TT Electronics

Refocus.
Rebuild.
Sustainable growth.

TT Electronics plc Annual Report and Accounts 2014

TT Electronics is a global provider of engineered-electronics for performance critical applications.

Contents

Position. People. Potential.

Great people. Great potential.
TT Electronics is a business of great people, we have some excellent technology and good market positions. By harnessing our core capabilities we are well positioned to deliver highly engineered electronics that help our customers to achieve their aims and get ahead.

See page 9 for more detail

Strategic framework.

Clear priorities to unlock potential.
We have started our journey to transform our business performance. Focusing on our six strategic priorities will enable us to rebuild a platform to drive sustainable growth going forward.

See page 5 for more detail

2014 Highlights

Revenue

£524.3m

Up 3%[2]

Operating Profit[1]

£29.2m

Flat[2]

Free Cash Flow

£(22.5)m

Down 4,600%

Net Debt

£(14.3)m

Down 150%[2]

EPS[1]

12.9p

Down 5%[2]

Dividend

5.5p

Up 2%

1. Underlying, before restructuring, acquisition costs and asset impairment.
2. Change at constant currency.

See pages 8–18 for more detail

Financial Headlines

- Revenue broadly unchanged in a challenging year.
- Underlying operating profit down 5 per cent including c. £5m benefit from non-recurring trading items.
- Mixed divisional performance:
  - Components: strong operating profit progression driven by improvement in product mix and underlying cost base.
  - Sensing and Control: poor performance in Transportation sensors partially offset by strong performance in Industrial sensors and controls and Transportation controls businesses.
  - Integrated Manufacturing Services: weaker than expected customer demand and start up issues from transfer of manufacturing to Romania.
- Balance sheet remains strong:
  - Good second half cash performance.
  - £14.3m of net debt at the year end.
- Final dividend maintained to give overall increase for year of 2 per cent.

Strategic and Operational Progress

- New CEO and CFO appointed; new senior management team in place.
- Operational Improvement Plan: re-set, re-structured and making progress.
- Comprehensive review of the business completed; strategic direction clear; executive planning underway.
- New strategic plan to improve the performance of the business based on:
  - Building market-leading positions;
  - Enhanced customer focus;
  - Targeted and efficient R&D spend;
  - Driving operational efficiency;
  - Lean, agile and learning organisation;
  - Financial discipline and performance management.

For more information on our business please visit
www.ttelectronics.com

Our purpose: Harnessing our leading expertise to engineer electronics that put our customers ahead.

TT Electronics is a global provider of leading expertise in highly engineered electronics components that operate in harsh environments for critical applications. TT works closely with its market leading customers in sectors such as transportation, industrial, aerospace and defence, as well as medical.

Our businesses

Sensing and Control

TT's Sensing and Control business provides sensing and control solutions for critical applications which require high levels of expertise, precision and reliability for leading customers, globally. The Sensing and Control business is operated under the following brands – AB Elektronik, AB Mikroelektronik, BI Technologies and OPTEK Technology.

Revenue
£289.3m

Operating profit
£14.2m

Components

Our Components portfolio includes fixed resistors, discrete semiconductors, microelectronic solutions, magnetics and connectors, with a focus on medical, defence and aerospace, industrial, transportation and energy markets. The Components business operates under a number of brands – AB Connectors, BI Technologies, IRC, Semelab and Welwyn.

Revenue
£98.8m

Operating profit
£9.5m

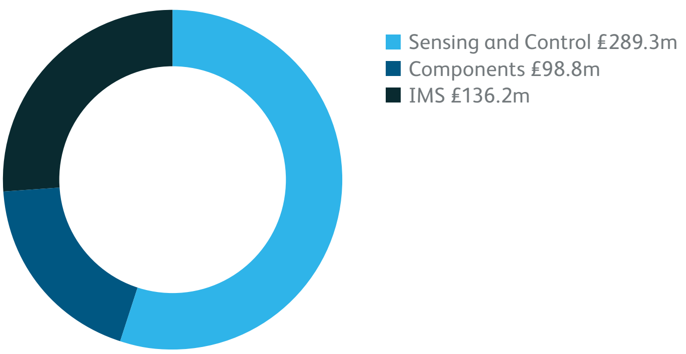
Integrated Manufacturing Services

TT's IMS division delivers a full suite of end-to end electronic manufacturing solutions at strategically located sites combining collaborative design and engineering skills with a robust global supply chain to support our customers' global ambitions. The IMS business works closely with OEMs who require low volume, high mix manufacturing solutions.

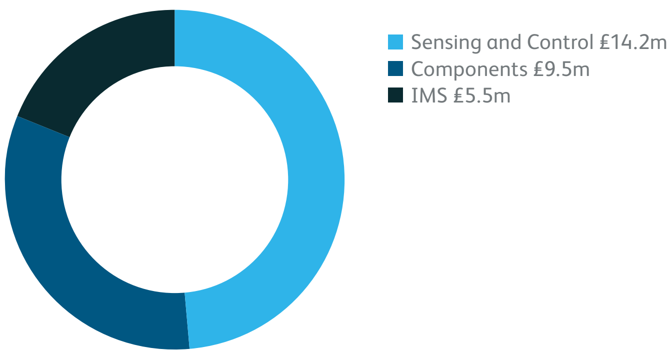
Revenue
£136.2m

Operating profit
£5.5m

Revenue £m (2014)

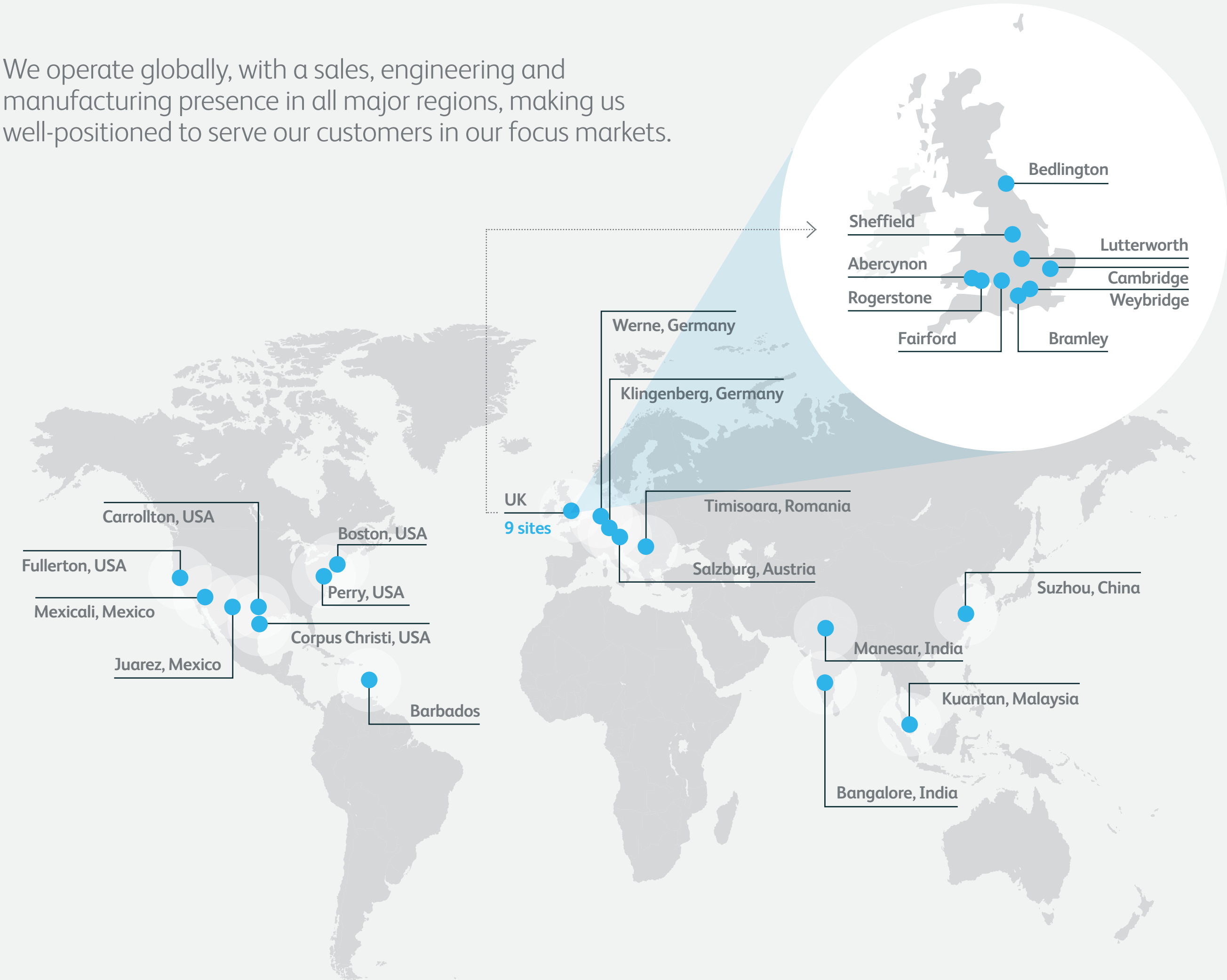


Operating profit £m (2014)

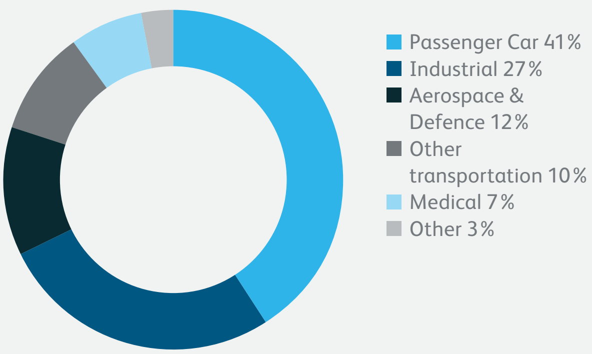


Where we operate

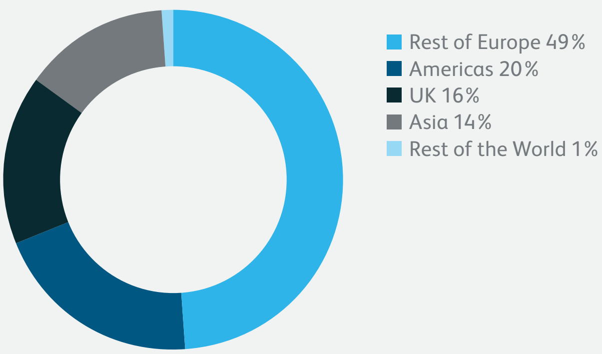
We operate globally, with a sales, engineering and manufacturing presence in all major regions, making us well-positioned to serve our customers in our focus markets.



Revenue by market (2014)



Revenue by region (2014)



Sales to European customers for their global markets are classified as European sales. Therefore the actual share of sales to non European markets is higher.

Harnessing our capabilities across our markets.

TT Electronics operates in a sizeable global market, with ample opportunities for growth. The continued growth in demand for more sophisticated features and stronger performance of the end products provides a positive background for the demand growth of TT's services and electronics solutions.

Automotive

The automotive sector is at the core of the Group's DNA. Demand for TT's Sensing and Control products are directly influenced by the automotive production levels, across all vehicle categories (e.g. passenger car, trucks, commercial vehicles and two-wheelers).

In 2014, global vehicle assembly continued on a positive trend showcased by the 5.9 per cent year on year growth achieved within the light vehicle category. This positive outlook is particularly driven by the North America and Asia Pacific regions. US light vehicle sales reached 16.4 million and registered the fifth straight year on year increase whilst Chinese light vehicle assembly grew by nearly 9.5 per cent in 2014.

Looking forward, developing markets in Asia-Pacific are expected to generate over 60 per cent of the global automotive growth until 2021, driven by China and India, where TT already has some presence.

Furthermore, demand for sensors in the automotive sector is supported by a range of positive trends, including more stringent safety requirements, demand for features for users' comfort, vehicles connectivity and fuel efficiency. All of these factors set out positive market conditions for TT's sophisticated sensing and control solutions.

Industrial

TT's Sensing and Control and Components divisions are present in multiple industrial end verticals through a large variety of products and applications. These include aerospace and defence, medical equipment, metal processing and oil and gas applications.

Overall, the proliferation of more sophisticated sensing and control solutions in these key markets offer attractive growth fundamentals for the Group.

For example between 2011 and 2016, the sensor market value is estimated to grow at 11.3 per cent in medical applications and 6 per cent p.a in the oil and gas sector.

TT's businesses are positively supported by steady growth rates in the passive and connectors markets, particularly within our target industrial sectors. Some of the sub-segments are expected to see strong single digit growth. Within the aerospace and defence sector for instance, commercial aircraft production had another year of solid growth performance, increasing over 8 per cent from 2013 to 2014. However, production of defence related electronic equipment declined from 2013 to 2014.

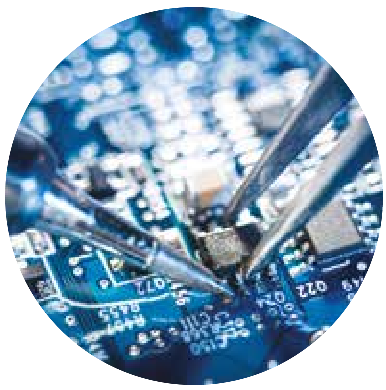
EMS

Our IMS business supports customers in the aerospace and defence, medical, and high technology industrial sectors by offering advanced design and manufacturing services in multiple locations across the globe.

Its position in these markets is strengthened by its established expertise in low volume/high mix manufacturing, specialised quality standards and relevant accreditations.

The global EMS market is maintaining healthy growth rates (5–6 per cent p.a.) within the end verticals most relevant to TT as the outsourcing trend is set to continue.

At a regional level, the IMS operations are heavily influenced by the prevailing manufacturing activity in the geography. In Europe, the market saw some declines in the industrial sector caused by regional economic challenges and significant delays in new programmes launch. Asian operations, on the other hand, witnessed good growth as a result of intensified manufacturing activity led by global OEMs in sectors such as medical device manufacturing.



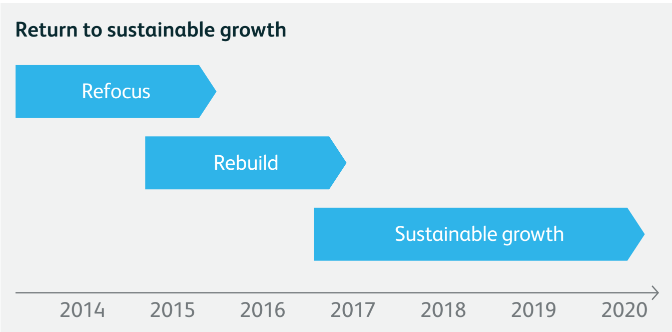
Our strategic framework and business model

Unlocking our potential.

Strategic framework

Our journey to transform our business performance has three phases, underpinned by six priorities as we are working together to deliver three outcomes.

Three phases



The business review conducted in late 2014 has enabled us to refocus the Group on the key issues and opportunities we face. We have developed a clear strategic plan to rebuild the performance of the business and deliver sustainable growth.

Six priorities

Market leading position	Enhanced customer focus	Operational efficiency
Targeted & efficient R&D spend	A lean, agile and learning organisation	Financial discipline & performance management

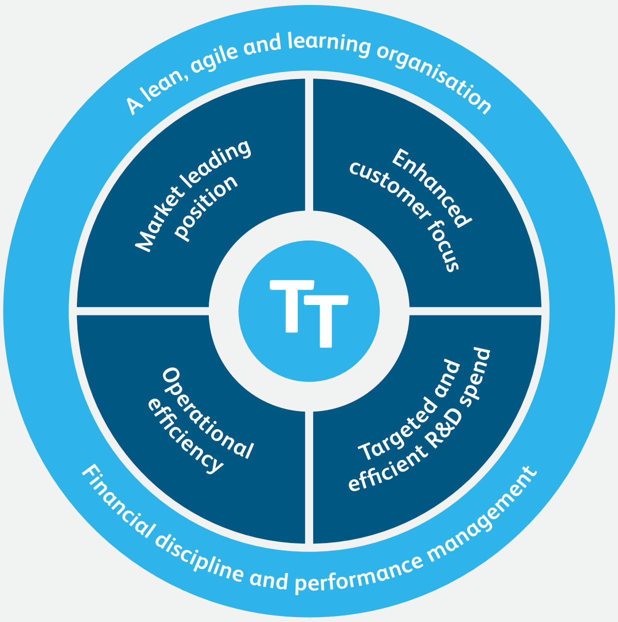
These six priorities underpin our strategic plan. We are focusing on these areas to rebuild a platform for sustainable growth. As part of this plan we are implementing a series of process standardisations and enhancements to drive improvement in the overall business performance.

Three outcomes

Improved Customer Performance	Improved Operational Performance	Improved Returns and Cash Generation

The delivery of our strategy will be measured by three outcomes: improved customer performance, improved operational performance and improved returns and cash generation creating a better quality business with stronger returns to shareholders.

Business model



TT has strong experience in multiple end use markets and a wide range of performance-critical applications. This unique combination provides a strong platform for the businesses to harness their expertise and help customers solve their challenges. The global network of TT also enables us to work with customers across different geographies with agility.

Market leading position
Focus on our key strengths in end use markets, products and applications. Positioning ourselves where we can best serve our customers.

Enhanced customer focus
Being closer to customers, generate opportunities proactively and build a more balanced customer base.

Operational efficiency
Build, share and develop best practice to strengthen overall competitiveness, cost efficiency and quality of output.

Targeted and efficient R&D spend
Targeted investment in R&D. Robust management to ensure on time and on budget delivery of quality output

Chairman's statement
Sean Watson, Chairman

2014 was a year of change where hard decisions have been taken to provide us with a platform for progress.

2014 was a year of challenges and significant change. Following the appointment of Richard Tyson as Chief Executive Officer in July, we undertook a comprehensive review of the business and have now developed a clear strategic plan to stabilise the business and deliver sustainable growth.

It was regrettable that we had to announce in November 2014 that issues identified by the business review and delays in execution of certain elements of the Operational Improvement Plan would impact our 2014 and 2015 performance. This led to a fall in our share price, however we have moved swiftly, commencing the necessary improvement actions, making changes to our senior management team, reshaping our organisational structure and appointing Mark Hoad as Chief Financial Officer. This has allowed us to enter 2015 with a clear understanding of what needs to be done and the confidence that we have the right people in place to move our business forward.

2014 results

Group revenue was £524.3 million from continuing operations (2013: £532.2 million). On an organic basis, revenue increased by 2 per cent, excluding the effects of foreign exchange (£22.6 million) and the £3.7 million revenue contribution from the acquisition of Roxspur Measurement and Control Limited ("Roxspur") in July 2014. This organic revenue increase was largely related to a one-time order within Sensing and Control.

Underlying operating profit from continuing operations declined by 5 per cent to £29.2 million (2013: £30.8 million) with the reduction principally related to a £1.7 million negative foreign exchange impact, partially offset by the £0.4 million in operating profit delivered by the acquisition of Roxspur. The underlying operating profit performance benefited from the £4 million one time order referred to above and £1 million of last time buys related to the closure of our operations at the Smithfield, USA facility.

Our closing net debt position of £14.3 million reflects investment in the acquisition of Roxspur for £8.0 million, net capital expenditure of £28 million and a working capital outflow of £16.8 million due to significant supplier payments made during the first half.

"On behalf of the Board, I would like to thank all of our employees who have worked through this period of uncertainty and made a valued contribution to the business and our wider customer initiatives during 2014."

Dividend

The Board is recommending an unchanged final dividend of 3.8 pence which, when combined with the interim dividend of 1.7 pence, gives a total of 5.5 pence per share for the full year (2013: 5.4 pence per share), representing an increase of 2 per cent.

Strategic and operational progress

We have conducted a comprehensive review of the business and have developed a strategy for sustainable growth. In his statement, Richard Tyson outlines his priorities for 2015 and the actions being taken to simplify the organisation and to create a culture of clear accountability. Progress is being made but more work is needed to embed these governance processes and cultural changes across TT.

Board changes

We have made a number of changes to the Board and senior management team. Richard Tyson joined from Cobham plc as Chief Executive Officer in July 2014, and Mark Hoad was appointed as Chief Financial Officer in January 2015. Mark previously held the position of Group Finance Director at BBA Aviation plc. At the senior management level, we have implemented a number of organisational changes and refreshed the leadership team. Further details are set out in the Chief Executive's statement.

The Board, through the Remuneration Committee, is committed to ensuring that the Group operates in accordance with best practice regarding both the disclosure of directors' remuneration and the development of an effective executive remuneration strategy. The alignment between our strategic goals, KPIs and Executive remuneration is set out in the Remuneration Report.

Our people

The delivery of our strategic goals would not be possible without the hard work and dedication of our people, across all of our business units worldwide. 2014 was challenging for our staff, not only as a result of the changes we made to our Executive management team (and which have now filtered through the management layers of our business units), but also arising from the need to make headcount reductions at a number of our sites. On behalf of the Board, I would like to thank all of our employees who have worked through this period of uncertainty and made a valued contribution to the business and our wider customer initiatives during 2014.

Looking forward

The Group has undergone significant change during the second half of the year. We have a new management team in place and a clear plan to improve the performance of the business. 2015 will be an important year of transition as this new plan is implemented and we create a sustainable platform for growth.

Sean Watson
Chairman
11 March 2015

Chief Executive Officer's statement
Richard Tyson, Chief Executive Officer

2014 was a year of challenges and significant change. We have closely re-examined our business and strategy, and reshaped our management teams and organisational structure.

2014 Results

Group revenue from continuing operations was £524.3 million (2013: £532.2 million). On an organic basis, revenue increased by 2 per cent, excluding the effects of foreign exchange (£22.6 million) and a £3.7 million contribution from Roxspur Measurement and Control Limited ("Roxspur"), which was acquired in July 2014. The organic revenue increase was largely related to a one-time order within Sensing and Control.

Underlying operating profit from continuing operations declined by 5 per cent to £29.2 million (2013: £30.8 million) with the reduction principally related to a £1.7 million negative foreign exchange impact partially offset by the £0.4 million in operating profit from the acquisition of Roxspur. At constant currency, underlying operating profit was broadly unchanged. The underlying operating profit performance included circa £4 million of profit from the one-off order referred to above and circa £1 million of profit from non-recurring orders related to the Smithfield, USA facility closure.

There was a £0.9 million increase in the net interest expense to £1.6 million (2013: £0.7 million) primarily as a result of a lower net credit from the retranslation of foreign currency borrowings. Underlying profit before tax declined by 8 per cent to £27.6 million (2013: £30.1 million) representing a 3 per cent reduction on a constant currency basis.

The underlying effective tax rate of 25.7 per cent was slightly higher than the prior year (2013: 23.6 per cent) and basic underlying earnings per share decreased by 12 per cent to 12.9 pence (2013: 14.6 pence), and by 5 per cent at constant currency.

The reported loss for the period amounted to £10.5 million (2013: profit £13.0 million) after a charge for items excluded from underlying profit of £33.5 million (2013: £11.8 million). Included within this charge were restructuring costs of £22.2 million (2013: £10.2 million), which related principally to the Operational Improvement Plan, and asset impairments of £9.4 million (2013: £nil), which related largely to an accounting write-down of capitalised intangible development costs following a review of expected returns.

"Whilst our order book remains sound, our markets continue to look challenging, especially in Europe, where headwinds remain. We therefore remain cautious in our outlook for 2015 with the benefits of the new strategic plan not expected to be seen until 2016. However, we are putting in place a solid platform for a return to sustainable profitable growth and to restore value for shareholders."

There was a free cash outflow in 2014 of £22.5 million (2013: inflow of £0.5 million) with a free cash inflow of £12.5 million in the second half of the year compared with a £35.0 million outflow in the first half. Net capital expenditure increased as planned to £28.0 million (2013: £23.9 million) and capitalised development expenditure amounted to £6.8 million (2013: £5.2 million), equivalent in total to 1.6 times underlying depreciation and amortisation. There was a working capital outflow of £16.8 million (2013: £9.4 million) due to significant supplier payments made during the first half of the year.

Total acquisition and disposal expenditure in the year amounted to £8.5 million (2013: £12.5 million) including the acquisition of Roxspur for £8.0 million net of cash in the acquired business. Total dividend payments in the year amounted to £8.7 million (2013: £8.0 million) and we ended the year with a closing net debt position of £14.3 million (2013: net cash £26.9 million).

Dividend

The Board is recommending an unchanged final dividend of 3.8 pence which, when combined with the interim dividend of 1.7 pence, gives a total of 5.5 pence per share for the full year (2013: 5.4 pence per share), representing an increase of 2 per cent.

My first task on joining TT was to understand our business and to identify the opportunities for growth.

Position

We are present in attractive end markets, geographies, product categories and applications. The markets have strong structural demand drivers, ranging from regulatory and product development, in some cases, to macro drivers. We also have long term relationships with our customers, many of which are global leaders of their end markets and value TT as a technological partner.

TT has years of experience and expertise in engineering and delivering electronics for applications in the harshest environments. The reliability and performance of our products is something we are proud of. Our global presence enables us to be close to our customers in geographies with good growth opportunities.

People

We have a great team, full of talented people who have strong expertise and extensive experience. Our 5,800 employees are committed to deliver the best to our customers. Over the years many have developed a strong and trusted relationship with our customers.

Potential

TT is a business with a strong position, excellent people and great potential. The key is unlocking it through:

- Enhancing customer engagement, building on established relationships.
- Harnessing core capabilities, targeting and delivering the R&D programmes.
- Improving operational and financial performance.

Chief Executive Officer's statement continued

Board and senior management changes

We have made a number of changes to the Board and senior management team. I joined from Cobham plc as Chief Executive Officer in July 2014, and Mark Hoad was appointed as Chief Financial Officer in January 2015. Mark previously held the position of Group Finance Director at BBA Aviation plc.

At a senior management level, we have implemented a number of organisational changes and reformed the leadership team.

