23.4
Amortisation		6.2	5.2	10.9
Other items (net)		(2.6)	(1.5)	(5.6)
Movement in working capital		13.1	(8.7)	(5.6)
Operating cash flow before exceptional payments				
Special payments to pension funds		–	–	(2.2)
Exceptional costs		(6.3)	–	(1.7)
Cash generated from operations		22.1	23.9	46.2
Tax paid		(3.8)	(1.5)	(3.6)
Net cash from operating activities				
Cash flows from investing activities				
Purchase of property, plant and equipment		(4.8)	(14.2)	(21.9)
Proceeds from sale of property, plant and equipment and grants received		1.0	2.3	5.1
Development expenditure and purchase of patents and licences		(3.7)	(5.4)	(10.9)
Acquisition of subsidiaries net of cash acquired	11	(1.0)	(4.2)	(13.9)
Loan repayment		–	2.0	2.0
Net cash proceeds from sale of business		–	–	0.9
Net cash used in investing activities				
Cash flows from financing activities				
Net interest paid		(2.6)	(1.7)	(3.8)
Change in loans and finance lease liabilities	12	(8.1)	(0.3)	9.0
Dividends paid		–	(9.9)	(15.6)
Net cash used in financing activities				
Net decrease in cash and cash equivalents				
Cash and cash equivalents at beginning of period	12	(12.2)	(5.2)	(5.2)
Exchange difference		0.8	(0.3)	(0.5)
Cash and cash equivalents at end of period				
Cash and cash equivalents comprise				
Cash and cash equivalents		10.8	6.5	10.1
Bank overdrafts		(23.1)	(21.0)	(22.3)
	12	(12.3)	(14.5)	(12.2)

Notes to the interim financial statements

1 General information

The interim financial statements for the half year to 30 June 2009 are unaudited. The comparative figures for the year ended 31 December 2008 are derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. These accounts received an unqualified audit report which did not contain statements under sections 498(2) or (3) (accounting records or returns inadequate, accounts not agreeing with records or returns or failure to obtain necessary information and explanations) of the Companies Act 2006.

2 Basis of accounting

The presentation of these interim financial statements has been changed to that required by the revised IAS 1 'Presentation of Financial Statements'.

The adoption of IAS 23 'Borrowing costs' has resulted in a change of accounting policy. Borrowing costs directly attributable to the acquisition, construction or production of assets that take a substantial period of time to get ready for use are now capitalised. In previous financial years such costs were expensed. The effect on these interim financial statements is immaterial. All other accounting policies are unchanged.

As reported in the Business Review the Group's businesses have been reorganised into the following divisions with effect from 1 January 2009:

- Components
- Sensors
- Integrated Manufacturing Services
- Secure Power
- General Industrial

In accordance with IFRS 8 'Operating segments' segmental reporting has been amended to reflect the new divisional structure and comparatives have been restated.

3 Analysis of revenue – continuing operations

	2009 First half £million	2008 First half £million	2008 Full year £million
By business sector			
Components	93.9	91.7	192.1
Sensors	46.8	69.6	125.9
Integrated Manufacturing Services	38.5	52.0	103.4
Secure Power	26.4	28.0	65.9
General Industrial	31.4	50.7	97.0
Total revenue	237.0	292.0	584.3
By destination			
United Kingdom	45.4	52.2	108.3
Rest of Europe	90.9	114.2	213.4
North America	61.4	69.7	154.3
Rest of the World	39.3	55.9	108.3
Total revenue	237.0	292.0	584.3

4 Analysis of operating profit/(loss) before exceptional items

	2009 First half £million	2008 First half £million	2008 Full year £million
By business sector			
Components	2.4	4.8	9.7
Sensors	(4.3)	3.3	1.1
Integrated Manufacturing Services	1.5	3.7	6.0
Secure Power	2.0	2.3	7.8
General Industrial	(2.2)	3.1	2.4
Operating profit/(loss)	(0.6)	17.2	27.0

5 Analysis of assets

	30 June 2009 £million	30 June 2008 £million	31 December 2008 £million
By business sector			
Components	185.5	176.6	226.8
Sensors	86.0	86.8	98.0
Integrated Manufacturing Services	46.7	56.3	56.9
Secure Power	26.1	26.6	33.9
General Industrial	42.8	52.0	51.4
	387.1	398.3	467.0
Unallocated assets	20.4	11.7	15.6
Total assets	407.5	410.0	482.6

6 Exceptional items

	2009 First half £million	2008 First half £million	2008 Full year £million
Restructuring costs			
General Industrial ⁽ⁱ⁾			
– UK	(1.3)	–	(2.7)
– North America	(1.7)	–	–
– Rest of the World	(1.2)	–	–
– Sale of UK property	0.9	–	–
Sensors ⁽ⁱⁱ⁾			
– UK	–	–	(1.1)
– Rest of Europe	(6.4)	–	–
Integrated Manufacturing Services ⁽ⁱⁱⁱ⁾			
– UK	(0.7)	–	–
Other	(0.2)	–	–
Exceptional items	(10.6)	–	(3.8)

The exceptional costs are:

- (i) the closure costs of the Automotive production sites in the UK, North America, Brazil and China following the decision to exit from the climate control business.
- (ii) the closure of sensors production in the UK which has transferred to China and India; and the cost of significant reductions in headcount in Germany.
- (iii) Phase 1 of the consolidation of the IMS businesses in the UK into one business.