Within the Sensing and Control division we have created two distinct customer facing segments to provide greater market focus and accountability. We appointed Amrei Drechsler as Executive Vice President (EVP) Transportation Sensing and Control, Tim Roberts as EVP Industrial Sensing and Control and TC Chan as EVP of the Integrated Manufacturing Services (IMS) division. Our Components division has been re-named Advanced Components and Gareth Mycock has been appointed the EVP of that division.

We have also strengthened other key areas of the business. Michael Robinson has assumed the role of EVP Operations and Supply Chain to drive operational excellence through our global operations and supply chain. Candy Bowles has been appointed as Group EVP of Corporate Development and Strategy.

Strategic and operational progress

We have conducted a comprehensive review of the business. The review solidified our understanding of the business and confirmed that we enjoy some strong positions in attractive growth markets, that we have loyal customers who respect and value what we do and we have strong, technically robust products that perform well in demanding environments. During the review, we completed a number of immediate actions to simplify and stabilise the business including the strengthening in capability and experience of the senior management as outlined above, and organisational changes designed to improve customer focus and enhance transparency, accountability and pace.

We have identified good opportunities in our Industrial Sensing and Control and Advanced Components businesses based on favourable market dynamics and our current position.

Transportation Sensing and Control also has good structural growth characteristics and we have had success in a number of areas, however, the performance of our Transportation sensors business has been disappointing. We now have a clear plan to turn the business around operationally, by ensuring our R&D resources are targeted on the right opportunities and that our processes are more effective.

Our IMS business, which focuses on more challenging lower volume, high specification segments, will continue to deliver at a similar level of performance and we will support the business with appropriate levels of investment.

The Operational Improvement Plan (OIP), first launched in June 2013, is a large and complex restructuring programme targeted at improving our long-term competitive position whilst also reducing overheads. Relocating certain manufacturing lines from Werne, Germany to Timisoara, Romania is a key aspect of this programme, and progress was delayed during 2014. Agreement on the overall shape of the programme was reached with the workers' council and trade union in late 2014 and the transfer is now making progress.

Executive Management Board

(left to right) Lynton Boardman, Group General Counsel & Company Secretary; Tim Roberts, EVP Industrial Sensing and Control; John Leighton-Jones, EVP Human Resources; Amrei Drechsler, EVP Transportation Sensing and Control; Richard Tyson, Chief Executive Officer; Mark Hoad, Chief Financial Officer; TC Chan, EVP IMS; Candy Bowles, EVP Corporate Development & Strategy; Gareth Mycock, EVP Advanced Components; Michael Robinson, EVP Operations & Supply Chain.

The cost of the OIP programme in Europe is anticipated to be approximately £24.0 million with projected full year run rate cost improvements of £3.5 million. We expect to see the first benefits from the programme in the 2016 financial year. This programme is a necessary step to underpin future competitiveness.

Detailed plans under the OIP to move production are in place, and monitored continually, to ensure progress against critical milestones. The first production line transfer from Werne was completed in January, as planned, and the qualification of that line in Romania is now in progress. An additional ten lines are planned to move in 2015 with the remainder of the lines scheduled to be moved throughout 2016. We expect all elements of the programme to be completed in the first half of 2017.

The closure of sales offices in Japan, France and Italy was completed on schedule with the full year benefits of £1.3 million per annum largely realised in the year. As previously announced, the transfer of manufacturing from our Fullerton, California site to Mexicali, Mexico has been put on hold in order to fulfil a significant customer order agreed in the first half of 2014. We continue to anticipate that the transfer will be completed in 2015.

As a result of the business review we have developed a strategic plan.

Our focus is now on the execution of this plan and a return to sustainable, profitable growth. The strategy is one of re-focusing, re-building and generating momentum in the business supported by six main strategic priorities:

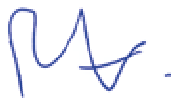
- **Market-leading position** in attractive niches by harnessing our expertise in electronics for performance-critical applications;
- **Enhanced customer focus** and more effective cross-selling to make the most of the knowledge of, and access to, markets and customers across our businesses;
- **Targeted and efficient R&D**, to drive greater balance across our markets and a more efficient and effective new product development process to meet customer needs;
- **Operational efficiency** through greater collaboration across our businesses to leverage best practice, procurement and economies of scale across our operations – including successful delivery of the OIP;
- **A lean, agile and learning organisation** supporting the development of and investment in our people's capabilities, and improving decision making with greater transparency and accountability;
- **Financial discipline and performance management** to drive rigorous data-rational decision making, focused on value based investment decisions and emphasis on cash generation.

This plan is designed to enhance and refine our existing strategy with three key outcomes: improved customer performance, improved operational performance and improved returns and cash generation. Our priority will be driving a 'step change' in execution, deployment and engagement.

Outlook

The overall operational and financial performance for 2014 was disappointing. However, the Group has undergone significant change during the second half of the year. We have a new management team in place and a clear strategic plan to improve the performance of the businesses. 2015 will be an important year of transition as this new plan is implemented.

Whilst our order book remains sound, our markets continue to look challenging, especially in Europe. We therefore remain cautious in our outlook for 2015 and we expect profits to be more second-half weighted than in the prior year. The benefits of the new strategic plan are expected to be seen from 2016. We are putting in place a solid platform from which to return to sustainable profitable growth and to improve value for shareholders.



Richard Tyson
Chief Executive Officer
11 March 2015

Rebuilding the platform
Six strategic priorities

1. Market-leading position
2. Enhanced customer focus
3. Targeted and efficient R&D
4. Operational efficiency
5. A lean, agile and learning organisation
6. Financial discipline and performance management

Divisional review
Sensing and Control

Cleaner.
Safer.
Better.

Cleaner air, through the effective reduction of vehicle emissions, remains a key focus of the automotive OEMs for a better environment. Building on our expertise in clean air systems technology, we have won our first programme for the DEF/AdBlue® Fluid Quality Sensor for Audi.

This Fluid Quality integrated sensor will be supplied to our Tier1 partner with full production starting in our Klingenberg, Germany facility in Q3 2015. We are delighted to be chosen to be a partner with a leading Tier1 supplier and Audi VW Group for the latest diesel engine generation, leading to a cleaner, safer environment.

This Fluid Quality Sensor strengthens our position in this legislation driven market for larger diesel engines, where Selective Catalytic Reduction (SCR) is used to reduce the NOx content in the exhaust gas. A key function of the SCR system is the dosing of urea solution, named AdBlue® or Diesel Exhaust Fluid (DEF), into the exhaust stream. This Fluid Quality sensor provides feedback on the quality of the solution to ensure optimum performance of the system, and it is now a requirement for selling vehicles into Euro6 and Tier 4 legislated countries.

Divisional review Sensing and Control

The division provides sensing and control solutions, including: speed, position, temperature, accelerator pedal, pressure, fluid condition and flow sensors, together with microcircuits and intelligent power modules for critical applications which require high levels of expertise, precision and reliability.

The division's principal manufacturing operations are located in Germany, Austria, Romania, UK, India, China and Mexico and are supported by additional engineering and development teams in the USA and UK. The division now has two customer facing segments, Transportation Sensing and Control and Industrial Sensing and Control. With a sales presence in all major markets, the division is well positioned to serve our global customer base.

	2014	2013	Change
Revenue	**£289.3m**	£285.2m	1%
Underlying operating profit[1]	**£14.2m**	£17.5m	(19)%
Operating profit margin[1]	**4.9%**	6.1%	(120)bps

1. Excluding restructuring costs, asset impairments and acquisition related costs.

Performance

Revenue for the year ended 2014 was £289.3 million (2013: £285.2 million), an increase of 5 per cent on an organic basis, excluding an adverse foreign exchange impact of £15.1 million and a £3.7 million contribution from Roxspur Measurement and Control Limited ("Roxspur"), acquired in July 2014. Roughly half of the organic increase was due to a significant one-off order for steering position sensors, which is not expected to recur in 2015.

Underlying operating profit for the year declined by 19 per cent to £14.2 million (2013: £17.5 million) and declined by 13 per cent on a constant currency basis, giving an operating margin of 4.9 per cent (2013: 6.1 per cent). This reduction was driven by poor performance in our Transportation sensors business related to price-downs and adverse product mix, investment in product development and inefficiencies resulting from the movement to Romania from our Werne location. This was partly offset by circa £4 million profit from the one-off order for steering position sensors and growth in our Transportation controls business. There was a negative foreign exchange impact of £1.0 million and the acquisition of Roxspur added £0.4 million to operating profit.

Key achievements and progress

A key focus for the Sensing and Control division was the implementation of the Operational Improvement Plan (OIP). The OIP is designed to improve the efficiency of the operation overall and our competitiveness to our customers. A number of external supplier processes were established in our Romanian facility to protect the supply chain, with all moves progressing to plan. As suppliers into the automotive industry, our high quality levels are fundamental and all of our automotive sites successfully maintained their ISO/TS and environmental certifications in 2014. We completed our first full year in our new Manesar facility in India and are starting to see the benefits of having established local manufacturing to serve the growing market. A key focus for both our Transportation and Industrial Sensing and Control businesses will be improving R&D investment efficiency and processes during 2015.

The Sensing and Control business launched several new sensor products, including a new technology based on SIMSPAD®, our newest non-contacting sensor platform which is designed to detect non-linear positions through non-ferromagnetic walls. Our new overmoulded speed sensor was officially launched in 2014, which simplifies production and provides cost savings on assembly processing. The business launched a new Magnetorque® sensor, incorporating the latest technology for combining position and torque in a smaller package, improving our ability to serve the growing area of Electronic Power Steering (EPS) applications.

Our Transportation controls business grew significantly in 2014, buoyed by increased penetration of front LED lighting into a broader range of vehicles and the increased usage of petrol engines, where the increase in demand for engines experienced in year benefited our supply of intelligent electrical water pumps used in engine cooling systems. The business expanded the supply of intelligent electrical water pumps regionally, having won business with our first Korean customer. Additionally, we continued to develop technology to address customer needs in the area of both LED lighting and intelligent power modules. Our patented approach to LED placement helps our customers to enhance the light's appearance on the road and will be used for the next generation of "intelligent" headlights. We also patented a "chip stacking" technology which enables higher power density in smaller packages, increasing the number and type of applications we can serve in transportation systems requiring power electronics.

We experienced a number of delays in the launch of new product platforms during 2014 in our Industrial Sensing business and we are taking steps to re-organise the engineering function and review core processes in order to improve future execution. Despite this, a number of new products were launched during the year including an optical sensor designed to monitor seeds as they are dispensed in agricultural planting equipment. A number of new products are due to be launched in 2015 and these are expected to deliver modest benefits in the second half of the year.

The acquisition of Roxspur in July strengthened our sensors offering for Industrial pressure, temperature and flow sensors together with service and calibration. Whilst small, the acquisition provides a platform for future growth in Industrial applications. A number of activities have been identified to expand the business' product range and support growth in the medium term. These include utilising the Group's electronics expertise to develop an enhanced range of pressure sensors with improved performance and configurability. In addition we are evaluating a number of manufacturing process improvements leveraging skills from other parts of the Group.

Divisional review
Components

Efficient.
Versatile.
Reliable.

TT was selected by Controls and Data Services, part of the Rolls-Royce Group, to be its strategic supplier of hybrid microcircuits.

We have been a partner of Controls and Data Services since 2009; this latest agreement extends our Long Term Agreement to include the supply of high performance, engine control modules for the latest Rolls-Royce engines including the Trent XWB and Trent 1000 for the next ten years.

The agreement is the result of close partnership between the two businesses and provides a solid platform for ongoing technology development partnership.

Our expertise in designing low mass, high reliability power resistors has enabled us to work with Moog to find new applications for our products in both commercial and military aircraft, where the stainless steel based components act as fail safe for electrical brakes.

Moog Inc. is a worldwide designer, manufacturer, and integrator of precision motion control products and systems.

By enabling the safely controlled movement of flight surfaces, our products are a crucial part of the fly-by-wire systems which in turn are key to reducing net aircraft weight.

Divisional review Components

The Components division comprises our Resistors, Power and Hybrid, Magnetics and Connectors businesses. Each of these individual businesses operated with their own leadership structures during 2014 to manage global sales, operations and research and development, allowing a greater focus on success in their respective product sets.

We serve customers in the industrial, automotive, aerospace, defence and medical markets and focus on creating value by delivering innovative electronic solutions. Our highly engineered component solutions include fixed resistor products, magnetics, connectors, power modules and control circuitry for harsh and difficult environments.

	2014	2013	Change
Revenue	**£98.8m**	£100.4m	(2)%
Underlying operating profit[1]	**£9.5m**	£4.3m	121%
Operating profit margin[1]	**9.6%**	4.3%	530bps

1. Excluding restructuring costs, asset impairments and acquisition related costs.

Performance

Revenue for the year was £98.8 million (2013: £100.4 million). On an organic basis, revenue for the year increased by 1 per cent excluding a foreign exchange reduction of £2.5 million.

Underlying operating profit for the year more than doubled to £9.5 million (2013: £4.3 million), driven by favourable product mix, improvements in the underlying cost base and a circa £1 million one-off benefit of non-recurring orders associated with the closure of the Smithfield, USA facility. There was a £0.2 million adverse foreign exchange impact. Operating margins increased by 530 basis points to 9.6 per cent (2013: 4.3 per cent).

Key achievements and progress

2014 proved to be a successful year for the Components division, across nearly all markets and regions.

The Power and Hybrid business had a strong year with increased sales and profitability and prior improvements in the strength of the team making an impact. All product areas in the business performed well from all three of their sites. Power and Hybrid announced a major landmark for their Micro-Circuit products manufactured at the Bedlington, UK site, with the signing of a long term supply agreement with Rolls-Royce subsidiary CDS, to supply its new range of Multi-Chip Modules used in the control of fuel supply for a wide range of Rolls-Royce engines. The Power and Hybrid business celebrated with NASA in the successful launch and flight of the Orion space mission, having supplied hybrid circuits for the vehicle management computer and the inertial measurement unit. Components also supplied precision resistors for the same systems.

The Resistors business enjoyed a significant increase in sales across all product lines and managed a number of major projects. A new customer service centre opened in Bedlington, UK and the Corpus Christi, USA service centre was expanded. Corpus Christi installed and commissioned a major new production facility after a year long multi-million dollar investment programme. The new facility produces the new range of WIN moisture resistant precision thin film chip resistors, mainly focused on Industrial markets, and product was successfully shipped in the second half of the year. The Resistors team also successfully managed the closure of the Smithfield, USA site without interruption to customers.

The Magnetics business enjoyed a successful year with solid performance and progress on a number of fronts, gaining new programmes and launching new products. The Magnetics business based in Kuantan, Malaysia, continued to expand their automotive sales, launched a new initiative to grow Industrial sales and continued to expand their new range of Moulded Inductors, including the launch of new high temperature AECQ-200 qualified parts. In December, the Magnetics team also celebrated the tremendous milestone of working for more than four million hours without a lost time accident.

The Connectors business achieved a solid year of sales and profitability, continuing to support their loyal customer base in military and rail markets. The Connectors team took a major step forward with the launch of the new MIL PP and MABAC connectors for military use in land based applications.

Smart meter technology

The pace of smart meter production is continuing to rise globally, as local governments seek to reduce emissions and energy utility companies look to better manage load. Anticipating this trend, we have focused on gaining design approvals with all major meter manufacturers. In France, the Linky communicating meter rollout is set to utilise our protective high performance line input resistors in 20 million meters over the next five years.

We have also secured major design wins in Asia, for example supplying into China's industrial metering. Our component design expertise also enabled wins to be achieved in Japan, where liberalisation of electricity retail markets, combined with the need to differentiate services, has led to 7.5 million installations forecast for 2015 (approximately double the number for 2014).

Divisional review Integrated Manufacturing Services

Accredited. Reputable. Reliable.

TT is pleased to be selected by Exelis as one of its preferred manufacturing partners. Exelis is a diversified, global aerospace, defence and information solutions company specialising in the delivery of affordable, mission-critical solutions for global customers.

Following a competitive tender process, we were selected as a preferred manufacturing partner to Exelis Defence Ltd, in the UK, to provide printed circuit board assembly for the enhanced HCDR (EnHCDR) product. TT has been chosen for our reputation as a global leader in manufacturing electronics for the aerospace and defence market.

Throughout 2014, we secured multiple new business awards with Exelis in support of NATO customer radio programmes. We provide a competitive advantage for Exelis' regional operations through an enhanced service offering which includes specialised capabilities like environmental testing and design support, all housed within our Nadcap accredited UK facility.

Divisional review Integrated Manufacturing Services

The division draws on its design engineering capabilities, global facilities and world class quality standards to provide highly complex electronic manufacturing solutions to customers in the aerospace and defence, medical, and high technology industrial sectors. The business has broad capabilities ranging from printed circuit board assembly to environmental test and full systems integration. This global suite of end-to-end solutions is focused exclusively on low volume, high mix business.

The division supports its customers with a global infrastructure of skills and technologies combined with local support from manufacturing operations in China, USA and Europe.

	2014	2013	Change
Revenue	**£136.2m**	£146.6m	(7)%
Underlying operating profit[1]	**£5.5m**	£9.0m	(39)%
Operating profit margin[1]	**4.0%**	6.1%	(210)bps

1. Excluding restructuring costs, asset impairments and acquisition related costs.

Performance

Revenue for the year was £136.2 million (2013: £146.6 million) with an organic decline of 4 per cent excluding a foreign exchange reduction of £5.0 million. The decline was driven by weaker than expected demand from some of our key customers in Europe and was partially offset by increased revenue from our Suzhou, China operations.

Underlying operating profit for the year declined by 39 per cent to £5.5 million (2013: £9.0 million) and by 33 per cent on a constant currency basis. Operating margins reduced by 210 basis points to 4.0 per cent (2013: 6.1 per cent) due to the impact of lower revenues as well as cost increases in Romania in anticipation of volumes which have not yet been realised. Foreign exchange movements accounted for £0.5 million of the decline.

A key focus for the business in 2015 will be to achieve stabilisation and growth at our Rogerstone and Romanian facilities.

Key achievements and progress

Key wins specifically within the aerospace and defence markets have demonstrated success against our market strategies, and operational investments in capital and quality systems have underpinned this achievement.

In April, the division was awarded Nadcap accreditation in its Perry, Ohio facility. The Nadcap accreditation was awarded in the category of Electronics – AC7120, for the company's printed circuit board assembly (PCBA), demonstrating its ongoing commitment to quality by satisfying customer requirements and industry specifications. With the certification in its Perry, Ohio operation, IMS has achieved Nadcap accreditation in its factories across Europe, Asia and North America. At the time of award, IMS facilities accounted for three of only 53 companies worldwide holding Nadcap printed circuit board assembly accreditation. This achievement demonstrates execution of an ongoing global quality roadmap designed to meet the needs of customers in the high reliability, high technology aerospace sector.

In May, IMS was named Thermo Fisher Scientific's Supplier of the Year. This prestigious award recognises IMS' excellence in quality, responsiveness, value-added services and overall contributions to mutual success as a strategic partner in 2014.

Throughout the year, the IMS division continued expanding its suite of end-to-end solutions by globalising cable harness and environmental and reliability testing services. Following the prior year's consolidation of technologies and operations of AB Interconnect, Inc in the USA, and New Chapel Electronics Ltd in the UK, IMS opened a new engineering office in Cary, North Carolina. In addition to the primary manufacturing facilities across North America, Europe and Asia, a dedicated team of engineers located at the new IMS office in the USA will provide aerospace and defence customers with specialised technical expertise and extended product support.

Partnership with SPI Lasers

We engaged with SPI Lasers, a leading designer and manufacturer of optical fibre-based lasers, to provide printed circuit board assembly (PCBA) and box build services to support increased customer demand for several variants of a high-powered industrial laser. We were selected based on our reputation for strong manufacturing and test support in the UK, backed by the ability to facilitate a seamless transfer to our manufacturing location in Romania.

As the partnership grows we will provide additional electronics manufacturing services from our facilities in Europe and Asia. From PCBAs, box builds, and cable assemblies to customised functional testing solutions, we are proud to provide an enhanced value offering, a consistent global manufacturing experience and ultimately a cost reduction.

Financial review

2014 Financial Performance
The 2014 financial performance for the Group is detailed in the Chief Executive Officer's statement on pages 8 to 11.

Exchange Rates
The exchange rates used to translate the key non-Sterling flows and balances were:

	2014	2013	2012
Euro – average rate	**1.24**	1.18	1.22
Euro – closing rate	**1.28**	1.20	1.22
USD – average rate	**1.65**	1.57	1.59
USD – closing rate	**1.56**	1.66	1.62

Restructuring Costs, Asset Impairments and Acquisition Related Costs
Total restructuring costs, asset impairments and acquisition related costs amounted to £33.5 million (2013: £11.8 million). Included within this charge were restructuring costs of £22.2 million (2013: £10.2 million) which related principally to the Operational Improvement Plan, footprint changes within the IMS division and costs related to organisational and leadership team changes.

Acquisition related costs amounted to £1.9 million (2013: £1.6 million) and included non-cash amortisation of acquisition intangibles, contingent consideration on the Roxspur acquisition and deal costs.

Asset impairments of £9.4 million were recognised (2013: £nil) which largely relates to an accounting write-down of capitalised intangible development costs following a review of the returns expected to be generated from each programme.

Acquisitions and Disposals
On 14 July 2014 the Group announced the acquisition of Roxspur Measurement and Control Limited ("Roxspur") for a consideration of £8.4 million with £0.4 million of cash in the business. Deferred consideration of £2.5 million will be settled in 2016 if performance conditions are achieved.

Roxspur is a leading supplier of temperature, flow, pressure and level sensors, together with calibration services, for a range of critical measurement and control applications for global industrial customers and is being integrated into our Sensing and Control division. The fair value of assets acquired was £6.2 million (including intangible assets of £4.5 million) resulting in Goodwill of £2.1 million recognised on acquisition.

Interest
There was a £0.9 million increase in the net interest expense to £1.6 million (2013: £0.7 million) primarily as a result of a lower net credit from the retranslation of foreign currency borrowings.

Tax and Earnings Per Share
The underlying effective tax rate of 25.7 per cent was slightly higher than the prior year (2013: 23.6 per cent) and basic underlying earnings per share decreased by 12 per cent to 12.9 pence (2013: 14.6 pence), and by 5 per cent at constant currency.

The basic loss per share from continuing operations was 6.6 pence (2013: profit 8.8 pence).

Dividends
The Board is recommending an unchanged final dividend of 3.8 pence which, when combined with the interim dividend of 1.7 pence, gives a total of 5.5 pence per share for the full year (2013: 5.4 pence per share), representing an increase of 2 per cent.

Pensions
The Group operates one significant defined benefit scheme in the UK and one overseas defined benefit scheme in the USA. Both of these schemes are closed to new members and are closed to future accrual. The assets and liabilities of the Group's defined benefit schemes are summarised below:

£million	2014	2013
Fair value of assets	**458.2**	388.1
Liabilities	**(468.7)**	(407.9)
Deficit – UK scheme	**(10.5)**	(19.8)
Overseas schemes	**(1.9)**	(0.7)
Total Group deficit	**(12.4)**	(20.5)

The triennial valuation of the UK scheme as at April 2013 showed a deficit of £19.1 million compared with £39.4 million at April 2010, representing a funding level of 96 per cent compared with 89 per cent previously. It was agreed with the Trustee that the existing recovery plan is sufficient to address the deficit; contributions of £4.1 million were paid during the year and will increase by £0.2 million each year to £4.5 million in 2016. In addition, the Company has set aside £3.0 million over the last three years to be utilised in agreement with the Trustee for reducing the long-term liabilities of the scheme.

Cash Flow and Debt
Net debt at the end of the year was £14.3 million (2013: net cash £26.9 million). At the year-end £21.1 million of the total long-term borrowing commitments of £70.7 million remained undrawn. Since the year-end the UK revolving credit facility commitment has been increased from £45.0 million to £65.0 million giving total long-term committed facilities of £90.7 million. These facilities mature in August 2017. Net debt to underlying EBITDA for 2014 was 0.3 times.

The main financial covenants in the long-term bank facilities restrict net debt to below 2.75 times EBITDA before exceptional items and EBITDA before exceptional items is required to cover net finance charges by 4.0 times.

	Covenant	December 2014
Net debt/underlying EBITDA	< 2.75	**0.3**
Underlying EBITDA/net finance charges	> 4.00	**64.4**

In addition to the main Group revolving credit and US bilateral facilities, the Group maintains uncommitted facilities for daily working capital fluctuation purposes.

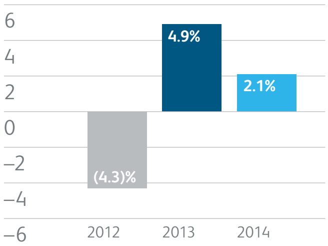
Key performance indicators

See page 97 for definitions

Our KPIs were first established in 2009 and are in the process of being reviewed for 2015 onwards.

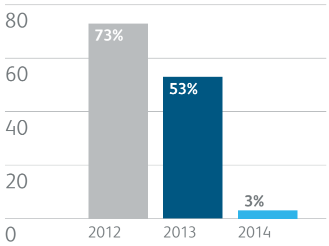
Financial

Organic revenue growth



Organic revenue increased in 2014 by 2.1 per cent reflecting new business won through existing and new customers.

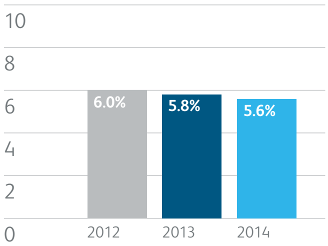
Operating cash conversion



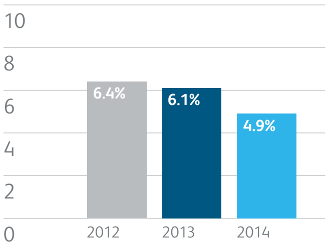
For 2014, the conversion was positive 3 per cent, reflecting the investment made in capital equipment and the expansion of facilities in best cost regions.

Operating profit margin

Group

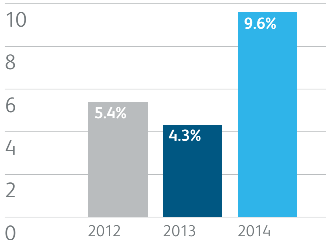


Sensing and Control



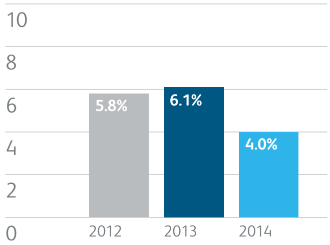
The reduction of operating margins in Sensing and Control was driven by poor performance in our Transportation sensors business as discussed on page 13.

Components



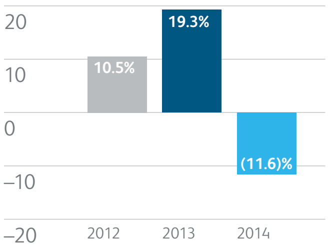
The Components operating margins increased based on improved mix, reduced costs and the one-time benefit resulting from last time buys.

IMS



The IMS division operating margins decreased due to weaker revenues for key customers and Romanian facility startup costs.

Underlying earnings per share (EPS) growth



EPS from continuing operations decreased from 14.6 pence in 2013 to 12.9 pence in 2014.

Relative total shareholder return (TSR)

2014 Fourth quartile

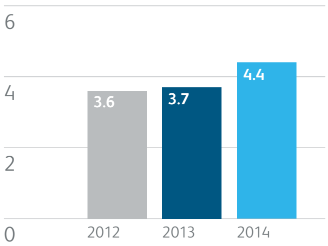
2013 Second quartile

2012 Third quartile

The Group's TSR for 2014 was negative 34.8 per cent compared to the median of the comparator group of negative 1.5 per cent.

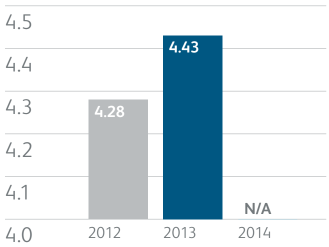
Non-financial

Safety performance



We are committed to a target of zero injuries. The total number of injuries increased from 2013 to 2014. A healthy, safe working environment for our employees is the highest priority for TT Electronics. As a result of our safety performance in 2014, we have revised our approach to make improvements in this area as outlined on page 25.

Employee engagement



An employee survey was not performed in 2014 due to the organisational restructuring that occurred in the second half of the year.

Risk management

Risk management framework

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 Company 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 and has been delegated responsibility for reviewing the effectiveness of risk management processes and controls. The Risk and Assurance function assists the Risk Committee by advising management on improvements to the overall risk management framework and facilitating the risk review process.

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

Risk management and internal controls provide reasonable but not absolute protection against risk. Risk appetite is not static and is regularly assessed to ensure it continues to be aligned with goals and strategy.

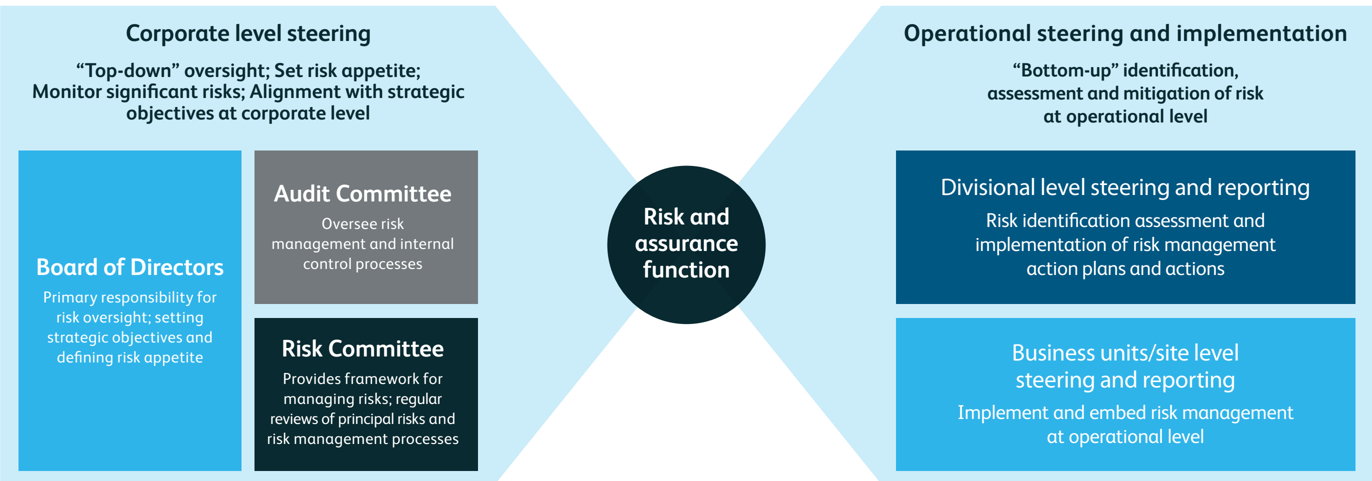
Risk profile

New and existing risks were identified and assessed during 2014. Executive management, the Risk Committee and the Board of Directors performed further analysis to prioritise these risks with a focus on those principal risks posing the highest current risk to the achievement of company objectives. Risks assessed as higher priority were consolidated onto a Risk Heat Map. Risks included on the heat map are monitored more closely by executive management, the Risk Committee and the Board of Directors. Whilst these principal "top risks" represent a significant portion of the Group's overall risk profile, executive management and the Risk Committee continue to monitor the entire universe of risks to identify new or emerging risks as well as any changes in risk exposure. The overall Group risk profile continued to evolve during the year. High level trends include a reduced exposure to external threats, such as a macro economic downturn, with key indicators such as order book intake remaining stable or positive in key markets, whilst internally, the Group continued to intensify efforts to transform operations by consolidating manufacturing sites and setting up manufacturing and engineering capability in lower cost regions, thereby increasing the potential risk of customer service disruption or the delay of planned cost savings impacting medium term financial results.

Risk management developments during 2014

One of the key areas of focus for the Risk Committee during 2014 arose from the announcement that the Group's performance in 2015 would be materially lower than previously forecast, driven principally as a result of poor forecasting processes and slower than anticipated progress in implementing the Operational Improvement Plan within the Sensing and Control business. As a result of this event, and the resulting improvement action, the Risk Committee (under the direction of the Audit Committee) has initiated a high level review of all of the principal risk factors and processes having the potential to impact the Group, which includes areas such as the underlying economic outlook of the business and product development and launch processes. This has also resulted in a detailed review of the proposed 2015 audit plan, to ensure that internal audit resource is directed at the key risk factors for the Group's operations. Additional areas of focus included the following:

	Developments during 2014 include:	Benefits for our stakeholders
1. Continued to improve management understanding of risk exposure and appetite	The structured approach for risk identification and assessment, incorporating a "top-down" and "bottom-up" perspective on risk continues to improve visibility and monitoring of risk exposure, trends and developments supporting management to prioritise and implement required actions to mitigate associated risks.	Supports the Board, Audit Committee and executive management with an improved mechanism for understanding risk exposure, defining the risk appetite and prioritising action plans, as well as linking significant risks to Company strategy and objectives.
2. Embedding the risk culture throughout the Group	Risk management is an evolving process. This is recognised by ongoing training and advice by divisional and business unit risk representatives, supported by the central risk and assurance team, best practice sharing, gap analysis and internal benchmarking.	Successful training and communication help build a culture and ability to further embed processes and procedures throughout the organisation. A more deeply embedded risk management culture supports long-term value creation for all stakeholders.



How we are managing our risks

Principal risks

Outlined in the table below are the "Principal risks" which could have an adverse impact on the Group's financial performance and position.

Risk description	Potential impact	Mitigating actions
Commercial		
Research and development Delay in new product development which is intended to support revenue growth.	– Increased costs to develop products. – Delay in achieving projected revenues.	– Close collaboration with key customers. – Active monitoring of costs and milestones. – Targeting R&D more effectively. – Implementation of standard project management disciplines.
Margin erosion Price-down nature of contracts, particularly in the automotive market.	– Reduction in revenues, profitability and cash generation.	– Focus on product design improvement to optimise product cost. – Annual material cost reductions through local optimisation, supported by broader procurement and operational improvement initiatives. – Transfer of operations to best cost manufacturing locations.
Operational		
Operational Improvement Plan Delayed execution of Operational Improvement Plan.	– Potential business disruption. – Delayed delivery of target cost savings. – Increased costs to execute.	– New project team in place, dedicated sending and receiving teams established for Europe project. – Executive monitoring of progress and robust project management disciplines and controls implemented.
Health and safety Risk of a health and safety incident in the workplace.	– Potential injury to our employees or visitors. – Regulatory action and legal claims. – Reputational impact. – Reduction in profitability.	– We adopt a zero tolerance attitude for safety related incidents at all levels. We continued training to raise awareness and regular audits of facilities to ensure high standards are met. – Cross Group Health and Safety Committee established with Executive sponsorship reporting to Executive Management Board (EMB). Incident reports regularly reviewed by the EMB. – The Health and Safety Committee, supported by local teams, enables company-wide best practice sharing, monitoring and rollout.
People and capability Ability to attract and retain high quality and capable people.	– Loss of key personnel. – Potential business disruption.	– Remuneration structure designed to support retention. – Succession planning processes embedded within the businesses with active EMB sponsorship and engagement.
Supplier resilience and continuity Potential failure of critical suppliers.	– Product delivery delays. – Inability to meet customer commitments. – Reduction in revenues, profitability and cash generation.	– Regular review of key supplier financial health and product quality. – Monitoring of the trending of relevant commodity and precious metals pricing.
Laws & Regulation		
Product quality, product liability and contractual risk Potential liabilities from defects in performance-critical products that often operate in extreme environments.	– Reputational impact. – Deterioration in customer relationships. – Liability claims. – Reduction in revenues, 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 by legal and regulatory risk training specific to each Division's business and geographical needs.
Legal and regulatory compliance Intentional or inadvertent non-compliance with legislation including laws and regulations covering export control, anti-bribery and competition.	– Reputational impact. – Civil or criminal liabilities leading to significant fines and penalties or restrictions being placed upon our ability to trade. – Reduction in revenues, profitability and cash generation	– Cross-division export compliance group established across the business, supported by the Group Legal Counsel, with external adviser participation. – An anti-bribery programme is in place which includes risk assessment, policy, training, review and monitoring. – Whistle-blower process in place to ensure issues can be raised, investigated and managed as appropriate.

It should be noted that the Group is exposed to additional risks that are not considered material but which could have an adverse impact.

Community.
Responsibility.
Contribution.

Salzburg
Students visiting our Salzburg facility.

Timisoara
Employees in Timisoara taking gift bags to their local children's hospital.

Communities

2014 has seen our employees develop further their relationships with the local communities in which they work. In the UK, we continued our Charity of the Year partnership with **Macmillan Cancer Support**, raising £50,843, making a total contribution of more than £100,000 in two years.

All of our UK sites have contributed this year with events including Christmas hamper raffles, Easter bake sales, sweepstakes, Movember, and several sites took part in the World's Biggest Coffee Morning.

Notable team efforts included the Connectors business unit raising more than £20,000 over 18 months in support of Mark Edwards and Dean O'Brien on their Kilimanjaro Trek and teams from IMS and Power and Hybrid business units raising more than £7,000 between them by completing bike rides.

Kilimanjaro
Mark Edwards and Dean O'Brien completing their Kilimanjaro trek to raise funds for Macmillan.

Globally our businesses support a variety of charities and they have collected for food banks and taken part in events including "Carve a Pumpkin" and "Wear a Christmas Ugly Sweater." Our Juarez, Mexico employees took part in a blood donation campaign for their local Children's Cancer Hospital, donating enough blood between them to save 148 lives and our Timisoara, Romania employees raised money and donated 60 gift bags to their local Children's Hospital.

Our commitment to supporting education remains an important part of our CR and community programme. In Bangalore, employees from our Engineering Centre supported the creation of science labs in two schools for underprivileged children. Employees visited the schools and provided technical talks and taught classes, along with funding for computers, teaching aids and books. In October the first of the science labs was inaugurated at the Royal English School near Bangalore, enabling 110 students to enhance their interest in science and technology.

Bangalore
Our Sensing and Control team supporting the local orphanage in Bangalore.

Two further institutes in India are being supported by employees in Manesar: Shakuntalam helps underprivileged children's education, creating awareness in villages and preparing and educating children to a level where they can gain admission to regular schools; whilst Khushboo provides specialist therapy and supports the education of autistic/special needs children and creates awareness in society by educating parents and others and encouraging equal treatment.

We also supported schools in China, Romania and the USA. Employees in Suzhou, China provided 120 sets of new desks and chairs, 10 laptops and a variety of books and stationery to Huangzui Elementary School in Suzhou Shunhe, Anhui Province. In Timisoara, Romania the local school, Remetea Mare, received educational equipment; and in Carrollton, USA, employees "adopted" a class of 20 at a preschool for underprivileged children and visited them at Christmas with presents, chosen especially.

Additionally our Salzburg, Austria facility provided local students with an insight into working for TT, hosting a series of visits by more than 160 students from the technical high school and University of Salzburg. It was the first visit of its kind and provided an opportunity to showcase the company and give local students a view inside the electronics industry.

Our employees' efforts make a huge difference to the locations in which we operate and to those people, projects and charities we are able to support. The initiative provides a platform for our employees to connect with and contribute to their local communities, which is of mutual benefit. The Board would like to put on record our thanks to all of our employees for their commitment and contribution and we will continue to support both them and the communities throughout 2015.

Corporate responsibility ("CR") assists us in managing our business accountably and sustainably in accordance with the expectations of multiple stakeholders. CR reflects our culture. We seek to attract and retain good people and maintain our reputation. CR is a dynamic discipline to manage risk, enhance our culture and maximize global opportunity. Our CR policies are focused on four key areas:

- **Workplace** – We invest in the development of skills, in health and safety and motivating our employees to create a more sustainable business;
- **Marketplace** – We act to improve the environmental performance and impact of our products and of our suppliers to better serve our customers;

- **Environment** – We act to improve the environmental impact of our operations and the efficiency of our products; and
- **Community** – We proactively engage with the communities within which we operate.

We have global standards in place for the areas of Workplace, Marketplace and Environment respectively. Community initiatives are driven predominantly by local issues. This enables the businesses to support causes relevant to their location. We also identify the behaviours we expect to be associated with our brand internally and externally. Our reputation rests with our brand.

The Corporate and Social Responsibility Committee, chaired by the Chief Executive Officer, is responsible for defining our strategic CR priorities, monitoring our CR performance and ensuring that our CR activity remains directly related to our overall business objectives.

Electronics Industry Citizenship Coalition

We maintain an active involvement with the Electronics Industry Citizenship Coalition ("EICC"). This involvement helps to ensure that our ethical standards align with the industry in which we operate. The EICC is an alliance of the world's leading electronics companies and membership enables us to share and benefit from best practice and to work collaboratively with peer organisations on issues of common concern facing our industry.

The vision of the EICC is to create a global supply chain that consistently operates with social, environmental and economic responsibility. In doing so, members adhere to a common Code of Conduct. This Code of Conduct provides guidelines for performance and compliance in five critical areas: Environment, Ethics, Health & Safety, Labour and Management Systems. In particular, the Code establishes standards to ensure that working conditions are safe, that workers are treated with respect and dignity and that business operations are environmentally responsible and conducted ethically.

All of our manufacturing facilities are required to complete an EICC survey on a two yearly basis, which measures performance and social practices, as well as the performance of social and environmental management systems. The last evaluation exercise in 2013 showed that our sites demonstrated high levels of adherence to the Code of Conduct, leading to them all being assessed as either "low" or "medium" risk.

Some of the principal themes of how we conduct our CR activities are set out below.

Compliance

As a UK listed company, we are bound by and adhere to the laws of England and Wales, including the UK Bribery Act 2010 ("the Act"). This law is extra-territorial in scope, with broad application not only to British companies, citizens and residents, but also to all foreign companies doing business in the UK, regardless of whether the act or omission constituting bribery occurs within or outside the UK. All companies within the Group operate within the terms of the Act and associated guidelines, as well as local laws which have direct effect and are rigorously enforced in all of our global facilities. All employees have access to an explanatory guide to the Act contained within our Worldwide Anti-Corruption and Bribery Policy, which sets out the behaviours expected by the Group. This Policy is reinforced with an online training programme, which is compulsory for a significant proportion of staff (regardless of location), particularly those in sales-focused roles or having the ability to commit the business to material liabilities or contractual commitments. An internal audit of the adequacy of our procedures in 2014 led to improvements in training and accountability and increased the number of employees required to participate. Whistleblowing issues are reported directly to management or through the Group's multi-lingual, anonymous Ethics and Integrity portal. All approaches are carefully investigated at a senior management level, but are also notified to and reviewed by the Audit Committee. During the past year, the Audit Committee received details of three cases, each of which was investigated and appropriate action taken. In one instance, evidence was discovered that the division concerned had failed to follow the proper "change management" procedures contained in the Group's processes. As a result of this whistleblower event, the relevant customers were informed of the specific areas of default and corrective action was taken at both an operational and managerial level.

Given the increase in defence and aerospace business in the Group (particularly in our Advanced Components and Integrated Manufacturing Services divisions), we are ensuring that our operations meet applicable export controls requirements in each location and our CR policies generally. This is a particular issue for products which may have specific military and potential "dual-use" applications, which are subject to a complex regulatory regime (particularly in the US where the ITAR rules apply). The Group meets its obligations by applying procedures supported by dedicated training events, and advice is also sought from specialist external providers on a regular basis. In addition, we have tightened our internal policies relating to the potential acquisition of companies as part of our "due diligence" processes.

Our intention in 2015 is to develop an integrated approach to governance, risk and compliance. The Risk Committee and Internal Audit function will assess the adequacy of compliance and appropriate mitigations. In addition, we will revise our Group Delegations Matrix, to ensure that compliance issues are properly integrated into our financial control systems (including our Group Financial Controls Framework, as described in more detail in the Audit Committee Review), as well as our commercial policies and communication processes.

Ethics

One of our key competitive strengths is that we are an ethical company, operating with integrity and to one standard worldwide. We do not tolerate corruption or bribery in any form, and are committed to maintaining the fundamental principles of fairness, honesty and common sense which lie at the heart of the Group's philosophy, values and corporate standards. We operate effective systems and processes to counter corrupt practices, including an anonymous "whistleblower" reporting facility where individuals can notify us of concerns.

Strong business ethics form the basis for our relationships with all of our key stakeholders, including employees, customers, partners, competitors and suppliers. Our Statement of Values and Business Ethics Code sets out the operating principles to which we adhere, which cover a diverse range of issues including anti-bribery, information assurance, intellectual property protection, fair competition, the working environment (including standards of behaviour expected from our employees), hospitality/ entertainment and avoiding conflicts of interest. This is supported by our membership of the EICC as described above.

Day-to-day oversight of ethics and compliance-related matters is undertaken through our Corporate and Social Responsibility Committee, which is supported by a dedicated Environmental, Health and Safety Committee, under the leadership of our EVP Operations, Michael Robinson.

Workplace

Employees

We believe that our 5,850 employees are our key assets. 50.7 per cent are male and 49.3 per cent are female. The table opposite provides a further breakdown.

Creating a good working environment at all of our locations is of paramount importance. We strive to build a supportive, diverse and engaging workplace, whilst nurturing a high performance corporate culture, built around our core values.

Human rights

We are committed to upholding the human rights of our workers and to treating them with dignity and respect as understood by the international community. Our Human Rights Code is contained within the EICC Code of Conduct and covers all workers including permanent, temporary, migrant, student, contract, direct and indirect. Our Code details expected labour standards covering: freely chosen employment, child labour avoidance, working hours, wages and benefits, humane treatment, freedom of association and

Employees

Employees (full time equivalent)	2013 Male	2013 Female	2014 Male	2014 Female
Main Board Directors	7	0	**7**	**0**
Executive Management Board	9	0	**6**	**2**
Senior managers	36	8	**30**	**8**
Austria	205	88	**201**	**90**
Barbados	27	86	**27**	**86**
China	418	475	**424**	**502**
Germany	482	529	**482**	**493**
India	171	19	**140**	**25**
Malaysia	50	440	**60**	**347**
Mexico	420	410	**392**	**428**
Romania	150	96	**181**	**142**
UK	633	403	**699**	**409**
USA	300	366	**318**	**359**
All Employees	2,856	2,912	**2,967**	**2,883**

non-discrimination. The Group does not engage in discrimination based on race, colour, age, gender, sexual orientation, ethnicity, disability, pregnancy, religion, political affiliation, union membership or marital status in hiring or in employment practices such as promotions, rewards or access to training.

Training and development

We employ more than 5,800 people globally and will continue to invest in their training and development. We strongly believe in equipping our people with the skills to do their jobs effectively, encouraging them to develop to their full potential by providing a variety of tailored training and development opportunities.

Employee engagement

An engaged workforce significantly enhances company performance. Engaged employees perform strongly, positively promote our business and are loyal. They are also more likely to enhance our relationships with our customers, stakeholders and the communities within which we operate.

Employee engagement begins with fostering a culture that is open, transparent and collaborative. At all levels, we are committed to encouraging a high degree of openness and equality which will continue to enhance our culture. Where possible, a number of our facilities have removed walls and offices in favour of an open plan environment.

We strive to maintain engagement of employees at all points from the application process to the retirement process. We approach every interaction with openness, honesty and integrity. Strong relationships built on trust are at the core of what we do. Collaboration across the Group and beyond assists our ability to gather important insights and ideas, improving the way we conduct our business and serve our customers.

In 2014, we continued to make significant progress to connect with our employees at all levels, and we see this as a critical component of engagement. Throughout the Group, we provide numerous open, transparent and two-way communication channels.

All employees are encouraged to promote and live our corporate values, collectively making our people feel proud to be part of our organisation. In 2014, over 1,000 "Thank You" cards were issued through our global recognition programme "Inspire", which acknowledges individual and team contributions through monthly recognition awards, quarterly exceptional awards and biannual Chief Executive Officer awards.

Environmental, Health and Safety

The Environmental, Health and Safety Committee is now led by Michael Robinson, EVP Operations and Supply Chain, who reports to the Executive Management Board monthly on progress. Our goal is an injury free work environment. In 2014, the trend of reported injuries resulting in a greater than three day absence and the total injuries reported were worse than in 2013 at 27 and 52 respectively.

The dedicated Environmental, Health and Safety Committee was created to reverse this trend. It is fully supported by four regional teams with representation from all sites. Regular regional meetings are focused on improving corrective actions with a standard process, escalating the near miss campaign, better training and disciplined health and safety system implementation.

Marketplace

Our social and environmental practices are important in embedding sustainability into our supply chain. We require our suppliers to ensure that their employees operate in a safe environment with a strong code of conduct and a culture which promotes effective business ethics. We also expect them to adhere to relevant legislation both globally and within their region. We adhere to EICC and relevant industry codes of conduct, such as ZVEI which represents the economic, technological and environmental policy interests of many of our European suppliers. We continue to work with our supply chain to ensure adherence to best practices. All major suppliers completed EICC self-assessment questionnaires, or had EICC Risk Assessment (RA1) reviews carried out during 2013. We continue to work closely and directly with the EICC and our vendors in terms of ongoing assessment and development.

Environment

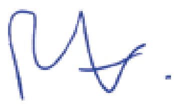
TT Electronics strives to ensure that all of our facilities worldwide meet or exceed local and regional guidelines for environmental protection. We are a registered participant in the UK's Carbon Reduction Commitment (CRC) energy efficiency scheme. During 2014 we continued to consolidate our position in terms of optimised energy consumption. We collect data monthly on the key carbon emission drivers from all of our manufacturing sites worldwide. We also monitored other greenhouse gases (Methane, Nitrous Oxide, HFCs, PFCs and Sulphur Hexafluoride). The investigations revealed that emissions resulting from our operations are not material. Accordingly, they are reported under 'Other statutory disclosures' on page 50. Our processes in terms of data collection and verification are auditable and robust.

Our UK smart metering programme was completed in 2013 and all our UK manufacturing sites now benefit from visibility of real time data with which to reduce their gas and electricity consumption. In the UK, we continue to work with our energy provider to take advantage of its extensive web based targeting and monitoring information. All our UK manufacturing sites now actively engage in these processes as part of their energy reduction programmes.

We have been successful in meeting the latest CCA milestone targets in two of our major UK plants (AB Connectors and Welwyn Components). We are in the process of adopting this prescribed regime in our other UK operations in an effort to reduce our carbon usage, and to improve our carbon footprint year on year.

We have embraced the new ESOS regulations and with our newly appointed lead auditor, expect to be compliant in Q2 2015.

Approved by the Board on 11 March 2015 and signed on its behalf by:



Richard Tyson
Chief Executive Officer
11 March 2015

Mark Hoad
Chief Financial Officer
11 March 2015

Board of Directors and Company Secretary

Sean Watson (66)
Chairman

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

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

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

Richard Tyson (44)
Chief Executive Officer

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

Joined TT: July 2014

Experience: President of the Aerospace & Security Division of Cobham plc from 2008 to 2014 and a member of their Executive Committee. Previously responsible for TRW Aeronautical Systems (formerly part of Lucas Industries) European aftermarket business before joining Cobham plc in 2003 to run its flight refuelling division.

Mark Hoad (44)
Chief Financial Officer

Committees:
Corporate Governance
Risk

Joined TT: January 2015

Experience: A Chartered Accountant, Mark was Group Finance Director of BBA Aviation plc, a FTSE 250 company, from 2010 to 2014. Prior to joining BBA as Group Financial Controller in May 2005, he spent nine years in a variety of management roles at RMC Group plc with periods in Germany, Croatia and Australia.