7 Finance costs – net

	2009 First half £million	2008 First half £million	2008 Full year £million
Continuing operations			
Interest payable	(2.3)	(2.1)	(4.5)
Interest on pension scheme obligation	(9.0)	(9.4)	(19.5)
Finance costs	(11.3)	(11.5)	(24.0)
Interest receivable	0.1	0.3	0.4
Expected return on pension scheme assets	7.9	9.0	17.7
Finance income	8.0	9.3	18.1
Finance costs – net	(3.3)	(2.2)	(5.9)

8 Taxation

Taxation on the loss for the half year to 30 June 2009 has been based on the estimated rate of tax payable for the full year ending 31 December 2009 on overseas profits. There is no UK taxation payable. The effective rate of tax for 2008 was 33%.

9 Earnings/(loss) per share

	2009 First half pence	2008 First half pence	2008 Full year pence
Headline	(3.1)	7.2	9.2
Basic	(9.9)	7.2	7.5
Diluted	(9.9)	7.1	7.5

Earnings/(loss) per share has been calculated by dividing the profit/(loss) attributable to shareholders by the weighted average number of shares in issue during the period. The numbers used in calculating headline, basic and diluted earnings per share are shown below:

	2009 First half £million	2008 First half £million	2008 Full year £million
Profit/(loss) for the period attributable to shareholders:			
Earnings, basic	(15.4)	11.1	11.6
Exceptional items	10.6	–	3.8
Tax on exceptional items	–	–	(1.1)
Headline	(4.8)	11.1	14.3
	million	million	million
Weighted average number of shares in issue:			
Basic	155.0	155.0	155.0
Adjustment for share options	–	0.3	0.1
Diluted	155.0	155.3	155.1

10 Retirement benefit schemes

The Group operates one significant defined benefit scheme in the UK and two overseas. All these schemes are closed to new members. The Company has reached agreement with the Trustee of the UK scheme for additional fixed contributions extending to 2016 based on the actuarial deficit at April 2007. These planned contributions amount to: 2009: £2.2 million, 2010: £3.2 million, 2011: £3.5 million then increasing by £0.2 million each year to £4.5 million in 2016. A curtailment gain of £1.2 million arises in 2009 from the extension of the freeze on pensionable salaries. Actuarial valuations of the schemes were carried out by independent qualified actuaries between 2004 and 2008 principally using the projected unit credit method. These actuarial valuations have been updated by the actuaries to assess the assets and liabilities of the schemes at 30 June 2009. Pension scheme assets are stated at market value.

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

	30 June 2009 %	30 June 2008 %	31 December 2008 %
Discount rate	6.4	6.8	6.1
Inflation rate	3.2	3.8	2.9
Increases to pensions in payment	2.5-3.2	2.5-3.8	2.2-2.9
Salary increases to April 2011	-	-	-
Salary increases thereafter	3.7	4.3	3.4

A 0.1% per annum decrease in the discount rate would increase the liabilities by approximately £5.7 million. An increase in the inflation rate of 0.1% per annum increases the liabilities by approximately £4.4 million.

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

	2009 First half %	2008 First half %	2008 Second half %
Equities	7.0	7.2	7.5
Bonds	5.4	5.6	6.1
Gilts and cash	2.6	4.2	4.5

The mortality tables applied by the actuaries at 30 June 2009 and 31 December 2008 were PA92MC + two years.

On the above basis the amounts recognised on the consolidated balance sheet are:

	2009 30 June £million	2008 30 June £million	2008 31 December £million
Fair value of assets	268.5	282.1	283.1
Present value of funded obligation	(301.7)	(302.8)	(301.7)
Net liability recognised on the balance sheet	(33.2)	(20.7)	(18.6)

Costs recognised in the consolidated income statement are:

	2009 First half £million	2008 First half £million	2008 Full year £million
Current service cost	0.8	1.0	1.9
Interest on obligation	9.0	9.4	19.5
Expected return on plan assets	(7.9)	(9.0)	(17.7)