John Shakeshaft (60)
Senior Independent Non-executive Director

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

Joined TT: 2007

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

Michael Baunton CBE (64)
Independent Non-executive Director

Committees:
Audit
Nominations
Remuneration

Joined TT: 2010

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

Stephen King (54)
Independent Non-executive Director

Committees:
Audit (Chairman)
Nominations
Corporate Governance

Joined TT: 2011

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

Lynton Boardman (48)
General Counsel & Company Secretary

Committees:
Risk
Corporate Governance

Joined TT: 2012

Experience: A qualified solicitor, having practiced with Simmons & Simmons, MacFarlanes and Burges Salmon LLP. Formerly Head of Legal (Europe, Middle East and Africa) at Syngenta Crop Protection and then General Counsel and Company Secretary of QinetiQ Group plc from 2002 to 2011.

Pictured from left to right:
Lynton Boardman, John Shakeshaft, Sean Watson, Richard Tyson, Mark Hoad, Michael Baunton CBE, Stephen King.

Governance

Sean Watson
Chairman

Introduction

The Board is committed to ensuring high standards of corporate governance, which is of fundamental importance to the future success of the Group. We recognise, however, that 2014 was a challenging year in terms of the assessment and communication of financial and performance targets for 2015 and beyond. Since then, we have been taking steps to improve our core processes and governance of controls, particularly in the area of financial management.

Considerable changes were made during the year in strengthening the Executive Management team. At an Executive Director level, Richard Tyson replaced Geraint Anderson as Group Chief Executive Officer on 1 July and Mark Hoad succeeded Shatish Dasani as Chief Financial Officer on 1 January 2015. The Board is delighted with the drive and energy that both Richard and Mark have brought to the business since their appointments, as reflected in the new strategic initiatives which are contained elsewhere in this report. In addition, 2014 saw a significant amount of change at the Executive Management Board ("EMB") level (as described in more detail in the Chief Executive Officer's statement), driven in large part by the restructuring of the Sensing and Control division to create two distinct customer facing segments: Transportation Sensing and Control; and Industrial Sensing and Control.

The Board continues to take the view that is effective, well-balanced and includes a group of non-executives who collectively draw on a wealth and variety of experience, thus providing for meaningful discussion, constructive challenge and decision making. Nevertheless, as part of our continuing commitment to facilitate a regular refreshing of core skills and diversity of experience, we expect to elect another independent director to the Board in 2015. As in previous years, the Board continued with its approach of early engagement in the strategic planning cycle, with two separate meetings during 2014 being devoted exclusively to consideration of the strategic direction of the business in the coming years, with a further two such meetings having already taken place during 2015.

Diversity, in its widest sense, is considered to be a key business enabler across the Group, and the Board seeks to ensure that equal opportunity is afforded to all, regardless of gender, age, ethnic background or religious belief. The Board also believes that of equal importance is the need to ensure that all staff skills and competencies are matched to the strategic and operational needs of the business in our core markets. The EMB now comprises some five different nationalities from three different continents.

Last year saw a material change in the regulatory and reporting landscape for UK listed companies, which included the introduction of the new Strategic Report structure, enhanced environmental, audit and remuneration disclosure requirements, and an obligation placed on the Board to ensure that the Annual Report presents a "fair, balanced and understandable" assessment of the Company's financial position and future prospects.

We remain committed to improving our risk management processes. However, the announcement in November 2014 that the performance of the Group's business would be materially lower in 2015 demonstrated that these improvements are not yet as robust as we would like. As a result, the Board (through the Audit Committee) has initiated a high level review of the principal risk factors and processes having the potential to impact the Group. These are set out in detail in the Risk section of this report and are of the utmost importance to the Board and the new Executive team.

The Company is committed to achieving and maintaining the highest standards of corporate governance.

The Company is committed to achieving and maintaining the highest standards of corporate governance. The main and supporting principles of good corporate governance set out in the UK Corporate Governance Code 2012 ("Code") have been complied with throughout the year ended 31 December 2014. Details and explanations of the application of the principles of corporate governance are set out below.

The Board

Subject to the Company's Articles of Association, UK legislation and any directions given by special resolution, the business of the Company is managed by the Board. The Board's main roles are to provide leadership to the management of the Group, determine the Group's strategy and ensure that the agreed strategy is implemented. The Board has also reserved certain specific matters to itself for decision. These include financial policy and acquisition and disposal policy. The Board appoints its members and those of its principal Committees having received the recommendations of the Nominations Committee. It also reviews recommendations of the Board Committees and the financial performance and operation of the Group's businesses. It regularly reviews the identification, evaluation and management of the principal risks faced by the Group and the effectiveness of the Group's system of internal control.

During 2014, the Board comprised three executive Directors and four non-executive Directors. All of the Directors served throughout the year with the exception of Geraint Anderson (who stepped down from his position of Group Chief Executive on 30 June 2014) and Richard Tyson who succeeded Geraint Anderson as Chief Executive Officer and member of the Board on 1 July 2014. John Shakeshaft is the senior independent non-executive Director. On 18 November 2014 it was announced that Shatish Dasani was to step down from his position as Group Finance Director on 31 December 2014. Mark Hoad joined the Group as Chief Financial Officer and member of the Board on 1 January 2015, as announced on 10 December 2014. On 18 November 2014, it was also announced that Tim Roberts would step down from his position as Group Business Development Director with effect from 31 December 2014, to take up the newly-created role of EVP, Industrial Sensing and Control.

Board and Committee meetings are scheduled in line with the financial calendar of the Company, 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.

Beyond these principal meetings, the Board held two strategy meetings during the year, both of which were fully attended. Additional meetings are held as and when required and, during 2014, four such meetings took place. The Board has held two principal meetings to date during 2015. Full details of each Director's Board and Committee meeting attendance are given on page 30 and in the relevant Committee report.

Directors

Directors' biographies including the Committees on which they serve and chair are shown on page 26. At the time of his appointment as Chairman, Sean Watson was considered to be independent in accordance with the provisions of the Code. All the remaining non-executive Directors are also considered to be independent as defined by the Code.

In accordance with the Company's Articles of Association each Director is required to offer himself for re-election at the first Annual General Meeting held following his initial appointment and thereafter, every three years. However, continuing the best practice first adopted at the 2013 AGM, all Directors will retire and, being eligible, offer themselves for re-election at the forthcoming AGM. 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.

Directors' interests

The Directors of the Company at 31 December 2014 held interests in the following numbers of the Company's Ordinary shares of 25 pence each on 1 January 2014, 31 December 2014 and 9 March 2015:

	9 March 2015 Ordinary shares	31 December 2014 Ordinary shares	1 January 2014 Ordinary shares
Sean Watson	**216,100**	216,100	190,000
Richard Tyson	**14,880**	14,880	–
Shatish Dasani*	**–**	560,244	829,144
Tim Roberts*	**–**	137,011	174,303
John Shakeshaft	**57,142**	57,142	51,206
Michael Baunton	**81,554**	81,554	72,717
Stephen King	**100,000**	100,000	100,000

* Shatish Dasani and Tim Roberts both ceased to be Directors on 31 December 2014.

Mark Hoad was appointed on 1 January 2015 and held 40,000 shares on appointment.

The interests of the Directors in the Company's share options and Long Term Incentive Plan are shown in the Directors' remuneration report on pages 44 to 47.

The Chairman and Chief Executive Officer

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

The Chairman maintains responsibility for the leadership and effectiveness of the Board and setting its agenda; ensuring that all Directors receive accurate, timely and clear information on financial, business and corporate matters to enable them to participate effectively in Board decisions; facilitating the effective contribution of non-executive Directors in particular; ensuring constructive relations between executive and non-executive Directors; and ensuring effective communication with shareholders. He is also responsible for ensuring that the performance of individual Directors, the Board as a whole and its Committees is evaluated at least once a year.

The Chief Executive Officer is responsible for the operations of the Group. In particular, he is responsible for developing Group objectives and strategy, having regard to the Group's responsibilities to its shareholders, customers, employees and other stakeholders and, following presentation to, and approval by, the Board, for the successful implementation and achievement of those strategies and objectives. His other areas of responsibility include managing the Group's risk profile, including its health and safety performance; ensuring that the Group's businesses are managed in line with strategy and approved business plans, and comply with applicable legislation and Group policy; ensuring effective communication with shareholders; and setting Group human resource policies, including management development and succession planning for the senior executive team.

Board procedures

All Directors have access to the advice and services of the Group General Counsel & Company Secretary and are offered training to fulfil their role as Directors, both on appointment and subsequently. There is an agreed procedure for any individual Director to take independent professional advice at the Company's expense if he considers it necessary.

In accordance with the provisions on conflicts of interest in the Companies Act 2006, the Company has put in place procedures for the disclosure and review of any conflicts, or potential conflicts, of interest which the Directors may have and for the authorisation of such conflicts by the Board. In deciding whether to authorise a conflict or potential conflict, the Directors must have regard to their general duties under the Companies Act 2006. The authorisation of any conflict, and the terms of authorisation, may be reviewed at any time and, in accordance with best practice, a review of Directors' conflicts of interests is conducted annually.

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

Board and Committee performance evaluation

In accordance with the Code, the Board conducted an evaluation of its performance and that of its principal Committees during 2014. The potential use of external facilitation of the Board performance evaluation process was considered during the year, but was not considered appropriate in light of the changes made to the executive Directors. External evaluation will remain on the agenda for consideration by the Board during 2015.

The Board performance evaluation programme was led by the Chairman and each Director completed a questionnaire which was used to score and comment on a number of performance criteria. These individual responses were then compiled into a single report by the Group General Counsel & Company Secretary and this was circulated to the Board for discussion and detailed review. It was concluded that, following what had been a challenging year:

- we should add to the Board with new areas of expertise and diversity so as to broaden its knowledge base;
- increased scrutiny should be applied to the consideration of key strategic initiatives, with particular focus to be given (and evidence provided) as to the execution risks involved and to making improvements to the content of certain management information presented to the Board;
- increased focus should be given to those material risks which had the potential to impact the business in the future, so as to allow the Board to consider and drive implementation of high-level risk mitigation plans;
- a new emphasis would be given to the inclusion of core KPIs, new product introductions, investments and change management process within the financial reporting process, together with more frequent presentations by senior business leaders;
- increased focus should be given to the forecasting process adopted across the business.

Directors' performance evaluation

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

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

At the beginning of the year, each executive Director was set challenging performance objectives, progress against which was then reviewed as the year progressed. This also took place upon the appointment of Richard Tyson as Chief Executive Officer in July 2014. All the executive Directors take part in the Group's performance management programme under which they each receive detailed feedback from their colleagues. This, 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 other executive Director at the beginning of each year to discuss and review performance against objectives. The performance evaluation of the Chief Executive Officer was conducted by the Chairman, taking account of the output from the Group's performance management programme together with feedback provided by the other non-executive Directors at a private meeting held to discuss this and any other matters which the non-executive Directors wished to raise.

Board Committees

The Board has established a number of Committees, each with its own delegated authority defined in terms of reference. These terms are reviewed periodically and the Board receives reports and copies of minutes of Committee meetings. The Board appoints the members of all principal Board Committees, having received the recommendations of the Nominations Committee.

Principal committees

The principal committees are the Nominations, Audit and Remuneration Committees. Details of the Nominations and Audit Committees, including brief descriptions of their terms of reference (full details of which are available for inspection by shareholders at the Annual General Meeting and on the Group's website) and duties, together with a summary of significant events which have taken place during the year, can be found on pages 32 to 35 and should be read as part of the Directors' report. Details of the Remuneration Committee and its activities are contained within the Remuneration report on pages 36 to 49.

Board meeting attendance 2014

Seven principal Board meetings were held during 2014. Details of attendance are set out below:

Sean Watson	7 of 7
Geraint Anderson	3 of 3
Richard Tyson	4 of 4
Shatish Dasani	7 of 7
Tim Roberts	7 of 7
Michael Baunton	7 of 7
Stephen King	7 of 7
John Shakeshaft	7 of 7

Additional meetings of the Board and its principal Committees take place as and when required throughout the year. During 2014 there were four such meetings. By necessity, these meetings are often convened at shorter notice than would be the case for principal meetings. All of these meetings were fully attended with the exception of one which John Shakeshaft was unable to attend.

Beyond the principal Board meetings, the Board held two strategy meetings during the year, both of which were fully attended.

Directors' attendance at meetings of the principal Committees on which they serve are detailed in the Nominations, Audit and Remuneration Committee reports on pages 32, 33 and 36.

Other Committees

Corporate Governance Committee

The Corporate Governance Committee is responsible for monitoring the Group's compliance with good corporate governance. During the year it was chaired by the Chairman and included an independent non-executive Director, the Group Finance Director, the Group Business Development Director and the Group General Counsel & Company Secretary. The Committee's duties are as follows: to review regularly the corporate governance procedures of the Company to ensure that they are up-to-date and effective, and are communicated to those employees, officers and/or Directors of the Company or its subsidiaries to whom they are relevant; to make recommendations to the Board from time to time on any procedures, or processes, that may need changing, in order to ensure that the Company is compliant with relevant legislation, including but not limited to, the Companies Act 2006; to ensure that the Company is compliant with the standards and disclosures required by the Code and the Listing, Prospectus and Disclosure and Transparency Rules of the UK Listing Authority; and to receive reports, or any views expressed by shareholders, stakeholders, government or other regulatory bodies and any other interested parties in relation to corporate governance.

The Committee met twice during 2014, during which time it reviewed the reports and AGM voting recommendations from various investor bodies, as well as individual shareholder feedback, and noted suggested areas for improvement, particularly in relation to matters related to remuneration policy.

The Committee also considered how forthcoming changes to the UK Corporate Governance code would affect the disclosures required in the Annual Report and Accounts and the management measures needed in order to achieve compliance with the new requirements.

Corporate and Social Responsibility Committee

The Corporate and Social Responsibility Committee is chaired by the Chief Executive Officer and also comprises one independent non-executive Director and up to three senior executives from within the Group. The Committee met four times during 2014. No meetings have been held to date during 2015. The Board regularly receives reports on its activities. In 2015, it is proposed that the remit of the Committee will be amended, such that issues relating to Ethics and Compliance are conducted by the Committee, with Health, Safety and Environmental considerations to be reviewed under the remit of a separate committee, under the Chairmanship of the EVP Operations, Michael Robinson.

Further information on the activities of the Corporate and Social Responsibility Committee is given in the Corporate responsibility section on pages 22 to 25.

Risk Committee

The Risk Committee assists the Board and the Audit Committee in fulfilling their responsibilities by: providing a framework for managing risks throughout the Group; monitoring risk appetite and exposure through regular reviews of principal risks; reviewing the effectiveness of risk management processes and controls; and providing an appropriate level of reporting on the status of risk management within the Group.

This is achieved by promoting awareness of risk management and ensuring that a robust risk management framework is in place to enable risks to be identified, quantified, managed, monitored and reported.

During the year the Committee was chaired by the Chief Executive Officer and included the Group Finance Director, Group Business Development Director, Group General Counsel & Company Secretary, Group Head of Risk and Assurance, Group Human Resources Director, Group IT Director, Group Marketing Director, Group Purchasing Director and Divisional Chief Executives. The Committee met eight times during 2014. No meetings have been held to date in 2015.

Further information on the Group's risk management activities and framework is given in the Risk management framework and Risk profile section on pages 20 and 21 and in the Review of internal controls below.

Review of internal controls

The Directors have overall responsibility for the Group's systems of internal control and for reviewing their effectiveness. These systems have been in place for the full financial year, but were reviewed in detail both by the Board and the Audit Committee in the latter part of the year, following the announcement in November 2014 that the performance of the Group's business would be materially lower in 2015. The Group remains committed to a policy of maintaining appropriate internal control over all of its activities. Controls are designed to provide the Directors with reasonable assurance that assets are safeguarded, transactions are properly authorised, and that material errors and irregularities are prevented or, if controls are failing, are discovered and mitigated on a timely basis. The systems of control are reviewed regularly and improved where necessary to meet the Group's requirements, as described above. Business risk evaluation takes place at operating company, divisional and Group levels through regular performance reviews and as part of the annual budget preparation process. Having identified risks, operating companies and divisions then monitor, review and update the associated controls to mitigate the risks appropriately.

Further details of the Group's exposure to risk and processes in place to manage the same are set out on pages 20 and 21.

The risk management procedures and systems of internal control are designed to identify and assess principal risks which the Group faces and to manage them appropriately. However, such systems can only provide reasonable and not absolute protection against material misstatement or loss.

Principal features of the system of internal control

The Directors meet as a Board at least every other month to monitor financial performance, give direction on significant strategic and financial issues and review the principal risks of the Group.

The Chief Executive Officer chairs a Committee ("Executive Management Board") consisting of the executive Directors, Divisional Chief Executives and other senior functional roles (eg. Operations, Legal, HR and Corporate Development/Strategy). The Executive Management Board (which was formerly known as the Operating Board) meets on a monthly basis and reviews the historical performance and the outlook for the Group as a whole, and agrees and implements any actions as necessary. In addition, it is responsible for monitoring and driving delivery of the Group's key priorities and acts as a forum to raise and debate significant operational issues. A number of changes were made to the Executive Management Board during 2014, arising from the appointments of a new Chief Executive Officer and Chief Financial Officer, the creation of a new divisional structure and certain new functional roles (eg. Candy Bowles' appointment as EVP Corporate Development and Strategy in November 2014).

Each operating company within the Group operates within the policies, rules and procedures determined by the Directors and communicated through an internet based Group Policies hub. The Directors exercise control over operating companies through divisional senior executives who monitor and oversee the activities, financial performance and controls of each operating company and seek to ensure that these companies comply with Group accounting policies in the process for preparation of consolidated financial statements. The directors of operating companies and heads of business units are held accountable for the effectiveness of the implementation and maintenance of controls within their companies. This provides constant and consistent management.

During the year, a comprehensive control framework for key business processes was implemented by a Group-wide project team. Each business unit performed a self-assessment, evaluating controls against the control framework. The results of the assessment contribute to the internal audit plan as well as ongoing control and business improvement initiatives across the Group.

The Group has financial planning and reporting systems. Management accounts are prepared monthly by each operating company comparing actual performance with budget. The financial performance of each business unit is subjected to in-depth formal review at monthly meetings. A key purpose of these reviews is the early identification of potential business risks and agreement on suitable and prompt courses of action. Operating companies prepare strategic plans and annual budgets which are consolidated up to a divisional and Group level and are reviewed and approved by the divisional senior executives, Group management and the Board.

The Board intends to review and improve the processes surrounding the Group's forecasting.

The Group enforces its comprehensive control and approval procedures which incorporate definitions of appropriate authorisation levels. Capital investment and other major items of expenditure are made only after compliance with appraisal procedures and, if above set levels, only with the approval of the executive Directors and the Board.

Accounting and reporting policies and practices require that the Group's accounting records are prepared accurately and in compliance with Group policy and relevant accounting standards.

The Risk and Assurance department reviews the internal control environment according to the annual internal audit plan agreed with the Audit Committee.

Certain key functions, including treasury, taxation, pensions, provision of legal advice, risk and insurance are controlled at the Group's head office and are monitored by the executive Directors.

The Directors have reviewed the effectiveness of the systems of risk management and internal control during the year to 31 December 2014 and during the period since then to the date of this report. They have made, and will continue to make, improvements where necessary.

Financial risk management objectives and policies are set out under Financial risk management on pages 79 to 84.

Investor relations

The Chief Executive Officer and Chief Financial Officer meet institutional investors immediately after publication of the annual and interim results and on an ongoing basis as required. In 2014, this included investor roadshows held over a total of 13 days in London and Scotland in respect of the annual and interim results. Sean Watson, as Chairman, and John Shakeshaft, as senior independent non-executive Director and Chairman of the Remuneration Committee, also undertake consultation on certain matters with major shareholders from time to time. Through these Directors, the Company maintains a regular dialogue with institutional shareholders and analysts. Feedback is reported to the Board so that all Directors develop an understanding of the views of major shareholders about the Company. Trading updates and press releases are issued as appropriate and the Company's brokers provide briefings on shareholder opinion and compile independent feedback from investor meetings. Information offered at the analysts' meetings together with our financial press releases are available on the Group's website. The Annual General Meeting is used by the Directors to communicate with both institutional and private investors.

Going concern

The Directors have reviewed the budgets for 2015 and the projections for 2016 developed during the 2014 annual strategic planning cycle. The Directors have assessed the future funding requirements of the Group and compared them with the level of available borrowing facilities, recognising that the main committed facility was re-negotiated during 2012 for a period of five years to August 2017. Based on this, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Approved by the Board on 11 March 2015 and signed on its behalf by:

Lynton Boardman
Group General Counsel & Company Secretary
11 March 2015

Nominations Committee

Membership:
- Sean Watson (Chairman)
- Michael Baunton
- Stephen King
- John Shakeshaft

Committee meeting attendance 2014

Sean Watson	3 of 3
Michael Baunton	3 of 3
Stephen King	3 of 3
John Shakeshaft	2 of 3

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

Committee meetings in 2014
During 2014 the Committee held three formal meetings.

The Committee has held no formal meetings to date during 2015.

2014 review
The Committee seeks to ensure that the Board of TT Electronics is balanced and effective with diverse skills, knowledge and experience. Diversity and gender inclusiveness span the whole Group and are important and enduring considerations in the search for and selection of Board members.

During 2014, the focus of the Committee was primarily directed towards the process of integrating the new Chief Executive Officer, Richard Tyson, into the business, as well as the appointment process for the new Chief Financial Officer, Mark Hoad, and several additional members of the Executive Management Board, as described below.

The Committee is rigorous in seeking talent and is focused on ensuring that the Group has the best possible Board available to promote its interests. During 2014 the Committee engaged external search consultants to assist in the specification of the Chief Financial Officer role and the selection of prospective candidates to ensure a robust, measurable and orderly process. This resulted in the appointment of Mark Hoad who met with members of the Committee as part of the selection process. Mark was Group Finance Director of BBA Aviation plc, a FTSE 250 company, from 2010 to 2014 and the Committee believes that his extensive experience will significantly enhance the composition of the Board.

The Committee also paid particular attention to Group succession issues during the year, and had oversight of the key appointments made at the Executive Management Board level during 2014, including Tim Roberts' appointment as EVP Industrial Sensing and Control; Amrei Drechsler's appointment as EVP Transportation Sensing and Control; and Candy Bowles' appointment as EVP Corporate Development and Strategy.

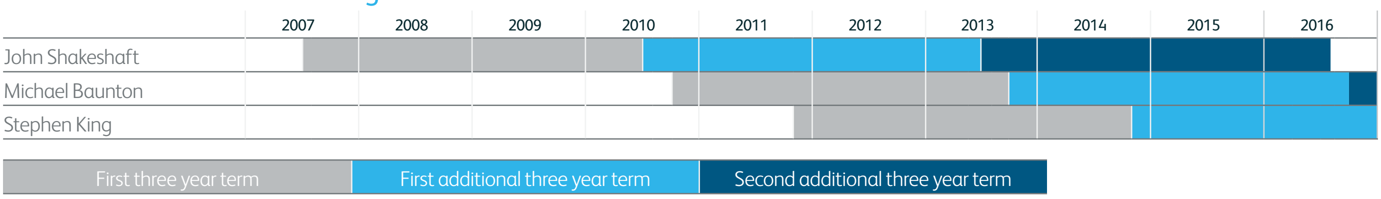
The Committee continues to consider that diversity quotas at Board level are inappropriate and is committed to recruiting the best talent available, based on merit and assessed against objective criteria of skills, knowledge, independence and experience. Its primary objective is to ensure that TT Electronics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

The Board attaches a high degree of importance to diversity at all levels across the Group, although of equal importance is the need to ensure that staff skills and competencies are matched to the strategic and operational needs of the business in its core markets. Details of the number of employees, senior managers and Directors of each gender are given in the Corporate responsibility section on page 25.

During 2014 the Committee considered the new Group organisational design resulting from the strategic review process currently underway, together with the composition of the Board of Directors, resulting in a reduction in the number of Executive Directors. Length of service of the Non-executive Directors was also reviewed and, as part of our commitment to facilitate a regular refreshing of core skills and diversity of experience, a succession review will be undertaken in 2015 to look at bringing new talent onto the Board at a non-executive level.

Performance evaluation
The Committee carried out an assessment of its performance in 2014 based on a review of its activities during the year against its terms of reference. It was concluded that the Committee had performed satisfactorily and is structured appropriately to provide effective support to the Board.

Non-executive Directors' lengths of service



Audit Committee

Membership:
- Stephen King (Chairman)
- Michael Baunton
- John Shakeshaft

Committee meeting attendance 2014

Stephen King	4 of 4
Michael Baunton	4 of 4
John Shakeshaft	4 of 4

Remit

The Committee's duties include reviewing and advising the Board on:
- the integrity of the financial statements;
- the appointment and remuneration of external auditors and their effectiveness in line with the requirements of the Code;
- the nature and extent of non-audit services provided by the Auditors to ensure that their independence and objectivity are maintained;
- changes to accounting policies and procedures, decisions of judgement affecting financial reporting, compliance with accounting standards and with the Companies Act 2006;
- internal control and risk management processes, including principal risks and internal control findings highlighted by management or internal and external audit;
- the content of the Auditors' transparency report, concerning Auditor independence in providing both audit and non-audit services;
- the scope, performance and effectiveness of the internal audit and other internal control functions and the Auditors' assessment thereon; and
- the Company's procedures for responding to any allegations made by whistleblowers.

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

Committee meetings in 2014

During 2014 the Committee held four scheduled meetings.

The Committee met twice with the Group's Auditors, KPMG LLP, without executives of the Company being present. During the year, the Committee also met once with the Group Head of Risk and Assurance (the head of the internal control function) without other executives of the Company being present.

The Committee has held one meeting to date during 2015.

2014 review

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

The Group Head of Risk and Assurance also attends meetings to update the Audit Committee on: progress on the internal audit plan; findings and recommendations; and team and methodology improvements. A formal review of the effectiveness of the internal control function is undertaken as part of the year end process. The Committee also regularly receives reports from the Risk Committee to allow members to review principal risks and the effectiveness of risk management processes.

In addition to standing agenda items, during 2014 the Committee also reviewed and considered matters including:
- SAP implementation;
- the introduction of a new Controls Framework;
- Auditor independence, with specific reference to the appointment of Makinson Cowell;
- the Risk Programme going forward;
- changes to reporting requirements, including the impact of the forthcoming Viability Statement requirement on the Company; and
- cyber security.

One of the key areas of focus for the Committee during 2014 arose from the announcement that the Group's performance in 2015 would be materially lower than previously forecast, driven principally as a result of poor forecasting processes and slower than anticipated progress in implementing the Operational Improvement Plan within the Sensing and Control business. As a result of this event, and the resulting improvement action, the Committee has initiated a high level review of all of the principal risk factors and processes having the potential to impact the Group, which includes areas such as the underlying economic outlook of the business and product development and launch processes. This has also resulted in a detailed review of the proposed 2015 audit plan, to ensure that internal audit resource is directed at the key risk factors for the Group's operations.

Whistleblowing matters reported through the Group's multi-lingual, anonymous Ethics and Integrity portal are reported to, and considered by, the Committee. During the year the Committee received details of three cases, each of which was investigated with appropriate action taken.

In the most significant instance, evidence was discovered that the division concerned had failed to follow the proper "change management" procedures contained in the Group's processes. As a result of the whistleblower event, the relevant customers were informed of the specific areas of default, and appropriate corrective action was taken at both an operational and managerial level.

Audit Committee continued

The Committee has reviewed and challenged the form and content of the Group's Annual Report and accounts and financial statements for 2014. In conducting its review, the Committee considered reports prepared by management and the external Auditors. These reports covered analyses of the judgements and sources of estimation uncertainty involved in applying the accounting policies as described in note 1(h) to the financial statements.

The Committee considered and challenged the assumptions relating to goodwill, the carrying value of capitalised development costs, the level of provisions held on the balance sheet (as detailed below) and the going concern statement on page 31. The Committee also considered and challenged items excluded from underlying profit and whether these were consistent to the accounting policy of the Group.

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 62 to 67.

The Committee received and reviewed reports from management and the external Auditors setting out the significant issues in relation to the 2014 financial statements, which related to:

- Underlying profit;
- Provisions (including taxation and product warranties);
- Carrying value of capitalised development costs; and
- Carrying value of Goodwill.

These issues (which are considered in more detail below) were discussed with management during the year and with the external Auditors at the time the Committee reviewed and agreed the external Auditors' Group audit plan; when the external Auditors reviewed the half year results in August 2014; and also at the conclusion of the audit of the financial statements.

Underlying profit

As further explained in note 8 to the financial statements, the Group reports non-trading income or expenditure outside of underlying profit when the size, nature or function of an item or aggregation of similar items is such that separate presentation is relevant to an understanding of its financial position. The Committee challenged the items that were excluded from underlying profit and were satisfied that these were in accordance with the Group's disclosed accounting policy and gave a true and fair view of the Group's underlying financial position.

The Auditors explained to the Committee the work they had conducted and the results of their audit procedures on significant items recorded outside underlying profit. On the basis of their audit work, the Auditor reported no inconsistencies or misstatements to the Group's disclosed accounting policy that were material in the context of the financial statements as a whole.

Provisions

(i) Taxation

Provisions held in respect of tax risks are included within current and deferred tax liabilities depending on the underlying circumstances of the provision. Management confirmed to the Committee that the provisions recorded at 31 December 2014 represent their 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 Auditors 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. On the basis of its audit work, the Auditors reported no inconsistencies or misstatements that were material in the context of the financial statements as a whole.

(ii) Product warranty, legal and restructuring

As further explained in note 2(u) to the financial statements, a provision is recognised in the financial statements when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of resources, that can be reliably measured, will be required to meet the obligation.

Provisions are recognised at an amount equal to management's best estimate of the expenditure required to meet the Group's liability taking into account the time value of money, where this is considered material. On legal and contractual exposures, the Committee received periodic reports from the Group General Counsel & Company Secretary outlining the open legal and contractual disputes and best estimate of the expected costs associated with such matters.

Management has confirmed to the Committee that the provisions recorded at 31 December 2014 represent their best estimate of the potential financial exposure faced by the Group. The Committee reviewed each significant provision and challenged the basis of management's judgement and concurred with management's estimates.

The Auditors 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. On the basis of their audit work, the Auditors reported no inconsistencies or misstatements that were material in the context of the financial statements as a whole.

Further information about the specific categories of provisions held by the Group is set out in note 19.

Carrying value of capitalised development costs

As further explained in note 2(l) the Group capitalises costs for development activity when certain criteria under the relevant accounting standard have been met. Accounting standards require management to assess capitalised development costs for impairment indicators at each balance sheet date.

Following a detailed review performed by management of each significant development project an impairment charge of £8.4 million has been booked as an exceptional item (see note 8 for further details). The Committee challenged the basis of the impairment charge and concurred with management that there is insufficient certainty to support the carrying value of significant development projects that have been impaired.

The Auditor explained to the Committee the results of their audit procedures and their assessment of the impairment review performed by management. On the basis of their audit work, the Auditors reported no inconsistencies or misstatements that were material in the context of the financial statements as a whole.

Carrying value of goodwill

As more fully explained in note 14, the total carrying amount of goodwill at 31 December 2014 is £69.4 million. For a certain period at the end of 2014 the book value of the Group's net assets exceeded its market capitalisation. This position has recovered in the post balance sheet event period.

Management has assessed the carrying value of goodwill using detailed calculations of value in use for each significant cash generating unit to ensure that the carrying values are supported by forecast future discounted cash flows. No impairment charges were required as a result of the impairment assessment. The Committee reviewed and challenged management's assessment of value in use, the basis of key assumptions and sensitivities as outlined in note 14 and concurred with management's assessment.

The Auditor explained to the Committee the results of their review of the estimate of value in use for each significant cash generating unit, including their challenge of management's underlying cash flow projections, the key growth assumptions, discount rates and sensitivity analysis. On the basis of their audit work, no impairments that were material in the context of the financial statements as a whole were identified by the Auditors.

Internal control

The Committee considered reports from internal and external audit summarising their respective recommendations on internal control and requested that management provide an update including their proposed action plans.

Going concern

The Committee considered the reports provided by management setting out the basis upon which the Directors provided the going concern statement.

Misstatements

Management has confirmed to the Committee that they were not aware of any material misstatements or immaterial misstatements made intentionally to achieve a particular presentation. The external Auditors reported to the Committee the misstatements that they had found in the course of their work and that no material amounts remain unadjusted. The Committee confirms that it is satisfied that the external Auditors have fulfilled their responsibilities with diligence and professional scepticism.

After reviewing the presentations and reports from management and consulting where necessary with the Auditors, the Audit Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates (both in respect of the amounts reported and the disclosures). The Committee is also satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised, challenged and are sufficiently robust.

Future IFRS and UK GAAP developments

The Committee has received a report from management and discussed future accounting developments likely to affect the presentation of the Group's financial statements.

Fair, balanced and understandable

In accordance with the 2012 UK Corporate Governance Code, the Board requested that the Committee advise them on whether it believed that 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 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 for input and challenge from all independent Non-executive Directors, external auditors and other external advisers. On careful review of the Annual Report for the year ended 31 December 2014 and the basis for the statement made by the Board on "Fair, balanced and understandable" on page 53, 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 performance, business model and strategic plan.

Auditors' independence, objectivity and effectiveness

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

The Committee has formally reviewed the independence of the Auditors as part of the 2014 review. KPMG LLP have provided a letter to the Committee confirming that they remain independent within the meaning of the regulations on this matter and in accordance with their professional standards.

The Committee also reviewed the effectiveness of the Auditors during the year. The use of an evaluation questionnaire and an auditor assessment survey (completed by heads of finance across the Group's operations), together with information provided by the Auditors, assisted in ensuring that a comprehensive assessment was undertaken. Areas for improvement were identified and communicated to the Auditors for action.

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

In accordance with its own internal procedures, KPMG LLP has notified the Committee that this year's audit programme will be the last one to be headed by the current lead audit Partner, Anthony J Sykes. KPMG LLP has already implemented a process to transition to a new lead audit partner, well in advance of year end 2015.

Policy on non-audit services

The Company has an established policy regarding the provision of non-audit services by external auditors. This states that non-audit services may be obtained from the most appropriate source having regard to expertise, availability, knowledge and cost. Non-audit services where fees are expected to exceed £25,000 should be approved, in advance, by the Chairman of the Audit Committee or in his absence by another member of the Audit Committee. There is also a restriction such that fees for non-audit services will not exceed those for audit services, paid to the same service provider for more than two consecutive years, unless specifically recommended by the Audit Committee and agreed by the Board. The overriding preference of the Committee is not to engage the Auditors for additional non-assurance services, unless there are compelling reasons to the contrary, such as capability, time or cost.

In 2014, the Committee considered the proposed appointment of Makinson Cowell, (acquired by KPMG in 2013) to provide advisory services to the Group. Following discussions with both Makinson Cowell and KPMG (and having received confirmation that Makinson Cowell would not be representing the Group in any "management capacity" and that appropriate Chinese Walls were in place between that business and KPMG's audit function) both the Committee and the Board were satisfied that the proposed appointment of Makinson Cowell did not present any independence issues or ethical concerns. It was also noted that the level of non-audit fees (as a proportion of audit fees) paid to KPMG would increase upon the appointment of Makinson Cowell.

In 2014, audit service fees paid to KPMG LLP were £0.8 million, whilst non-audit service fees paid to KPMG totalled £0.6 million. Of this £0.6 million: £0.4 million (67 per cent) related to projects covering pensions and other advisory services, whilst the balance of £0.2 million (33 per cent) comprised non-audit service fees principally relating to the provision of taxation services, including taxation compliance advice.

During 2014, non-audit fees paid to KPMG LLP represented 75 per cent of audit fees paid to KPMG LLP during the same period (up from 38 per cent in 2013). This increase was primarily a result of a one-off pensions project and other advisory services provided by KPMG LLP and was considered and approved by the Audit Committee (as detailed above). The Committee believes that, for these particular areas, KPMG LLP were best placed to provide a comprehensive and effective service to the Company.

Performance evaluation

The Committee carried out an assessment of its performance in 2014 based on a review of its activities during the year against its terms of reference. It was concluded that the Committee had performed effectively and is structured appropriately to provide effective support to the Board. Areas for development which emerged from the performance assessment were identified and appropriate focus will be given to these during the forthcoming year.

Directors' remuneration report

Membership:

- John Shakeshaft (Chairman)
- Michael Baunton
- Sean Watson

Scheduled committee meeting attendance 2014

John Shakeshaft	5 of 5
Michael Baunton	5 of 5
Sean Watson	5 of 5

Remuneration Committee report

Committee meeting attendance 2014

During 2014 the Committee held five scheduled meetings.

Given the significant changes at the executive level, five additional meetings of the Committee took place during the year, all of which were fully attended except one, which John Shakeshaft was unable to attend. The Committee has held two meetings to date during 2015.

The Chief Executive Officer and the EVP Human Resources also attend Committee meetings and provide internal support and advice on market and regulatory developments in remuneration practice and employee share plans. Their attendance ensures that the Committee is kept fully abreast of general pay policies throughout the Group which it then takes into account when determining the remuneration of executive Directors and our most senior executives. No individual is allowed to participate in any matter concerning the details of their own remuneration.

Annual statement

Dear Shareholder

Aligning our remuneration policy with evolving strategic objectives remains the priority for the Committee. We continued to strengthen alignment during 2014 in line with the shareholder approved Remuneration Policy introduced at last year's AGM, through some additional measures in our incentive schemes and by increasing the focus of our executive's remuneration towards total shareholder return.

In 2014, the external macro environment continued to be challenging, our performance in 2014 resulted in only minimal annual bonus pay-outs for executive Directors based on the achievement of pre-defined strategic objectives. Performance against earnings per share and total shareholder return LTIP targets in respect of performance periods ending in 2014 was below threshold.

Richard Tyson was appointed last year on a salary below-market, with an intention to increase his pay to market levels contingent on performance. Following strong performance during his first six months, the Committee considered it appropriate to align Mr Tyson's salary to market. The Committee believe that this approach is in the best interests of the Company and shareholders. Mr Tyson's increase was effective from 1 January 2015.

During the course of the year, we sought feedback on a number of issues from our larger investors, which we have considered. The Committee's role is to balance these individual investor perspectives with our responsibility to ensure our remuneration arrangements continue to enable us to attract, motivate and retain a team which is of the required quality.

This report has been divided into three sections:

- this Annual statement which summarises and explains the major decisions and changes in respect of Directors' remuneration;
- a Directors' remuneration policy which sets out the remuneration policy for the Company's Directors which was approved by shareholders at the 2014 AGM; and
- an Annual report on remuneration which provides details of the remuneration earned by the Company's Directors in relation to the year ended 31 December 2014.

The Directors' remuneration policy was approved by shareholders at the Annual General Meeting held on 9 May 2014 and is subject to a binding shareholder vote every three years (or sooner if changes are made to the policy). The Committee believes the Remuneration Policy continues to incentivise the delivery of strong and sustainable financial results and the creation of shareholder value, so no changes are proposed to the Policy. For ease of reference, the Policy is repeated in full on pages 38 to 41 and is also available to view at the Corporate Governance section of our website, www.ttelectronics.com.

Performance evaluation
The Committee assessed its performance, constitution and terms of reference during 2014 based on a questionnaire completed by members. The Committee was deemed to have performed satisfactorily.

Emphasis in 2014
The Committee considers carefully every decision around executive remuneration. Some of the main decisions made during the year were:
- termination package for Geraint Anderson who stepped down as Group Chief Executive and a director of TT Electronics plc on 30 June 2014;
- remuneration package for Richard Tyson who joined the Group as Chief Executive Officer and a director of TT Electronics plc on 1 July 2014;
- termination package for Shatish Dasani who stepped down as Group Finance Director and a director of TT Electronics plc on 31 December 2014;
- remuneration package for Mark Hoad who joined the Group on 29 December 2014 and became Chief Finance Officer and a director of TT Electronics plc on 1 January 2015;
- assessment of annual bonus levels for executive Directors for 2013, payable in 2014;
- review of the cash targets for bonus arrangements for 2014;
- evaluation of targets for the 2015 executive Directors' annual bonus plan;
- review of total remuneration levels for executive Directors and the next level of senior executives;
- review of the linkage between risk and reward in relation to remuneration structure;
- review of non-executive Chairman's fees;
- vesting of 2011 grant under the LTIP;
- 2014 grant under the LTIP (including a review of performance targets);
- review of the LTIP structure and the current dilution position;
- review of the Committee's external advisers;
- issuance of performance based awards under our Restricted Share Plan (RSP) to key individuals below executive Directors. Awards were based on profit, revenue and ROCE measures;
- review of feedback received from shareholders relating to the Remuneration policy;
- consideration of an LTIP post vesting holding period.

The year ended 31 December 2014 has been a challenging year in a number of our markets. Revenue for the year was £524.3 million compared to £532.2 million in the prior year. This included the benefit of the Roxspur Measurement and Control Limited business acquired in July 2014 and unfavourable foreign exchange movements; the underlying growth excluding these factors was 2 per cent. Operating profit before exceptional items was £29.2m compared to £30.8 million in 2013.

Our remuneration principles
The Committee tries to ensure that the remuneration policy and practices drive behaviour aligned to the long-term interests of the Company and our shareholders. We offer competitive and equitable rates of pay and benefits to ensure it promotes the attraction, motivation and retention of high quality executives who are key to delivering the Company's strategy and who will be key to delivering sustainable earnings growth and shareholder return.

The Committee's most recent conclusions are that the existing senior executive remuneration policy is appropriate and should continue to operate for 2015 without major changes. The Committee concluded that:
- basic salary levels remain appropriately positioned in the market;
- the structure and quantum of the annual bonus continues to be appropriate for 2015; and
- the long-term incentive grant policy, where awards are granted annually based on earnings per share, relative total shareholder return performance conditions and continued service, aligns the senior executive team with shareholders. This alignment is strengthened by the operation of share ownership guidelines.

In conclusion, the Committee believes that the remuneration policy continues to incentivise the delivery of strong and sustainable financial results and the creation of shareholder value.

Assessment of Risk
The Remuneration Committee is continually aware and mindful of any potential risk associated with our remuneration programmes. We seek to provide a structure that encourages acceptable level of risk taking through optimal remuneration mix, key performance metrics, calibration and timing. Annual third party evaluations are undertaken in order to ensure our reward programmes achieve the optimal balance and do not encourage excessive risk taking. The Committee has considered the risk involved in the short and long term incentive schemes and is satisfied the design elements and associated governance procedures mitigate the risks appropriately.

The Committee continues to have appropriate dialogue with our shareholders. We are delighted that last year, proxy votes cast in relation to the remuneration report were 96.91 per cent in favour. We sincerely hope to receive your continued support at the AGM on 12 May 2015.

John Shakeshaft
Chairman of the Remuneration Committee
11 March 2015

Directors' remuneration policy

In formulating the remuneration policy, full consideration was given to the principles set out in the UK Corporate Governance Code. The Committee regularly reviews the policy to ensure it takes account of best practice and the particular circumstances of the Company. The Directors' remuneration policy was approved by shareholders at the Annual General Meeting held on 9 May 2014 and is subject to a binding shareholder vote every three years. No changes are currently proposed to the policy.

Policy overview

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

The Committee aims to approve base salaries, commensurate with experience, around market levels coupled with highly competitive total rewards, linked to performance and aligned with shareholder interests. Remuneration packages must meet the objectives of attracting, retaining and motivating executives of the highest quality in a challenging business environment. In recommending a mix of fixed and variable remuneration, the Committee is mindful of avoiding excessive risks in the pursuit of performance metrics.

Following a review of the current total remuneration policy for executive Directors and senior managers, the Committee concluded that the following principles remain appropriate for 2015.

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

Performance related: The majority of the executive Directors' and senior business unit leaders' remuneration packages are determined based on the performance of the Group. A significant proportion of this is aligned with shareholder interests, based on earnings growth "EPS" and total shareholder return "TSR". Failure to reach set performance thresholds leads to no payout under the Group's annual bonus or long-term incentive arrangements. In order to provide further alignment with the achievement of strategic objectives and delivery of value to shareholders, executive Directors have agreed to maintain a minimum holding of the Group's shares equal to 100 per cent of their base salary.

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

Components of total remuneration

Executive Directors' total remuneration packages comprised:

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

Consideration of shareholder views

The Remuneration Committee considers shareholder feedback received in connection with the Annual General Meeting each year at a meeting immediately following the AGM and at other times during the year. This feedback is considered as part of the Company's annual review of remuneration policy. In addition, the Remuneration Committee engages directly with major shareholders and their representative bodies should any material changes be proposed to the remuneration policy. Details of votes cast for and against the resolution to approve last year's Remuneration report and any matters discussed with shareholders during the year are set out in the Annual report on remuneration.

Consideration of employment conditions elsewhere in the Group

The Committee considers the general basic salary increase for the broader employee population when determining the annual salary increases and remuneration for the executive Directors. Employees have not been consulted on the design of the Company's senior executive remuneration policy although the Committee will keep this under review.

Summary remuneration policy

The table below summarises the Directors' remuneration policy for 2014 and 2015:

Element of remuneration	Purpose and link to strategy	Operation	Maximum	Performance targets
Salary	– Reflects the value of the individual and their role – Reflects skills and experience over time – Provides an appropriate level of basic fixed income – Avoids excessive risk arising from over reliance on variable income	– Reviewed annually, effective 1 January – Takes periodic account of practices of companies with similar characteristics and sector comparators	– There is no prescribed maximum annual increase. The Committee is guided by the general increase for the broader employee population but on occasions may need to recognise, for example, an increase in the scale, scope or responsibility of a role – Current base salary levels are set out on page 42	– Not applicable
Benefits	– To aid retention and recruitment	– Company car allowance, the provision of private medical insurance, life assurance and critical illness cover	– Not applicable	– Not applicable
Bonus	– Incentivises annual delivery of financial and strategic goals – Maximum bonus only payable for achieving demanding targets	– Paid in cash – Not pensionable	– 100 per cent of salary	– A combination of growth in Group profit before tax and other financial metrics (majority weighting), and personal objectives (minority weighting) – Clawback provisions apply
Long Term Incentive Plan	– Aligned to main strategic objectives of delivering sustainable profit growth and shareholder return	– Annual grant of nil cost options or performance shares which normally vest after three years, subject to continued service and performance targets	– 100 per cent of salary (normal limit) – Discretion to provide awards up to 200 per cent of salary in exceptional circumstances such as recruitment or retention – Divided equivalents may also be payable	– LTIP performance measured over three years based on financial (e.g. EPS) and/or share price measures (e.g. relative TSR) – Clawback provisions apply
SAYE	– To encourage employee share ownership and therefore increase alignment with shareholders	– All employee saving and share purchase plan approved by HMRC – Executives are also eligible to participate in the Group SAYE on the same terms as other employees	– In line with prevailing HMRC limits	– Not applicable
Share ownership guidelines	– To provide alignment between executives and shareholders	– Executive Directors are required to build and maintain a shareholding equivalent to one year's base salary	– Not applicable	– Not applicable
Pension	– Provides modest retirement benefits – Opportunity for executives to contribute to their own retirement plan	– Defined contribution/salary supplement	– Company contributes approximately 15 per cent of salary – Executives salary exchange on same terms as other employees	– Not applicable
Non-executive Director fees	– Reflects time commitments and responsibilities of each role – Reflects fees paid by similarly sized companies	– Cash fee paid – Fees are reviewed on an annual basis	– Fee increases for Non-executive Directors will not normally exceed the average salary increase awarded to executive Directors, although increases may be above this level if there is an increase in the time commitment and/or responsibility level	– Not applicable. Non-executive Directors do not participate in variable pay arrangements

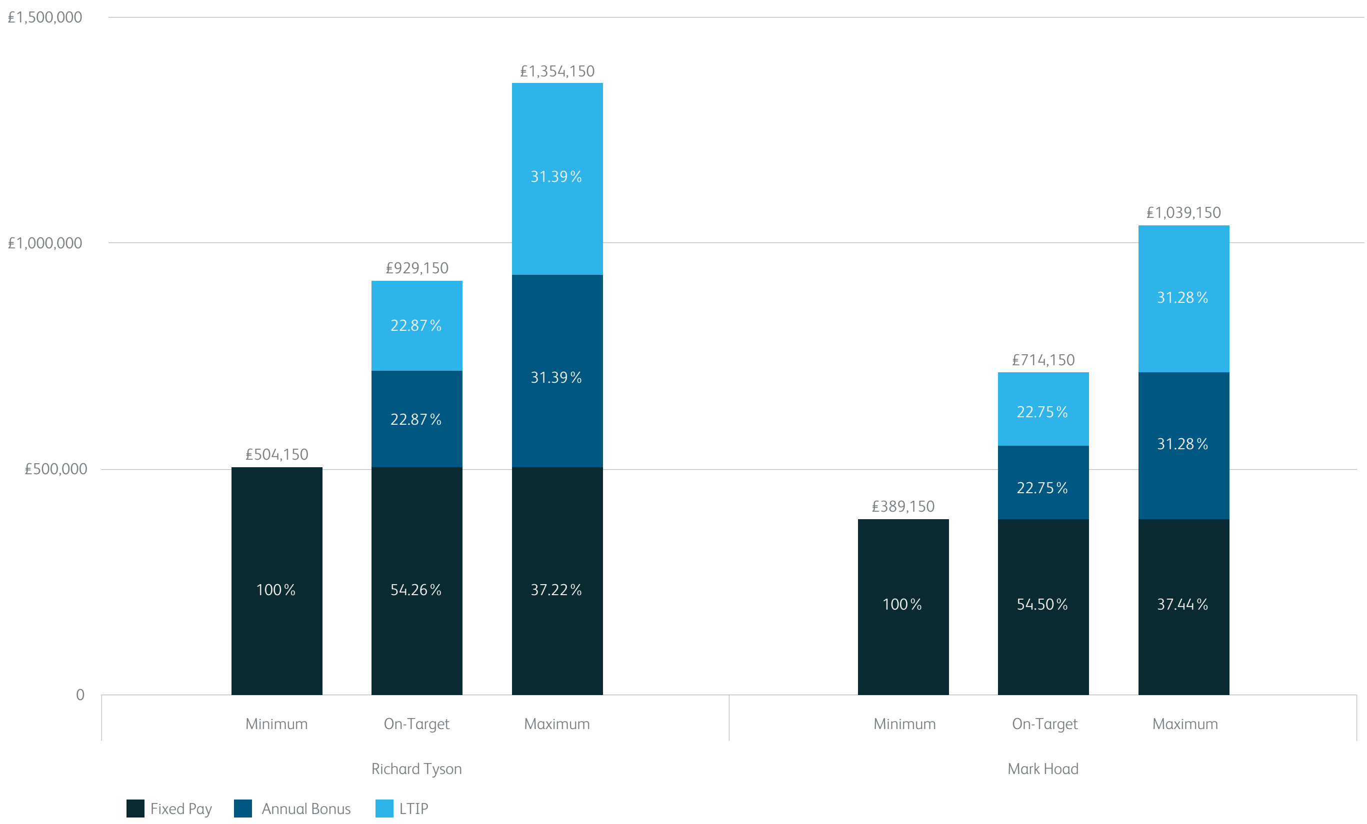
Directors' remuneration policy continued

Notes:
(1) A description of how the Company intends to implement the policy set out in this table for 2015 is set out in the Annual report on remuneration on page 42.
(2) The following differences exist between the Company's policy for the remuneration of executive Directors as set out above and its approach to the payment of employees generally:
- A lower level of maximum annual bonus opportunity may apply to employees other than the executive Directors and certain senior executives.
- Benefits offered to other employees generally comprise life assurance, pension, applicable benefits to the global territories in which the company operates.
- UK Employees participate in the same arrangements as the Directors.
- Participation in the LTIP is limited to the executive Directors and certain selected senior managers. Certain other employees are eligible to participate in the Company's share option schemes, details of which are provided on pages 87 and 88.