10 Retirement benefit schemes continued

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

	2009 First half £million	2008 First half £million	2008 Full year £million
Opening defined benefit obligation	301.7	315.6	315.6
Current service cost	0.8	1.0	1.9
Interest on obligation	9.0	9.4	19.5
Scheme participant contributions	0.5	0.7	1.2
Curtailment	(1.2)	–	(1.2)
Change in actuarial estimates and assumptions	(1.7)	(16.4)	(22.2)
Benefits paid	(6.5)	(7.5)	(15.3)
Exchange differences	(0.9)	–	2.2
Closing defined benefit obligation	301.7	302.8	301.7

Changes in the fair value of schemes' assets are:

	2009 First half £million	2008 First half £million	2008 Full year £million
Opening fair value of schemes' assets	283.1	298.2	298.2
Expected return on schemes' assets	7.9	9.0	17.7
Actual returns less expected returns	(17.5)	(19.7)	(25.4)
Contributions by employer	1.5	1.4	5.1
Contributions by employees	0.5	0.7	1.2
Benefits paid	(6.5)	(7.5)	(15.3)
Exchange differences	(0.5)	–	1.6
Closing fair value of schemes' assets	268.5	282.1	283.1

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

	2009 First half £million	2008 First half £million	2008 Full year £million
Experience adjustments on schemes' liabilities	1.7	16.4	22.2
Experience adjustments on schemes' assets	(17.5)	(19.7)	(25.4)
Total actuarial loss	(15.8)	(3.3)	(3.2)

11 Acquisition of subsidiaries

The Group acquired New Chapel Electronics Limited on 2 April 2008 and assets comprising the majority of the business of Semelab Limited on 21 August 2008. The total consideration for these acquisitions was £14.9 million of which £13.9 million was paid in 2008. Deferred consideration capped at £1.0 million was paid in 2009. The fair value of the net assets acquired was £9.2 million.

12 Reconciliation of net cash flow to movement in net debt

	Net cash/ (overdraft) £million	Loans and finance leases £million	Net debt £million
Balance at 31 December 2007	(5.2)	(69.8)	(75.0)
Cash flow	(9.0)	0.3	(8.7)
Exchange differences	(0.3)	(0.3)	(0.6)
Balance at 30 June 2008	(14.5)	(69.8)	(84.3)
Cash flow	2.5	(9.3)	(6.8)
Exchange differences	(0.2)	(21.9)	(22.1)
Balance at 31 December 2008	(12.2)	(101.0)	(113.2)
Cash flow	(0.9)	8.1	7.2
Exchange differences	0.8	5.2	6.0
Balance at 30 June 2009	(12.3)	(87.7)	(100.0)

Net cash represents cash and cash equivalents less bank overdrafts.

With effect from 2 June 2009, the £70.0 million medium-term loan was drawn in sterling, having previously been drawn in US dollars to partially hedge the Group's dollar denominated assets. The loan is drawn down from the £70.0 million multi-currency revolving facility with HSBC extending to 2011.

13 Dividend payment

Amounts recognised as distributions to equity holders in the period:

	2009 First half £million	2008 First half £million	2008 Full year £million
Final dividend for 2007 of 6.36p per share	–	9.9	9.9
Interim dividend for 2008 of 3.69p per share	–	–	5.7
	–	9.9	15.6

There is no interim dividend for 2009 or final dividend for 2008.

14 Related party transactions

There have been no changes in the related party transactions described in the Annual Report 2008 that have a material effect on the financial position or results of the Group.

Shareholder information

Results

Preliminary announcement of 2009 results
– late March 2010

Annual Report 2009 – available mid
April 2010

Announcement of 2010 half year results
– late August 2010

Share dealing services

Shareview Dealing is a telephone and internet service provided by Equiniti and provides a simple and convenient way of buying and selling TT electronics plc shares.

This service is available at www.shareview.co.uk/dealing or call 08456 037037 between 8.30am and 4.30pm, Monday to Friday, for more information about this service and for details of the rates and charges.

A weekly postal dealing service is also available and a form together with terms and conditions can be obtained by calling 0871 384 2248*. Commission is 1 per cent with a minimum of £10.

ShareGift

ShareGift is a charity share donation scheme for shareholders, administered by The Orr Mackintosh Foundation. It is especially for those who may wish to dispose of a small parcel of shares whose value makes it uneconomical to sell on a commission basis. Further information can be obtained at www.sharegift.org or from Equiniti.

Shareholder enquiries

Equiniti maintain the register of members of the Company. If you have any queries concerning your shareholding, or if any of your details change, please contact the Registrars:

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Telephone 0871 384 2396*
Fax 0871 384 2100*

Textphone for shareholders with hearing difficulties 0871 384 2255*

Equiniti also offer a range of shareholder information on-line at www.shareview.co.uk.

* Calls to this number are charged at 8p per minute from a BT landline. Other telephony provider costs may vary.

Website

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

TT electronics plc

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

Reg No 87249

Tel +44(0) 1932 841310
Fax +44(0) 1932 836450