In general, these differences arise from the development of remuneration arrangements that are market competitive for the various categories of individuals and the country in which they are employed. They also reflect the fact that, in the case of the executive Directors and senior executives, a greater emphasis tends to be placed on performance-related pay.
(3) The choice of the performance metrics applicable to the annual bonus scheme reflect the Committee's belief that any incentive compensation should be appropriately challenging and tied to the delivery of financial metrics and specific individual objectives.
(4) The TSR and EPS performance conditions applicable to the LTIP (further details of which are provided on page 45) were selected by the Remuneration Committee on the basis that they reward the delivery of long-term returns to shareholders and the Group's financial growth and are consistent with the Company's objective of delivering superior levels of long-term value to shareholders. The TSR performance condition is monitored on the Committee's behalf by New Bridge Street ("NBS") whilst the Group's EPS growth is derived from the audited financial statements.
(5) The Committee operates the LTIP in accordance with the plan rules and the Listing Rules, and the Committee, consistent with market practice, retains discretion over a number of areas relating to the operation and administration of the plan.
(6) All-employee share plans do not operate performance conditions. Executive Directors are eligible to participate in the Group SAYE on the same terms as other employees.
(7) As highlighted above, the Company has a share ownership policy which requires the executive Directors to build up and maintain a target holding equal to 100% of base salary. Details of the extent to which the executive Directors had complied with this policy as at 31 December 2014 are set out on page 47.
(8) For the avoidance of doubt, in approving this Directors' Remuneration Policy, authority was given to the Company to honour any commitments entered into with current or former Directors (such as the payment of a pension or the vesting/exercise of past share awards) that have been disclosed in previous remuneration reports. Details of any payments to former Directors will be set out in the Annual Report on Remuneration as they arise.

Illustrations of application of remuneration policy

The chart below illustrates how the composition of the executive Directors' remuneration packages varies at different levels of performance under the 2015 policy, both as a percentage of total remuneration opportunity and as a total value:



Notes:
(1) The base salary is at 1 January 2015.
(2) The value of benefits receivable under these scenarios is taken to be the value of benefits received in 2014 (as calculated under the Single Total Figure of Remuneration, set out on page 49).
(3) The on-target level of bonus is taken to be 50 per cent of the maximum bonus opportunity (100 per cent of salary for executive Directors).
(4) The on-target level of vesting under the LTIP is taken to be 50 per cent (being half of the maximum vesting) of the face value of the award at grant.
(5) The maximum value of the LTIP is taken to be 100 per cent of the face value of the award at grant i.e. the values above do not incorporate any exceptional award or share price appreciation assumption.

Approach to recruitment and promotions

The remuneration package for a new executive Director – basic salary, benefits, pension, annual bonus and long-term incentive awards – would be set in accordance with the terms of the Company's prevailing approved remuneration policy at the time of appointment.

Salary would be provided at such a level as is required to attract the most appropriate candidate and may be set initially at a below mid-market level on the basis that it may progress towards the mid-market level once expertise and performance have been proven and sustained. Annual bonus potential will be limited to 100 per cent of salary and long-term incentives will be limited to 100 per cent of salary, up to 200 per cent in exceptional circumstances. In addition, the Committee may offer additional cash and/or share-based elements when it considers these to be in the best interests of the Company (and therefore shareholders) to take account of remuneration relinquished when leaving a former employer and would reflect the nature, time horizons and performance requirements attaching to that remuneration. Shareholders will be informed of any such payments at the time of appointment.

For an internal executive Director appointment, any variable pay element awarded in respect of their prior role may be allowed to pay out according to its terms, adjusted as relevant to take into account the appointment. In addition, any other ongoing remuneration obligations existing prior to appointment may continue, provided that they are put to shareholders for approval at the next general meeting of shareholders.

For external and internal appointments, the Committee may agree that the Company will meet certain relocation expenses as appropriate.

If appropriate, on the recruitment of a new executive, the Committee may agree to an initial notice period in excess of 12 months, reducing to 12 months over a specified period.

Service contracts for executive Directors

The service agreements of the executive Directors are not fixed term and are terminable by either side on 12 months' notice. They include 12 month non-compete clauses and standard provisions for summary termination. These contracts make provision, at the Board's discretion, for early termination by way of payment in lieu of 12 months' notice. In calculating the amount payable to a Director on termination of employment, the Board would take into account the commercial interests of the Company and apply usual common law and contractual principles. The Remuneration Committee reviews the contractual terms for new executive Directors to ensure these reflect best practice. In summary, the contractual provisions are:

Provision	Detailed Terms
Notice period	12 months
Termination payment	Common law and contractual principles apply
Remuneration entitlements	A bonus may be payable (pro-rated where relevant) and outstanding share awards may vest (see below)
Change of control	No executive Director's contract contains additional provisions in respect of change of control

The annual bonus may be payable with respect to the period of the financial year served although it will be pro-rated and paid at the normal pay-out date.

Any share-based entitlements granted to an executive Director under the Company's share plans will be determined based on the relevant plan rules. The default treatment under the LTIP is that any outstanding awards lapse on cessation of employment. However, in certain circumstances, such as death, disability, redundancy, retirement, sale or transfer of employer or other circumstances at the discretion of the Committee, 'good leaver' status may be applied. For good leavers, awards will normally vest on the normal vesting date, subject to the satisfaction of the relevant performance conditions and reduced pro-rata to reflect the proportion of the vesting period actually served. However, the Remuneration Committee has discretion to determine that awards vest at cessation (e.g. death) and/or to disapply time pro-rating.

The executive Directors may accept outside appointments, with prior Board approval, provided these opportunities do not negatively impact on the individual's ability to perform his duties at the Company. Whether any related fees are retained by the individual or are remitted to the Company will be considered on a case by case basis.

Non-executive Directors

The fees of each of the non-executive Directors are determined by the Chairman and the executive Directors, reflecting the time commitment required, the responsibility of each role and the fees paid in comparable companies.

Annual report on remuneration

Implementation of the remuneration policy for the year ending 31 December 2015

A summary of how the Directors' Remuneration Policy will be applied during the year ending 31 December 2015 is set out below.

Basic salary and benefits

Current base salary levels and those which applied from appointment are as follows:

	2015	2014	% increase
Richard Tyson	**£425,000**	£375,000	13.3%
Mark Hoad	**£325,000**	–	n/a

Richard Tyson was appointed on 1 July 2014 on a below market salary on the understanding that his salary would be moved to the market level once performance in the role had been assessed. Following an assessment of Richard Tyson's performance in the role during his first six months, his salary was increased to £425,000 from 1 January 2015. Mark Hoad's salary was set at £325,000 from appointment.

The Group's employees, in general, are receiving pay rises ranging from 0 per cent to 10 per cent depending on local geography and inflation dynamics, location, promotional increases and individual performance.

Pension arrangements

The Company will strive to contribute approximately 15 per cent of salary either to a defined contribution arrangement or as a salary supplement for each executive Director.

Annual bonus

The maximum bonus potential for the year ending 31 December 2015 will remain at 100 per cent of salary for executive Directors and the split of targets continues to be based on the Group's financial results, being Group Operating Profit (up to 50 per cent of maximum), Group operating free cash flow (up to 25 per cent of maximum), and specific personal objectives (up to 25 per cent of maximum) as set at the beginning of the 2015 financial year. Specific targets relating to these objectives are considered commercially sensitive but will be disclosed where appropriate, in the annual report for 2015 in April 2016.

Long-term incentives

Consistent with past awards, the extent to which LTIP awards which will be granted in 2015 will vest will be dependent on two independent performance conditions with 50 per cent determined by reference to the Company's Total Shareholder Return ("TSR") and 50 per cent determined by reference to the Group's earnings per share ("EPS").

Award levels and the TSR and EPS targets for the 2015 award have yet to be determined but will be disclosed in the RNS issued shortly after grant.

Non-executive Directors

The Company's approach to non-executive Directors' remuneration is set by the Board with account taken of the time and responsibility involved in each role, including where applicable the Chairmanship of Board Committees. A summary of current fees is as follows:

	2015	2014	% increase
Chairman	**£151,870**	£151,870	0%
Base fee	**£41,100**	£41,100	0%
Additional fees:			
Audit Committee Chair fee	**£7,000**	£7,000	0%
Remuneration Committee Chair fee	**£7,000**	£7,000	0%

Implementation of the remuneration policy for the year ended 31 December 2014

Remuneration received by Directors (audited)

Directors' remuneration for the year ended 31 December 2014 was as follows:

£'000		Salary/fees[1]	Benefits[2]	Pension[3]	Bonus[4]	Other[5]	Incentives[6]	Total
Executive Directors								
Richard Tyson	**2014**	**188**	**7**	**28**	**46**	**132**		**401**
Chairman								
Sean Watson	**2014**	**152**	**–**	**–**	**–**		**–**	**152**
	2013	148	–	–	–		–	148
Non-executive Directors								
Michael Baunton	**2014**	**41**	**–**	**–**	**–**		**–**	**41**
	2013	40	–	–	–		–	40
Stephen King	**2014**	**48**	**–**	**–**	**–**		**–**	**48**
	2013	47	–	–	–		–	47
John Shakeshaft	**2014**	**48**	**–**	**–**	**–**		**–**	**48**
	2013	47	–	–	–		–	47
Former Directors								
Geraint Anderson	**2014**	**206**	**12**	**31**				**249**
	2013	400	24	60	213		457	1,154
	2012	389	25	58	194		1,018	1,684
Shatish Dasani	**2014**	**282**	**25**	**44**				**351**
	2013	274	25	42	146		313	800
	2012	266	26	41	133		698	1,164
Tim Roberts	**2014**	**237**	**11**	**39**	**30**			**317**
	2013	231	11	35	123		192	592
	2012	210	11	32	105		273	631

1. Salary/Fees

Richard Tyson was appointed as CEO on a salary of £375,000 per annum; the amount shown in the above table is pro-rated from his 1 July 2014 start date.

Geraint Anderson stepped down from the Board on 30 June 2014, his base salary was not increased in the 2014 annual pay review.

Shatish Dasani stepped down from the Board and left the Group on 31 December 2014.

Tim Roberts stepped down from the Board on 31 December 2014, albeit he remains an employee of the Group.

Mark Hoad joined the Group on 29 December 2014 and became CFO on 1 January 2015.

2. Taxable benefits

The Directors taxable benefits consist of company car or allowance and private medical cover.

3. Pensions

Employer contributions are paid at 15 per cent of base salary.

4. Annual bonus payments for 2014

The annual bonus payments presented in the table below were based on performance against increase in Group Operating Profit (up to 50% of maximum), Group operating cash flow (up to 25% of maximum), and specific personal objectives (up to 25% of maximum) as measured over the 2014 financial year.

Details of actual performance against targets is as follows:

	Potential	Required for threshold bonus (£m)	Required for Maximum bonus (£m)	Actual Result £m	Actual payout (% of salary)
Group profit	50%	30.2	35.8	29.2	0%
Group Cash Target[1]	25%		See[1]	–	0%
Personal and strategic objectives[2]	25%	Personal and strategic targets set at the joining date based on strategy development and senior team development.		See[2]	25%
Total % of salary	100%				25%

1 Based on performance against budget for Group Operating Cash Flow, Group Working Capital to Sales % and Group Stock Turns. As the profit trigger was not achieved, no payment is due for this part of the bonus.

2 Following an assessment of the personal objectives at the end of 2014, the Remuneration Committee concluded that an award based on personal contribution was appropriate for Richard Tyson and Tim Roberts based on the attainment of their strategic objectives.

5. Other

Richard Tyson was compensated £132,000 in respect of lost annual bonus potential in respect of his previous employment. Details of the compensation awarded in respect of share awards is set out on page 47.

6. Vesting of LTIP

The figures included in the incentives figure show the value of awards in the year where the achievement of the performance condition is known. It therefore includes the shares vested on achievement of the TSR condition that vested during the year and the shares to vest on achievement of the EPS condition as at the financial year end.

Metric	Threshold target	Stretch target	Actual	% vesting
2012 award earnings per share	16.04p	20.56	12.9p	–
2011 award total shareholder return	12.5% median ranking	50% upper quartile ranking	Below median ranking	–
2011 award earnings per share	13.0p	14.7p	14.2p	39.6%
2010 award total shareholder return	12.5% median ranking	50% upper quartile ranking	upper quartile ranking	50%

The details of the performance criteria are set out in the LTIP performance criteria section below.

Executive	Year of award and measure	Number of shares at grant	Number of shares vested/ to vest	Number of shares lapsed/to lapse	Estimated/ value of vesting/ vested shares (£'000)
Geraint Anderson	2012 – EPS	106,443	–	106,443	–
	2011 – TSR	108,143	–	108,143	–
2014 performance period		**214,586**	**–**	**214,586**	**–**
	2011 – EPS	108,143	85,692	22,451	169
	2010 – TSR	165,095	165,095	–	288
2013 performance period		**273,238**	**250,787**	**22,451**	**457**
	2010 – EPS	165,095	146,521	18,574	255
	2009 – TSR	437,500	437,500	–	763
2012 performance period		**602,595**	**584,021**	**18,574**	**1,018**
Shatish Dasani					
	2012 – EPS	73,014	–	73,014	–
	2011 – TSR	74,054	–	74,054	–
2014 performance period		**147,068**	**–**	**147,068**	**–**
	2011 – EPS	74,054	58,680	15,374	116
	2010 – TSR	113,208	113,208	–	197
2013 performance period		**187,262**	**171,888**	**15,374**	**313**
	2010 – EPS	113,208	100,472	12,736	175
	2009 – TSR	300,000	300,000	–	523
2012 performance period		**413,208**	**400,472**	**12,736**	**698**
Tim Roberts	2012 – EPS	57,534	–	57,534	–
	2011 – TSR	54,071	–	54,071	–
2014 performance period		**111,605**	**–**	**111,605**	**–**
	2011 – EPS	54,071	42,846	11,225	84
	2010 – TSR	61,911	61,911	–	108
2013 performance period		**115,982**	**104,757**	**11,225**	**192**
	2010 – EPS	61,911	54,946	6,965	96
	2009 – TSR	101,334	101,334	–	177
2012 performance period		**163,245**	**156,280**	**6,965**	**273**

The value of vested shares is based on actual share prices at the date of vesting.

LTIP performance criteria

In 2014, LTIP allocations equal to 100 per cent of base pay were awarded to executive Directors. The performance measures attaching to the outstanding and recently vested LTIP awards are shown in the table below:

Vesting Criteria	2010	2011	2012	2013	2014
One half on EPS growth in excess of RPI					
Full vesting	= 14 pence	15%	20%	20%	**12%**
Zero vesting if below	= 12 pence	10%	10%	10%	**7%**
	Vesting will increase on a straight line basis between 25% and 100% between the above points				
One half on TSR performance against the FTSE Small Cap (excluding Investment Trusts)					
Full vesting	upper quartile ranking				
Zero vesting if below	median ranking				
	Vesting will increase on a straight line basis between 25% and 100% between the above points				
In addition to the TSR targets, the Committee will consider the Company's underlying performance to ensure that vesting percentages under this part of an award are appropriate.					
Awards are measured over a three year period					

The LTIP awards granted in 2011 vested at 39.6% on 28 April 2014. The market price on date of vesting was £2.05

Long-term incentives granted during the year

On 9 May 2014, the following LTIP awards were granted to executive Directors

Executive	Basis of award granted	Share price at date of grant[1]	Number of shares over which award was granted	Face value of award £	% of face value that would vest at threshold performance	Vesting determined by performance over: TSR: Three years from grant, EPS: Three financial years to 31 December 2016
Shatish Dasani	100% of salary	£2.14	131,572	281,564	25%	
Tim Roberts	100% of salary	£2.14	110,912	237,352	25%	

1 The share price used to determine the number of shares to be granted was the closing market price on the day prior to grant (i.e. £2.14).

On 22 August 2014, the following LTIP award was granted to Richard Tyson following his appointment

Executive	Basis of award granted	Share price at date of grant	Number of shares over which award was granted	Face value of award £	% of face value that would vest at threshold performance	Vesting determined by performance over: TSR and EPS: Three financial years to 31 December 2016
Richard Tyson	100% of salary	£1.71	223,214	381,696	25%	

On 29 December 2014, the following LTIP awards were granted to Mark Hoad as an employee of the Group

Executive	Basis of award granted	Share price at date of grant	Number of shares over which award was granted	Face value of award £	% of face value that would vest at threshold performance	Vesting determined by performance over: TSR: Three financial years from grant
Mark Hoad	100% of salary	£1.01	330,452	333,757	25%	

Outstanding share awards

The table below sets out details of outstanding share awards held by executive Directors.

As at 31 December 2014, Directors' interests under the LTIP were as follows:

	Date of grant	1 January 2014	Granted during the year	Lapsed	Vested	31 December 2014	Market value at 31 December 2014 £	Market price at grant date pence	Vesting date
Richard Tyson	22 Aug 2014	–	223,214	–	–	223,214	229,910	171.00	22 Aug 17
Mark Hoad	29 Dec 2014	–	330,452	–	–	330,452	340,366	101.00	1 Jan 18
Geraint Anderson									
	27 April 2011	216,285		130,593	85,692	–		175.25	27 Apr 14
	25 April 2012	212,885		212,885	–	–		182.50	25 Apr 15
	17 April 2013	242,528		242,528	–	–		164.75	17 Apr 16
		671,698		586,006	85,692	–			
Shatish Dasani									
	27 April 2011	148,108		89,428	58,680	–		175.25	27 Apr 14
	25 April 2012	146,027		146,027	–	–		182.50	25 Apr 15
	17 April 2013	166,079		166,079	–	–		164.75	17 Apr 16
	9 May 2014		131,572	131,572	–	–		214.00	9 May 17
		460,214	131,572	533,106	58,680	–			
Tim Roberts									
	27 April 2011	108,142	–	65,297	42,845			175,25	27 Apr 14
	25 April 2012	115,068	–	–	–	115,068	226,684	182.50	25 Apr 15
	17 April 2013	140,000	–	–	–	140,000	230,650	164.75	17 Apr 16
	9 May 2014		110,912	–	–	110,912	237,352	214.00	9 May 17
		363,210	110,912	65,297	42,845	365,980	694,686		

(1) The performance conditions for the 2011 awards were met 79.24 per cent satisfied on the EPS target and in nil on the TSR target, in total 39.62 per cent of the maximum award. The Company settled the awards with new issue shares in respect of the net balance after tax and national insurance. The market price on the date of vesting was 202.50 pence.
(2) The targets for the 2012 awards are as set out above under the "Long Term Incentive Plan 2005". Based on these accounts, subject to Committee review, it is anticipated that the awards will vest in part 0 per cent in respect of the EPS target. The TSR performance condition will be measured at 25 April 2015.
(3) The market value at 31 December 2014 represents the total number of shares awarded multiplied by 103 pence being the share price on 31 December 2014. The calculation does not take into account the likelihood of vesting.

TT Electronics plc sharesave scheme

	Date of grant	1 January 2014	Granted during the year	Lapsed	Exercised	**31 December 2014**	Potential gain at 31 December 2014 £	Option price pence	Exercisable between/ exercised on
G Anderson	1 Oct 10	13,552	–	–	–	**13,552**	–	114	1 Nov 15–30 Apr 16
		13,552	–	–	–	**13,552**	–		
S D Dasani		–	–						
	1 Oct 13	6,040		–	–	**6,040**	–	149	1 Nov 16–30 Apr 17
	1 Oct 14	6,617				**6,617**	–	136	1 Nov 17–30 Apr 18
		12,657		–		**12,657**			
T H Roberts	1 Oct 13	6,040		–	–	**6,040**	–	149	1 Nov 16–30 Apr 17
		6,040		–		**6,040**	–		

Statement of Directors' shareholdings and share interests (audited)

	Beneficially owned at 1 January 2014	Beneficially owned at 31 December 2014	Outstanding LTIP Awards	Outstanding share awards under all-employee share plans	Shareholding as a % of salary at 31 December 2014	Value of beneficially owned at 31 December 2014 £	Basic salary at 31 December 2014 £
Executive Directors							
Richard Tyson[1]	–	14,880	223,214	–	4.08%	15,326	375,000
Former Directors							
G Anderson	725,156	–	–	13,552			
S D Dasani	829,144	560,244	–	12,657			
T H Roberts	174,303	137,011	365,980	6,040	59.5%	141,121	237,352
Non-executive Directors							
S M Watson	190,000	216,100	–	–	–		
J C Shakeshaft	51,206	57,142	–	–	–		
M J Baunton	72,717	81,554	–	–	–		
S A King	100,000	100,000	–	–	–		

(1) Excludes the share award made to compensate Mr Tyson for Cobham share awards forfeited on joining the Company as detailed below.

Executives are required to hold shares in the Company worth 100 per cent of salary and must retain 50 per cent of the net of tax value of any vested LTIP shares until the guideline is met.

The closing middle market prices for an Ordinary share of 25 pence of the Company on 31 December 2013 and 2014 as derived from the Stock Exchange Daily Official List were 197 pence and 103.5 pence respectively. During 2014 the middle market price of TT Electronics plc Ordinary shares ranged between 97.75 pence and 222.75 pence.

Board changes

Group Chief Executive

Departure of Geraint Anderson

Geraint Anderson stepped down as Group Chief Executive and a director of TT Electronics plc on 30 June 2014. Consistent with his contractual provisions, he received a payment in lieu of his notice period of £411,411. In addition, Mr Anderson retained the use of his Company car and benefited from ongoing medical cover to 31 December 2014. No payments were made in respect of pension provision or other benefits. Notwithstanding that Mr Anderson was potentially eligible for good leaver treatment under the annual bonus and Long Term Incentive Plan (LTIP), the Committee determined that there should be no entitlement to an annual bonus payment in respect of the year ending 31 December 2014 and all unvested share awards held under the LTIP should lapse in full at cessation.

Appointment of Richard Tyson

Richard Tyson was appointed CEO from 1 July 2014. A summary of the key elements of his ongoing remuneration package, which is consistent with the existing Executive Director remuneration policy, is as follows:

- base salary: £375,000 per annum (increased to £425,000 from 1 January 2015);
- annual bonus: 100% of base salary maximum potential (reduced pro-rata for 2014);
- LTIP: 100% of base salary (up to 200% in exceptional circumstances); and
- pension: contribution and/or cash supplement of 15% of annual base salary.

A payment of £132,000 was made to Richard Tyson relating to compensation for lost annual bonus in respect of his previous employment. Additionally, in order to facilitate his recruitment as an external hire in unusual circumstances, and in accordance with the discretion reserved to the Company under the existing executive Director remuneration policy to make such awards, the Remuneration Committee agreed to compensate Mr Tyson for Cobham share awards forfeited on joining the Company. The forfeited awards were valued at £441,624 on a fair value basis.

Non-performance-linked share awards were compensated on a like for like basis. For those awards with performance targets, performance was measured on the basis of publicly available information available when Mr Tyson joined the Company. As a result of the Remuneration Committee estimating that relevant performance targets were unlikely to be met in full, Mr Tyson was not compensated for forfeiture of performance-linked share awards over 142,700 Cobham shares, with only the balance of the performance-linked share awards being compensated.

Subject to continuing employment with the Company on the relevant vesting date, and typical good leaver/change of control provisions, £251,726 of the compensation (57%) will be delivered in April 2015 and £189,898 (43%) will be delivered in April 2016 to reflect the original vesting periods of the awards forfeited. The compensation will be delivered through an initial share award granted on 22 August 2014, comprising two tranches – a First Award of 124,617 shares vesting on 27 April 2015 and a Second Award of 94,009 shares vesting on 27 April 2016. Amounts will also be receivable in respect of dividends paid on the relevant number of shares from the date of award to the date of vesting. The award is not pensionable and clawback arrangements are in place. The maximum entitlement under the arrangement and the adjustment terms in the event of a rights issue etc. may not be amended, other than in minor respects, without shareholder approval. To the extent that the value of the First and Second Awards at the respective vesting dates is less than £251,726 and £189,898 respectively, additional share awards will be granted to cover any shortfall to ensure that Mr Tyson is no worse off.

Annual report on remuneration continued

Group Finance Director

Departure of Shatish Dasani

Shatish Dasani stepped down as Group Finance Director and a director of TT Electronics plc on 31 December 2014. Consistent with his contractual provisions, he received a payment in lieu of his notice period of £271,566. No payments were made in respect of pension provision. Mr Dasani benefited from ongoing medical cover to 31 December 2015 and retained the use of his Company car to 31 December 2015 or until such time as he finds full time alternative employment if earlier.

The Committee determined that there should be no entitlement to an annual bonus payment in respect of the year ending 31 December 2014 and all unvested share awards under the LTIP should lapse in full at cessation.

Appointment of Mark Hoad

Mark Hoad joined the Company on 29 December 2014 and was appointed Group Finance Director from 1 January 2015. A summary of his ongoing remuneration package, which is consistent with the existing Executive Director remuneration policy, is as follows:

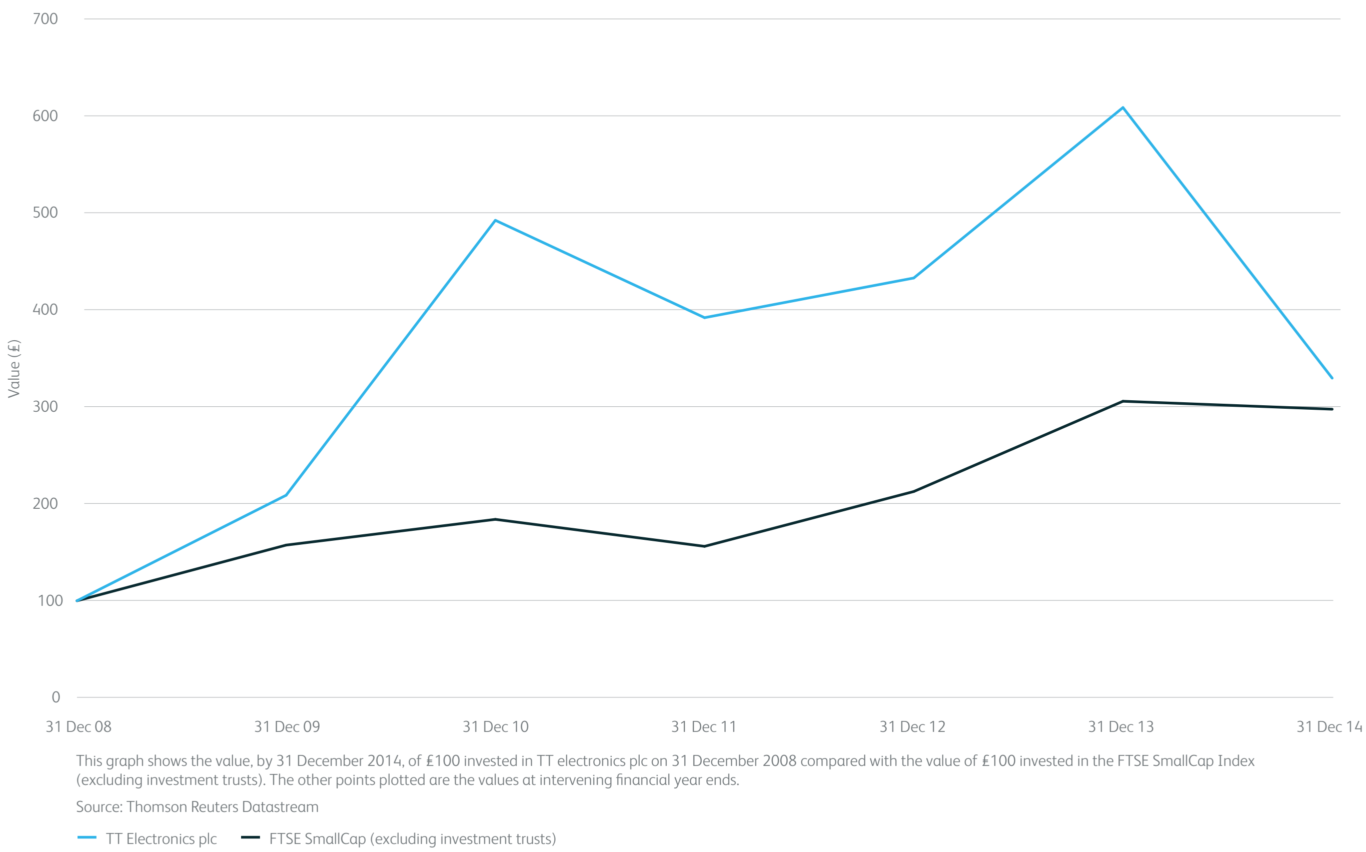
– base salary: £325,000 per annum;
– annual bonus: 100% of base salary maximum potential;
– LTIP: 100% of base salary (up to 200% in exceptional circumstances); and
– pension: contribution and/or cash supplement of 15% of annual base salary.

Additionally, in order to facilitate his recruitment, Mr Hoad was granted a share award over 100% of salary (equating to an award over 330,452 shares) under the LTIP upon joining the Company. The award will normally vest on 1 January 2018, subject to achievement of a three year performance condition ending 31 December 2017, based on total shareholder return performance targets against the FTSE SmallCap (excluding Investment Trusts). 25 per cent of the Shares subject to this award will vest at median performance increasing on a straight-line basis to 100 per cent vesting at the upper quartile of the comparator group.

Performance graph and table

The following graph shows the cumulative Total Shareholder Return of the Company over the last six financial years relative to the FTSE SmallCap Index. The FTSE SmallCap Index has been selected for consistency as it is the index against which the Company's Total Shareholder Return is measured for the purposes of the LTIP. In addition, the Company is a constituent of the Index.

Total shareholder return



This graph shows the value, by 31 December 2014, of £100 invested in TT electronics plc on 31 December 2008 compared with the value of £100 invested in the FTSE SmallCap Index (excluding investment trusts). The other points plotted are the values at intervening financial year ends.

Source: Thomson Reuters Datastream

Total remuneration for Chief Executive

The total remuneration figures for the Chief Executive during each of the last five financial years are shown in the table below. Geraint Anderson was in this position for the first five years shown, Richard Tyson joined the Group as CEO on 1 July 2014. The total remuneration figure includes the annual bonus based on that year's performance and LTIP awards based on three year performance periods ending in the relevant year. The annual bonus payout and LTIP vesting level as a percentage of the maximum opportunity are also shown for each of these years.

	2009	2010	2011	2012	2013	2014 (Geraint Anderson)	2014 Richard Tyson
Total remuneration (£'000)	516	771	1,576	1,684	**1,154**	**249**	**401**
Annual bonus (%)	30%	96%	96%	50%	**53%**	**0%**	**25%**
LTIP vesting (%)	N/A	0%	100%	94%	**89.6%**	**39.63%**	**N/A**

Percentage change in Chief Executive's remuneration

The table below shows the percentage change in the Chief Executive's total remuneration (excluding the value of any LTIP and pension benefits receivable in the year) between the financial year ending 31 December 2013 and 31 December 2014, compared to that of the average for all eligible employees of the Group.

	Geraint Anderson % change from 2013 to 2014		
	Salary	Benefits	Annual bonus
Chief Executive	0%	0%	–
Average of other employees[1]	–3.8%	–0.4%	–

(1) Based on constant exchange rates.

Relative importance of spend on pay

The following table shows the Company's actual spend on pay (for all employees) relative to dividends.

	2013	2014	% change
Staff costs (£'m)	152.3	**152.0**	0%
Dividends (£'m)	8.0	**8.7**	8.8%

The dividends figures relate to amounts payable in respect of the relevant financial year.

External appointments

The executive Directors are encouraged to pursue outside appointments provided that such appointments do not in any way prejudice their ability to perform their duties. The extent to which any executive Director is allowed to retain any fees payable in respect of such outside appointments, or whether such fees are remitted to the Company, will be assessed on a case-by-case basis.

Consideration by the Directors of matters relating to Directors' remuneration

The Company's approach to the Chairman's and executive Directors' remuneration is determined by the Board on the advice of the Remuneration Committee. The members of the Remuneration Committee (all of whom were independent non-executive Directors) during the year under review were as follows:

- John Shakeshaft (Remuneration Committee Chairman)
- Michael Baunton
- Sean Watson

Biographical information on the Committee members is set out on page 26.

External advisers

In order to enable the Committee to make informed decisions on executive remuneration, the Committee retained the services of New Bridge Street ("NBS"), independent external consultants, to advise on senior executive remuneration matters. NBS, which is part of Aon plc, provides no other services to the Company, although another part of the Aon plc provides insurance broking and consultancy services. The Committee is entirely comfortable that the provision of these services does not in any way prejudice NBS' position as independent advisers to the Committee. NBS is a member of the Remuneration Consultants Group and abides by the Remuneration Consultants Group Code of Conduct, which requires its advice to be objective and impartial.

The fees paid to NBS for providing advice in relation to executive remuneration over the financial year under review amounted to £54,336.

Shareholder voting at AGM

The Committee encourages dialogue with shareholders and will endeavour to consult with major shareholders ahead of any significant changes to our remuneration policy.

At the Annual General Meeting held on 9 May 2014, resolutions pertaining to the Directors' remuneration policy and Directors' remuneration report were passed on a show of hands. Proxy votes cast in respect of these resolutions were as follows:

Number of votes	For	Discretionary	Against	Withheld	Total vote
Remuneration report	103,417,935	123,467	3,133,297	39,008	106,713,707
Remuneration policy	92,585,908	124,322	13,943,242	60,235	106,713,707

Other statutory disclosures

Directors' report
This Annual Report includes the Directors' report and the audited financial statements for the year ended 31 December 2014. Certain information required to be disclosed in the Directors' report is provided in other sections of this Annual Report. This includes the overview, the operating and financial reviews, the corporate governance and remuneration reports and specific elements of the financial statements noted below and, accordingly, these are incorporated into the Directors' report by reference.

Strategic report
Details of the Group's activities and future plans are set out in the Strategic report on pages 1 to 25 of this report. The principal operating subsidiaries are listed on page 95.

Results and dividends
The Group's loss on ordinary activities after taxation was £10.5 million (2013: £13.0 million). The audited financial statements of the Group and the Company are set out on pages 54 to 96. Further details of the Group's activities are set out in the Strategic report on pages 1 to 18.

The Directors are recommending a final dividend of 3.8 pence per share for the year ended 31 December 2014 (2013: 3.8 pence) to be paid on 4 June 2015 to shareholders on the register at 22 May 2015 which, together with the interim dividend of 1.7 pence per share paid on 30 October 2014 (2013: 1.6 pence), makes a total for the year of 5.5 pence (2013: 5.4 pence).

Acquisitions and disposals
On 11 July 2014, the Group acquired Roxspur Measurement and Control Limited.

Directors
Rules for the appointment and replacement of Directors are set out in the Company's Articles of Association. Directors are appointed by the Board on the recommendation of the Nominations Committee. Directors may also be appointed or removed by the Company by ordinary resolution at a general meeting of holders of Ordinary shares. The office of a Director shall be vacated if his resignation is requested by all the other Directors, not being fewer than three in number. Further details of the activities of the Nominations Committee are set out on page 32.

There are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment that occurs as a result of a takeover bid except that provisions of the Company's share plans may cause options and awards granted under such schemes to vest on takeover, subject to the satisfaction of any performance conditions. Further details of the executive Directors' service contracts can be found in the Directors' remuneration report on page 41. Copies of the executive Directors' service contracts and letters of appointment of the non-executive Directors are available for inspection by any person at the Company's registered office during normal business hours on any weekday (public holidays excepted) and at the Annual General Meeting from 15 minutes before the start of the AGM until its conclusion.

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

Auditors
KPMG LLP have expressed their willingness to continue in office as Auditors and a resolution will be proposed to re-appoint them at the Annual General Meeting.

The Auditors' responsibilities are set out on page 56 and should be read in conjunction with those of the Directors as set out at the end of this report.

Annual General Meeting
The Annual General Meeting of the Company will be held on 12 May 2015 at The City Centre (formerly City Marketing Suite), 80 Basinghall Street, London EC2V 5AR at 11.30 am. The Notice of the Company's Annual General Meeting accompanies this document.

Research and development
The Group carries out research and development in order to develop new products and processes and to substantially improve existing products and processes. Further details are given in note 15 to the Consolidated financial statements.

Significant agreements relating to change of control
The Group has a number of borrowing facilities provided by various banking groups. Some of these facility agreements include change of control provisions which, in the event of a change in ownership of the Company, could result in renegotiation or withdrawal of these facilities.

There are a number of other agreements that may be renegotiated upon a change of control of the Company. None is considered to be significant in terms of their potential impact on the business of the Group as a whole.

Greenhouse gas emissions
For the year ended 31 December 2014, the Group's greenhouse gas emissions (detailed below) were calculated via the Group's management accounting system, verified by third party supplier invoicing, using the factors for converting energy usage to carbon dioxide equivalent emissions published by DEFRA in June 2013.

	Carbon dioxide equivalent (tonnes)	
	2014	2013**
Emissions resulting from operations and combustion of fuel*	**3,406**	3,277
Emissions resulting from the purchase of electricity, heat, steam or cooling	**37,736**	39,340
Total	**41,142**	42,617

* These figures represent all material emissions. Greenhouse gases emitted as a result of the manufacturing process are not included within this figure since these represent a negligible proportion (less than 1.25 per cent) of our emissions overall. For ease of calculation, combustion of fuel from vehicles owned or operated by the Group (company cars) has been calculated based on the presumption that all company cars fall within the 'large' category and, as a result, has potentially been overstated.

Intensity ratio
The Group has chosen to adopt emissions per £1 million of revenue as its intensity ratio.

For 2014, emissions were 78.47 tonnes of carbon dioxide equivalent per £1 million of revenue (2013**: 80.08).

** 2013 figures have been re-stated to account for an understatement made in the Annual Report for the year ended 2013.

Further details are given under Environment on page 25.

Employment
The Group is committed to the fair and equal treatment of all its employees regardless of gender, race, age, religion, disability or sexual orientation. Where existing employees become disabled, the policy of the Group is to provide continuing employment and training wherever practicable.

The Group makes significant efforts to ensure that high standards of employee welfare are maintained worldwide in all its operations, irrespective of geography and local market conditions. Together with many other global companies operating in its sector, the Group is a member of the Electronic Industry Citizenship Coalition, a leading industry organisation promoting best practices in corporate responsibility, which is committed to raising standards of employee welfare in all jurisdictions and at all levels of the supply chain for electronic products. Further details on the Group's policies relating to its employees are given on pages 24 and 25.

Political contributions
No political contributions were made by the Group during the year.

Share capital
The Company's issued share capital comprises a single class of share capital which is divided into Ordinary shares of 25 pence each. All issued shares are fully paid. The share capital during the year is shown in note 24 to the consolidated financial statements. The rights and obligations attaching to the Company's Ordinary shares are set out in the Company's Articles of Association, a copy of which can be obtained from Companies House in the United Kingdom or by writing to the Group General Counsel & Company Secretary. Subject to applicable statutes, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide, or (if there is no such resolution or so far as it does not make specific provision) as the Board may decide. Holders of Ordinary shares are entitled to speak at general meetings of the Company, to appoint one or more proxies and, if they are corporations, to appoint corporate representatives and to exercise voting rights. Holders of Ordinary shares may also receive a dividend and on a liquidation may share in the assets of the Company. In addition, holders of Ordinary shares are entitled to receive the Company's Annual Report and Accounts. Subject to meeting certain thresholds, holders of Ordinary shares may require a general meeting of the Company to be held or the proposal of resolutions at Annual General Meetings.

Authority to allot shares and disapply statutory pre-emption rights
The Directors will be seeking to renew their authorities to allot unissued shares and to disapply statutory pre-emption rights at the Annual General Meeting to be held on 12 May 2015.

Purchase of own shares
At the Annual General Meeting held on 9 May 2014, the Company was given authority to purchase up to 15,862,213 of its Ordinary shares until the date of its next AGM. Other than market purchases made by the Employee Benefit Trust (which are disclosed in Note 25), no purchases were made during the year by the Company. The Directors will be seeking a new authority for the Company to purchase its Ordinary shares at the forthcoming Annual General Meeting.

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

Shares held by the Employee Benefit Trust
The Company has established an employee benefit trust ("EBT"), the trustee of which is Sanne Trust Company Limited, part of Sanne Group. As at 31 December 2014, the trustee held 101,116 shares with a nominal value of £25,279.00 and an aggregate purchase price of £1.46 per share, representing 0.06 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 ("RSP"), the TT electronics plc Long Term Incentive Plan ("LTIP") or other employee share schemes. The maximum number of shares held by the EBT during the year was 389,814 of which 288,698 were used to satisfy awards under the LTIP. 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.

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 9 March 2015 and 31 December 2014.

	9 March 2015		31 December 2014	
	Number	%	Number	%
Aberdeen Asset Managers Limited	**17,465,400**	**10.9**	17,465,400	10.9
Aberforth Partners LLP	**15,862,203**	**9.9**	15,954,203	10.0
UBS Global Asset Management	**9,301,055**	**5.8**	9,301,055	5.8
Norges Bank	**8,493,820**	**5.3**	8,493,820	5.3
Tameside MBC re: Greater Manchester Police	**8,108,219**	**5.1**	8,108,219	5.1
FIL Limited (Fidelity International)	**8,064,855**	**5.0**	8,064,855	5.0
Tweedy, Browne Company LLC	**7,664,336**	**4.9**	7,664,336	4.9
Delta Lloyd NV and group companies	**6,455,120**	**4.0**	4,856,698	3.0

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.

Other statutory disclosures continued

Voting rights and restrictions on transfer of shares

On a show of hands at a general meeting of the Company, every holder of Ordinary shares present in person or by proxy and entitled to vote has one vote and on a poll every member present in person or by proxy and entitled to vote has one vote for every Ordinary share held. Further details regarding voting at the Annual General Meeting can be found in the Notice of the Annual General Meeting which accompanies this document. None of the Ordinary shares carry any special rights with regard to control of the Company. Electronic and paper proxy appointments and voting instructions must be received by the Company's Registrars not later than 48 hours before a general meeting. A shareholder can lose his entitlement to vote at a general meeting where that shareholder has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares.

The Directors may refuse to register a transfer of a certificated share which is not fully paid, provided that the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis. The Directors may also refuse to register a transfer of a certificated share unless the instrument of transfer: (i) is lodged, duly stamped (if stampable), at the registered office of the Company or any other place decided by the Directors accompanied by the certificate for the share to which it relates and/or such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; (ii) is in respect of only one class of shares; (iii) is in favour of a person who is not a minor, bankrupt or a person in respect of whom an order has been made on the 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); pursuant to the Company's share dealing code whereby the Directors and certain employees of the Group require approval to deal in the Company's shares; and where a shareholder with at least a 0.25 per cent interest in the Company's certificated shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of Ordinary shares or on voting rights.

Articles of Association

The Company's Articles of Association may only be amended by special resolution approved at a general meeting of the shareholders.

UK Corporate Governance Code

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

Disclosure of information to Auditors

To the best of each Director's knowledge and belief, there is no audit information relevant to the preparation of the Auditors' report of which the Auditors are unaware and each Director has taken all the steps which might be expected to be aware of such relevant information and to establish that the Auditors are also aware of that information.

Cross reference to information required to be disclosed by Listing Rule 9.8.4R

For the purposes of Listing Rule 9.8.4R, the table below details where to find applicable information within this Annual Report:

Listing Rule	Description	Location
9.8.4(4)	Details of long term incentive schemes	Page 47. Appointment of Richard Tyson
9.8.4(13)	Current and future dividend waiver	Page 51. Shares held by the Employee Benefit Trust

Approved by the Board on 11 March 2015 and signed on its behalf by:

Lynton Boardman
Group General Counsel & Company Secretary

Statement of Directors' responsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report 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 they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent Company financial statements in accordance with UK Accounting Standards.

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

– select suitable accounting policies and then apply them consistently;
– make judgements and estimates that are reasonable and prudent;
– for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
– 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; and
– prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent Company will continue in business.

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

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

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

Responsibility statement of the Directors in respect of the Annual Report

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 and Directors' report on pages 1 to 53 include a fair review of the development and performance of the business and the position of the issuer 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 that 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 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 at least twice a year, at which the entire Board is present, resulting in a clear agreement of the Group's strategy. This includes the identification of the key milestones and the related Key performance indicators 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 Chairman of the Audit Committee with the executive Directors, the Head of Risk and Assurance and external Auditors to identify and timetable potential issues of significance to be addressed.
– A process for internal distribution and comment on the Annual Report, including those of the members of the Board, the Executive Management Board, key advisers and external Auditors.

By order of the Board:

Lynton Boardman
Group General Counsel & Company Secretary
11 March 2015

Independent auditor’s report to the members of TT Electronics plc only

Opinions and conclusions arising from our audit

1 Our opinion on the financial statements is unmodified

We have audited the financial statements of TT Electronics plc for the year ended 31 December 2014 set out on pages 57 to 96. In our opinion:

– the financial statements give a true and fair view of the state of the group’s and of the parent company’s affairs as at 31 December 2014 and of the group’s loss for the year then ended;
– the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
– the parent company financial statements have been properly prepared in accordance with UK Accounting Standards; and
– the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

2 Our assessment of risks of material misstatement

In arriving at our audit opinion above on the financial statements the risks of material misstatement that had the greatest effect on our audit were as follows:

The presentation of ‘underlying’ profit (£29.2 million)

Refer to pages 33 to 35 (Audit committee section of the Directors’ Report and Notes 1(d) and 8 (accounting policy and financial disclosures).

The risk: The group discloses its earnings in accordance with the requirements of Adopted IFRS. It also presents a measure of underlying earnings as defined in note 1(d), which excludes a number of separately disclosed items of income and expenditure. In 2014 this mainly related to restructuring of the Group’s manufacturing operations, acquisition related costs and asset impairments.

Alternative performance measures can provide readers with appropriate additional information if properly used and presented which can assist them in gaining a better understanding of the group’s financial performance and strategy. However, if improperly used and presented, such measures might mislead readers by disguising the real financial position and results.

Our response: Our audit procedures included an assessment of whether underlying earnings have been determined in accordance with the group’s policy and disclosures given in the financial statements by comparing a sample of the items excluded to supporting documentation to assess if they have been described appropriately.

We considered whether the policy has been applied consistently between periods by comparing the items excluded in the two years ended 31 December 2014 and on the basis of our understanding of the results gained throughout the audit process.

We also assessed (i) the extent to which the relative prominence given to underlying financial information and related commentary and Adopted IFRS financial information could be misleading; (ii) whether the Adopted IFRS and underlying financial information are reconciled with sufficient prominence given to that reconciliation; and (iii) whether the underlying financial information is not otherwise misleading in the form and context in which it appears.

Product related and restructuring provisions (included within provisions of £19.1 million)

Refer to pages 33 to 35 (Audit Committee section of the Directors’ Report and Notes 2(a) and 19 (accounting policy and financial disclosures).

The risk: The group’s products are used in a variety of complex applications and if they do not perform in the manner specified, the group may be exposed to claims from customers. Assessing if such claims are valid and, if so, estimating the likely outflow of economic benefit, which could be material to the financial statements, requires judgment and involves making estimates and assumptions which may prove to have been inaccurate.

The group is also reorganising a number of its operations giving rise to material redundancy and other restructuring charges. The timing of recognition of the associated provisions in accordance with the requirements of the relevant accounting standard also involves judgment.

Our response: Our audit procedures over the timing of recognition and measurement of product related claims included discussions with the Directors, the group’s legal counsel and Business Unit management to identify actual and potential customer claims, a consideration of the available information used to assess their validity and challenging the basis of the estimates used to determine the provisions with reference to the latest available corroborative information such as communications with customers, external legal advisors and our understanding of the business gained throughout the audit process.

Our audit procedures over the timing of recognition of redundancy and restructuring provisions included challenging the evidence available to support the existence of an obligation at the balance sheet date.

We also assessed whether the Group’s disclosures in respect of these provisions and the movements in the year were appropriate.

Capitalisation and recoverability of development costs as intangible assets (£4.9 million)

Refer to pages 33 to 35 (Audit Committee section of the Directors’ Report and Notes 2(l) and 15 (accounting policy and financial disclosures).

The risk: The group incurs costs in developing its products which are capitalised when they meet the recognition criteria set out in the relevant accounting standard which requires, inter alia, that the group demonstrates the technical feasibility of and its intention to complete the development of an intangible asset and how the intangible asset will generate probable future economic benefits.

There is a risk that costs are capitalised as intangible assets before these criteria are satisfied. The majority of the development costs capitalised as intangible assets arise in the Sensing and Control Division and relate to products for use by the automotive industry, a highly competitive sector. There is therefore also a risk that, once capitalised, events or circumstances change such that the future economic benefits on which these assets’ carrying values rely are no longer likely to be realised, in which case they should be written down.

Independent auditor's report to the members of TT Electronics plc only continued

Our response: Our audit procedures included testing a sample of items to assess whether development costs are only capitalised once the criteria set out in the relevant accounting standard have been satisfied.

We challenged the key assumptions made in the projections for future economic benefits supporting the carrying values of these assets in the impairment calculations (including volume, pricing and cost assumptions).

We assessed the historical accuracy of the group's estimates and compared the assumptions made in the projections to our understanding of the commercial prospects of key programmes and the impact on these programmes of changes to the group's strategic focus.

We also considered the adequacy of the group's disclosures in respect of the judgement involved in capitalising development costs in note 1(h).

Carrying value of goodwill (£69.4 million)

Refer to pages 33 to 35 (Audit Committee section of the Directors' Report and Notes 2(k) and 14 (accounting policy and financial disclosures).

The risk: The group has generated significant goodwill on acquisitions whose recoverability is dependent on the ability of the businesses to which it relates to generate sufficient future economic benefits. There is a risk that either due to competitive forces or a slowdown in customer demand for products using components supplied by the group this will not be the case, which could result in an impairment being required. As set out in note 14, the most significant risk of impairment relates to the carrying value of goodwill associated with New Chapel where the recoverable amount exceeds the book value of £3.4 million by £1.5 million.

Impairment reviews are based on discounted cash flow projections reflecting a number of assumptions and estimates which require judgment and are inherently uncertain.

Our response: Our audit procedures included testing the principles and mathematical integrity of the group's discounted cash flow model and assessing the sensitivity of the impairment calculations to changes in the key assumptions. We challenged the key assumptions in the impairment calculations driving projected future economic benefits (relating to sales and margins during the projection period, long term growth rates and discount rates).

Our challenge was based on our assessment of the historical accuracy of the group's impairment calculations; a comparison of the group's assumptions to externally derived data as well as our own assessments. We also assessed whether the group's disclosures set out in note 14 about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflected the risks inherent in the valuation of goodwill.

Tax provisioning (included within income tax payable of £10.0 million)

Refer to pages 33 to 35 (Audit Committee section of the Directors' Report and Notes 2(f) and 9 (accounting policy and financial disclosures).

The risk: Accruals for tax contingencies require the directors to make judgments and estimates in relation to tax issues and exposures given that the group operates in a number of tax jurisdictions, the complexities of transfer pricing and other international tax legislation and the time taken for tax matters to be agreed with the tax authorities.

Our response: Our audit procedures included the use of our own international and local tax specialists to assess the group's tax positions, to inspect its correspondence with the relevant tax authorities and to analyse and challenge the assumptions used to determine tax provisions based on our knowledge and experiences of the application of the international and local legislation by the relevant authorities and courts.

We also considered the adequacy of the group's disclosures in respect of tax and uncertain tax positions.

3 Our application of materiality and an overview of the scope of our audit

The materiality for the group financial statements as a whole was set at £1.4 million, determined with reference to a benchmark of group profit before tax of £25.7 (of which it represents 5.4%) normalised to exclude restructuring costs of £22.2 million and asset impairments of £9.4 million as disclosed in note 8.

We report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.1 million for items impacting the income statement and £0.2 million for items in respect of balance sheet misclassifications in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the group's 121 reporting components, we subjected 65 to audits for group reporting purposes and 15 to specified risk-focused audit procedures. The latter were not individually financially significant enough to require an audit for group reporting purposes, but did present specific individual risks that needed to be addressed.

The components within the scope of our work accounted for the following percentages of the group's results:

	Number of components	Group revenue	Group profit before tax	Total assets
Audits for group reporting purposes	65	81%	87%	83%
Specified risk focused audit procedures	15	12%	8%	10%
Total	**80**	**93%**	**95%**	**94%**

The remaining 7% of total group revenue, 5% of group profit before tax and 6% of total group assets is represented by 41 reporting components, none of which individually represented more than 5% of any of total group revenue, group profit before tax or total group assets. For these remaining components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement within these.

Independent auditor's report to the members of TT Electronics plc only continued

The group audit team instructed component auditors as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back. The group audit team approved the component materialities which ranged from £0.02 million to £1.2 million, having regard to the mix of size and risk profile of the group across the components.

The group audit team visited components in the USA, Germany, Austria and UK. Telephone conference meetings were also held with these component auditors and the majority of the others that were not physically visited. At these visits and meetings, the findings reported to the group audit team were discussed in more detail, and any further work required by the group audit team was then performed by the component auditor.

4 Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

5 We have nothing to report in respect of the matters on which we are required to report by exception

Under ISAs (UK and Ireland) we are required to report to you if, based on the knowledge we acquired during our audit, we have identified other information in the annual report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading.

In particular, we are required to report to you if:

- we have identified material inconsistencies between the knowledge we acquired during our audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's performance, business model and strategy; or
- the Audit Committee section of the Director's Report of the annual report describing the work of the Group Audit and Risk Committee does not appropriately address matters communicated by us to the audit committee.

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 31 in relation to going concern; and
- the part of the Corporate Governance Statement on pages 28 to 31 relating to the company's compliance with the ten provisions of the 2012 UK Corporate Governance Code specified for our review.

We have nothing to report in respect of the above responsibilities.

Scope and responsibilities

As explained more fully in the Directors' Responsibilities Statement set out on page 53, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate. This report is made solely to the company's members as a body and is subject to important explanations and disclaimers regarding our responsibilities, published on our website at www.kpmg.com/uk/auditscopeukco2014a, which are incorporated into this report as if set out in full and should be read to provide an understanding of the purpose of this report, the work we have undertaken and the basis of our opinions.

Anthony Sykes (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London
E14 5GL
11 March 2015

Consolidated income statement
for the year ended 31 December 2014

£million (unless otherwise stated)	Note	2014	2013*
Continuing operations			
Revenue	3a	**524.3**	532.2
Cost of sales		**(444.3)**	(432.1)
Gross profit		**80.0**	100.1
Distribution costs		**(29.7)**	(33.7)
Administrative expenses		**(56.0)**	(49.0)
Other operating income		**1.4**	1.6
Operating (loss)/profit		**(4.3)**	19.0
Analysed as:			
Underlying operating profit	3a	**29.2**	30.8
Restructuring	8	**(22.2)**	(10.2)
Asset impairments	8	**(9.4)**	–
Acquisition related costs	8	**(1.9)**	(1.6)
Finance income	6	**1.1**	2.8
Finance costs	6	**(2.7)**	(3.5)
(Loss)/profit before taxation		**(5.9)**	18.3
Taxation	9	**(4.6)**	(4.5)
(Loss)/profit from continuing operations	7	**(10.5)**	13.8
Discontinued operations			
Loss from discontinued operations	5	**–**	(0.8)
(Loss)/profit for the year attributable to owners of the Company		**(10.5)**	13.0
EPS attributable to owners of the Company – basic			
From continuing operations (p)	11	**(6.6)**	8.8
From discontinued operations (p)	11	**–**	(0.5)
		(6.6)	8.3
EPS attributable to owners of the Company – diluted			
From continuing operations (p)	11	**(6.6)**	8.7
From discontinued operations (p)	11	**–**	(0.5)
		(6.6)	8.2

* Re-presented to exclude acquisition related items from underlying operating profit. See note 1(d).

Consolidated statement of comprehensive income
for the year ended 31 December 2014

£million	Note	2014	2013
(Loss)/profit for the year		**(10.5)**	13.0
Other comprehensive income/(loss) for the year after taxation			
Items that are or may be reclassified subsequently to the income statement:			
Exchange differences on translation of foreign operations		**1.9**	(1.6)
Loss on hedge of net investment in foreign operations		**(0.6)**	(0.9)
(Loss)/gain on cash flow hedges taken to equity less amounts taken to income statement		**(1.7)**	0.3
Items that will never be reclassified to the income statement:			
Remeasurement of defined benefit pension schemes	23	**4.6**	12.9
Remeasurement of other post-employment benefits		**(0.3)**	(0.3)
Tax on remeasurement of defined benefit pension schemes	22	**(1.1)**	(3.9)
Tax on remeasurement of other post-employment benefits	22	**0.1**	0.1
Total comprehensive (loss)/income for the year		**(7.6)**	19.6

Total comprehensive (loss)/income is entirely attributable to the owners of the Company.

Consolidated balance sheet
at 31 December 2014

£million	Note	2014	2013
ASSETS			
Non-current assets			
Property, plant and equipment	13	**94.0**	88.6
Goodwill	14	**69.4**	63.9
Other intangible assets	15	**18.3**	18.1
Deferred tax assets	22	**5.6**	7.3
Total non-current assets		**187.3**	177.9
Current assets			
Inventories	16	**78.9**	80.0
Trade and other receivables	17	**70.7**	74.4
Income taxes receivable		**0.9**	–
Derivative financial instruments		**0.4**	0.8
Cash and cash equivalents		**39.4**	54.5
Total current assets		**190.3**	209.7
Total assets		**377.6**	387.6
LIABILITIES			
Current liabilities			
Borrowings	20	**53.7**	3.9
Derivative financial instruments		**1.3**	–
Trade and other payables	18	**81.6**	104.8
Income taxes payable		**10.0**	10.4
Provisions	19	**18.9**	10.0
Total current liabilities		**165.5**	129.1
Non-current liabilities			
Borrowings	20	**–**	23.7
Deferred tax liability	22	**5.6**	4.7
Pensions	23	**12.4**	20.5
Provisions	19	**0.2**	0.2
Other non-current liabilities	18	**6.1**	6.1
Total non-current liabilities		**24.3**	55.2
Total liabilities		**189.8**	184.3
Net assets		**187.8**	203.3
EQUITY			
Share capital	24	**39.8**	39.7
Share premium	24	**1.5**	1.4
Share options reserve		**1.9**	1.2
Hedging and translation reserve	21	**16.9**	17.3
Retained earnings		**125.7**	141.7
Equity attributable to owners of the Company		**185.8**	201.3
Non-controlling interests		**2.0**	2.0
Total equity		**187.8**	203.3

Approved by the Board of Directors on 11 March 2015 and signed on their behalf by:

Richard Tyson
Director

Mark Hoad
Director

Consolidated statement of changes in equity
for the year ended 31 December 2014

£million	Share capital	Share premium	Share options reserve	Hedging reserve	Translation reserve	Retained earnings	Sub-total	Non-controlling interest	Total
At 1 January 2013	39.2	0.7	1.5	(12.0)	31.5	128.2	189.1	2.0	191.1
Profit for the year	–	–	–	–	–	13.0	13.0	–	13.0
Other comprehensive income									
Exchange differences on translation of foreign operations	–	–	–	–	(1.6)	–	(1.6)	–	(1.6)
Net loss on hedge of net investment in foreign operations	–	–	–	–	(0.9)	–	(0.9)	–	(0.9)
Net gain on cash flow hedges taken to equity less amounts taken to income statement	–	–	–	0.3	–	–	0.3	–	0.3
Remeasurement of defined benefit pension schemes	–	–	–	–	–	12.9	12.9	–	12.9
Remeasurement of other post-employment benefits	–	–	–	–	–	(0.3)	(0.3)	–	(0.3)
Tax on remeasurement of defined benefit pension schemes	–	–	–	–	–	(3.9)	(3.9)	–	(3.9)
Tax on remeasurement of other post-employment benefits	–	–	–	–	–	0.1	0.1	–	0.1
Total other comprehensive income	–	–	–	0.3	(2.5)	8.8	6.6	–	6.6
Transactions with owners recorded directly in equity									
Equity dividends paid by the Company	–	–	–	–	–	(8.0)	(8.0)	–	(8.0)
Change in fair value of non-controlling interest	–	–	–	–	–	(0.1)	(0.1)	–	(0.1)
Share-based payments	–	–	(0.1)	–	–	–	(0.1)	–	(0.1)
Deferred tax on share-based payments	–	–	(0.2)	–	–	–	(0.2)	–	(0.2)
New shares issued	0.5	0.7	–	–	–	(0.2)	1.0	–	1.0
At 31 December 2013	39.7	1.4	1.2	(11.7)	29.0	141.7	201.3	2.0	203.3
Loss for the year	–	–	–	–	–	(10.5)	(10.5)	–	(10.5)
Other comprehensive income									
Exchange differences on translation of foreign operations	–	–	–	–	1.9	–	1.9	–	1.9
Net loss on hedge of net investment in foreign operations	–	–	–	–	(0.6)	–	(0.6)	–	(0.6)
Net loss on cash flow hedges taken to equity less amounts taken to income statement	–	–	–	(1.7)	–	–	(1.7)	–	(1.7)
Remeasurement of defined benefit pension schemes	–	–	–	–	–	4.6	4.6	–	4.6
Remeasurement of other post-employment benefits	–	–	–	–	–	(0.3)	(0.3)	–	(0.3)
Tax on remeasurement of defined benefit pension schemes	–	–	–	–	–	(1.1)	(1.1)	–	(1.1)
Tax on remeasurement of other post-employment benefits	–	–	–	–	–	0.1	0.1	–	0.1
Total other comprehensive income	–	–	–	(1.7)	1.3	3.3	2.9	–	2.9
Transactions with owners recorded directly in equity									
Equity dividends paid by the Company	–	–	–	–	–	(8.7)	(8.7)	–	(8.7)
Share-based payments	–	–	0.8	–	–	–	0.8	–	0.8
Deferred tax on share-based payments	–	–	(0.1)	–	–	–	(0.1)	–	(0.1)
New shares issued	0.1	0.1	–	–	–	(0.1)	0.1	–	0.1
At 31 December 2014	39.8	1.5	1.9	(13.4)	30.3	125.7	185.8	2.0	187.8

Consolidated cash flow statement
for the year ended 31 December 2014

£million	Note	2014	2013*
Cash flows from operating activities			
(Loss)/profit for the year		**(10.5)**	13.0
Taxation		**4.6**	4.5
Net finance costs		**1.6**	0.7
Restructuring		**22.2**	10.2
Acquisition related costs		**1.9**	1.6
Asset impairments		**9.4**	–
Loss from discontinued operations		**–**	0.8
Underlying operating profit		**29.2**	30.8
Adjustments for:			
Depreciation of property, plant and equipment	13	**16.5**	16.8
Amortisation of intangible assets	15	**5.8**	3.8
Impairment of property, plant and equipment and intangible assets	13, 15	**–**	0.4
Other items		**1.0**	0.4
Decrease/(increase) in inventories		**2.6**	(13.8)
Decrease/(increase) in receivables		**5.5**	(7.2)
(Decrease)/increase in payables		**(24.9)**	11.6
Underlying operating cash flow		**35.7**	42.8
Special payments to pension funds		**(4.1)**	(3.9)
Restructuring and acquisition related costs		**(13.0)**	(6.1)
Net cash generated from operations		**18.6**	32.8
Net income taxes paid		**(5.4)**	(2.5)
Net cash flow from operating activities		**13.2**	30.3
Cash flows from investing activities			
Interest received		**0.1**	0.1
Purchase of property, plant and equipment	13	**(24.9)**	(20.3)
Proceeds from sale of property, plant and equipment and grants received		**1.2**	0.6
Development expenditure	15	**(6.8)**	(5.2)
Purchase of other intangibles	15	**(4.3)**	(4.2)
Acquisitions of businesses		**(8.4)**	(8.3)
Cash with acquired businesses	4	**0.4**	–
Disposal of subsidiaries		**–**	(4.1)
Deferred consideration paid		**(0.5)**	(0.1)
Net cash flow from investing activities		**(43.2)**	(41.5)
Cash flows from financing activities			
Issue of share capital	24	**0.1**	0.9
Interest paid		**(1.0)**	(0.8)
Repayment of borrowings		**–**	(0.8)
Proceeds from borrowings		**24.9**	17.4
Other items	25	**(0.5)**	(1.2)
Finance leases		**(0.1)**	(0.1)
Dividends paid by the Company		**(8.7)**	(8.0)
Net cash flow from financing activities		**14.7**	7.4
Net decrease in cash and cash equivalents		**(15.3)**	(3.8)
Cash and cash equivalents at beginning of year	26	**54.5**	59.1
Exchange differences	26	**0.2**	(0.8)
Cash and cash equivalents at end of year	26	**39.4**	54.5
Cash and cash equivalents comprise			
Cash at bank and in hand		**39.4**	54.5
Bank overdrafts	20	**–**	–
		39.4	54.5

* Re-presented to exclude acquisition related items from underlying operating profit. See note 1(d).

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

Notes to the consolidated financial statements

1 Basis of preparation

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

The consolidated financial statements set out on pages 57 to 61 have been prepared using consistent accounting policies.

Adoption of new and amendments to published standards and interpretations effective for the Group for the year ended 31 December 2014 did not have any impact on the financial position or performance of the Group.

b) Basis of consolidation
The consolidated financial statements set out the Group's financial position as at 31 December 2014 and the Group's financial performance for the year ended 31 December 2014.

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) Underlying measures
To assist with the understanding of underlying performance, the Group has included within its published consolidated financial statements non-GAAP measures including underlying operating profit and underlying earnings per share. These are considered by the Board to be the most meaningful measures under which to assess the true operating performance of the Group.

d) Underlying profit
This has been defined as operating profit from continuing operations excluding the impacts of business acquisition and divestment related activity, restructuring costs and impairments of intangible assets. Business acquisition and divestment related items excluded from underlying profit and underlying earnings per share include the amortisation of intangible assets recognised on acquisition, 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.

This measure of underlying profit represents an amendment to the previous measure of headline earnings since amortisation of intangible assets recognised on acquisition had previously been included in headline profit. As a result comparative financial information has been represented for the year ending 31 December 2013 to reclassify these items to acquisition related costs. The effect on profit or loss was to increase underlying operating profit by £0.6 million and increase acquisition related costs by £0.6 million. The effect on the cash flow statement was to increase the underlying operating profit and decrease the acquisition related cost reconciling item by £0.6 million. The effect on EPS was to increase underlying earnings per share by 0.4 pence per share.

e) Going concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out within the Strategic Report on pages 1 to 25. 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 had a net debt balance of £14.3 million at 31 December 2014 (2013: net cash £26.9 million), with available financial headroom of £150.6 million. Given the considerable financial resources available, together with long-term partnerships with a number of key customers and suppliers across different geographic areas and industries, the Directors believe that the Group is well placed to manage its business risks successfully.

The Directors have a reasonable expectation that the Company has adequate resources and financial headroom to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Further details are contained in the Directors' report on page 31.

f) New 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.

g) Change in accounting policies
Aside from underlying profit as defined in note 1d, 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 2014 did not have any impact on the financial position or performance of the Group.

1 Basis of preparation continued

h) Significant accounting judgements and estimates

Judgements

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

Estimation uncertainty

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

- Note 9 – Taxation. Accruals for tax contingencies require management to make judgements and estimates in relation to tax audit issues and exposures. Amounts accrued are based on management's interpretation of country-specific tax law and the likelihood of settlement. Tax benefits are not recognised unless the tax positions are probable of being sustained. Once considered to be probable, management reviews each material tax benefit to assess whether a provision should be taken against full recognition of the benefit on the basis of potential settlement through negotiation and/or litigation. All such provisions are included in current liabilities;
- Note 14 – Impairment of goodwill. The carrying amount of goodwill has been tested for impairment by estimating the value in use of the cash generating units to which it has been allocated. Note 14 outlines the significant assumptions made in performing the impairment tests;
- Note 15 – Other intangible assets. The recoverability of capitalised development costs is dependent on assessments of the future commercial viability of the relevant products and processes;
- Note 19 – Provisions. The Group makes appropriate provision on a consistent basis for risks of product liability, litigation, restructuring, credit risk and other normal trading exposures with estimates being made regarding the timing of future payments;
- Note 22 – Deferred tax. The recognition of deferred tax assets is dependent on assessments of future taxable income in the relevant countries concerned; and
- Note 23 – Defined benefit pension obligations. The defined benefit pension obligations are calculated using a number of assumptions, including future inflation, salary increases and mortality and the obligation is then discounted to its present value using an assumed discount rate. The pension deficit has been calculated using the assumptions set out in note 23.

2 Summary of significant accounting policies

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

a) Revenue

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

b) Finance income

Finance income comprises interest income on funds invested and foreign exchange gains. Interest income is recognised as it accrues.

c) Finance costs

Finance costs comprise interest expense on borrowings which are not capitalised under the borrowing costs policy, the calculated interest income on pension assets net of the calculated interest expense on pension liabilities and foreign exchange losses.

d) Discontinued operations

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.

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 transferred less the fair value of the identifiable assets and liabilities acquired and is recognised as an asset in the consolidated Balance Sheet. Costs relating to the acquisition are recognised as expenses in the consolidated 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.

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.

2 Summary of significant accounting policies continued

Depreciation

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

The depreciation rates of assets are as follows:

Freehold buildings	2%
Leasehold buildings	2% (or over the period of the lease if less than 50 years)
Plant and equipment	10% to $33^{1}/_{3}$%

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

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 those described for other Group properties. The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at each balance sheet date.

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

i) Leases

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

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. The net book value of goodwill at the date of transition to IFRS has been treated as deemed cost. On the subsequent disposal or discontinuance of a previously acquired business, the relevant goodwill is dealt with in the Consolidated income statement except for the goodwill already charged to reserves.

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 underlying profit.

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.

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 8 years
Software	3 to 5 years

Amortisation is charged on a straight-line basis.

2 Summary of significant accounting policies continued

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.

o) Trade and other receivables

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

p) Financial instruments

Recognition

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

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

Measurement

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

In determining estimated fair value, investments are valued at quoted bid prices on the trade date.

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

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. At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

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

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

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

Derecognition

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

2 Summary of significant accounting policies continued

Impairment of financial assets

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

q) Cash and cash equivalents

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

r) Borrowings

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

s) Trade payables

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

t) Income tax

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

u) Provisions

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

v) Employee benefits

Defined benefit plans

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

The liability recognised in the balance sheet for defined benefit schemes is the present value of schemes' liabilities less the fair value of schemes' assets. The operating and financing costs of defined benefit schemes are recognised separately in the income statement. Operating costs comprise the current service cost, any gains or losses on settlement or curtailments, and past service costs where benefits have vested. Net interest income and expense on net defined benefit assets and liabilities is determined by applying discount rates used to measure defined benefit obligations at the beginning of the year to net defined benefit assets and liabilities at the beginning of the year and is included in finance income and costs. Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

Defined contribution plans

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

Termination benefits

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

Short-term employee benefits

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

Share-based payments

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

w) Own shares

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

2 Summary of significant accounting policies continued

x) Foreign currency translation

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

On consolidation, income statements of subsidiaries are translated into sterling, at average rates of exchange. Balance sheet items are translated into sterling at period end exchange rates. Exchange differences on the retranslation are taken to equity. Exchange differences on foreign currency borrowings financing those net investments are also dealt with in equity and are reported in the statement of comprehensive income. All other exchange differences are charged or credited to the income statement in the year in which they arise. On disposal of an overseas subsidiary any cumulative exchange movements relating to that subsidiary held in the translation reserve are transferred to the consolidated income statement.

3 Segmental reporting

During the year ended 31 December 2014 the Group was organised into three divisions, as shown below, according to the nature of the products and services provided. Each of these divisions represents an operating segment in accordance with IFRS 8 "Operating segments" and there is no aggregation of segments. The chief operating decision maker is the Board of Directors. The operating segments are:

- Sensing and Control – the provision of integrated and intelligent solutions meeting customer requirements comprising sensors which convert physical variables into electronic signals and controls that process input from the sensor and instruct systems;
- Components – specialist resistive and magnetic components and microcircuits, connectors and interconnection systems; and
- Integrated Manufacturing Services – the provision of global electronics manufacturing capability with logistics and integrated solutions.

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

As part of the organisational change announced in November 2014, in order to provide greater market focus and accountability Sensing and Control was reorganised into two customer segments: Transportation Sensing and Control and Industrial Sensing and Control with effect from 1 January 2015.

The key performance measure of the operating segments is underlying operating profit. The Group reports non-trading income or expenditure outside underlying profit when the size, nature or function of an item or aggregation of similar items is such that separate presentation is relevant to an understanding of its financial position, see accounting policy in note 1d). Segment operating profit represents the profit earned by each segment after allocation of central head office administration costs and is reviewed by the chief operating decision maker.

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

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

a) Income statement information – continuing operations

	2014			
£million	Sensing and Control	Components	Integrated Manufacturing Services	Total
Sales to external customers	**289.3**	**98.8**	**136.2**	**524.3**
Segment underlying operating profit	**14.2**	**9.5**	**5.5**	**29.2**
Adjustments to underlying operating profit (note 8)				**(33.5)**
Operating loss				**(4.3)**
Net finance costs				**(1.6)**
Loss before taxation				**(5.9)**

	2013*			
£million	Sensing and Control	Components	Integrated Manufacturing Services	Total
Sales to external customers	285.2	100.4	146.6	532.2
Segment underlying operating profit	17.5	4.3	9.0	30.8
Adjustments to underlying operating profit (note 8)				(11.8)
Operating profit				19.0
Net finance costs				(0.7)
Profit before taxation				18.3

* Re-presented to exclude acquisition related items from underlying operating profit. See note 1(d).

There are no significant sales between segments.

3 Segmental reporting continued

b) Segment assets and liabilities

£million	Assets 2014	Assets 2013	Liabilities 2014	Liabilities 2013
Sensing and Control	**194.7**	194.7	**60.9**	58.5
Components	**57.2**	51.7	**16.3**	15.4
Integrated Manufacturing Services	**79.4**	78.4	**29.6**	47.2
Segment assets and liabilities	**331.3**	324.8	**106.8**	121.1
Pensions and other post-employment benefits	**–**	–	**12.4**	20.5
Unallocated assets and liabilities	**46.3**	62.8	**70.6**	42.7
Total assets/liabilities	**377.6**	387.6	**189.8**	184.3

£million	Capital expenditure 2014	Capital expenditure 2013	Depreciation and amortisation 2014	Depreciation and amortisation 2013*
Sensing and Control	**23.7**	21.7	**16.6**	15.1
Components	**7.8**	4.5	**3.7**	3.7
Integrated Manufacturing Services	**4.5**	3.5	**2.0**	1.8
Total continuing operations	**36.0**	29.7	**22.3**	20.6

* Re-presented to exclude acquisition related items from underlying operating items.

c) Geographic information

Revenue by destination

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

£million	2014	2013
United Kingdom	**86.4**	104.1
Rest of Europe	**256.0**	260.1
North America	**101.0**	94.4
Central and South America	**3.4**	3.9
Asia	**74.5**	68.8
Rest of the World	**3.0**	0.9
Total continuing operations	**524.3**	532.2

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

Non-current assets

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

£million	2014	2013
United Kingdom	**37.1**	27.8
Rest of Europe	**49.0**	57.2
North America	**77.2**	69.5
Central and South America	**4.6**	4.3
Asia	**13.8**	11.8
Total non-current assets	**181.7**	170.6

4 Acquisitions

On 14 July 2014 the Group announced the acquisition of Roxspur. Initial net consideration of £8.4 million was paid in cash with subsequent adjustments due to the determination of net asset values acquired bringing consideration to £8.3 million. A further amount of up to £2.5 million is payable in cash in 2016 based on the performance of the business in the period from completion to 31 December 2015 and subject to continuing employment of employees.

From the date of acquisition to the year end, the business contributed £3.7 million of revenue, an operating profit of £0.4 million to the Group's results and an operating cash flow of £0.3 million. If the acquisition had occurred on 1 January 2014 it is estimated that Group revenue would have increased by £8.2 million and Group operating profit would have increased by £0.9 million.

The fair values of the identifiable assets and liabilities acquired are as follows:

	2014		
£million	Book value at date of acquisition	Fair value adjustments (provisional)	Fair value at date of acquisition (provisional)
Non-current assets			
Property, plant and equipment	0.2	–	0.2
Indentifiable intangible assets	–	4.5	4.5
Current assets/(liabilities)			
Inventory	0.9	–	0.9
Trade and other receivables	2.3	–	2.3
Cash	0.4	–	0.4
Trade and other payables	(1.0)	(0.1)	(1.1)
Income tax payable	(0.1)	–	(0.1)
Non-current liabilities			
Deferred tax	–	(0.9)	(0.9)
	2.7	3.5	6.2
Consideration paid/payable			
Cash			8.3
Goodwill			2.1

As consideration payable exceeds the fair value of the net assets acquired, goodwill of £2.1 million has been recognised on the balance sheet. The goodwill represents technical know-how acquired with the business. The know-how is used in the day to day activities of Roxspur and is essential for the manufacturing and sale of their products, including temperature, pressure and flow sensors, and calibration services. Roxspur has expertise in packaging sensors and producing customised products tailored to customer requirements.

A deferred tax liability of £0.9 million has been recognised on the fair value adjustment to the assets and liabilities acquired.

On 1 February 2013, the Group completed the acquisition of the 49% minority interest in Padmini TT Electronics Private Limited for a consideration of £8.3 million cash. The deferred consideration of £0.5 million was paid in the year ended 31 December 2014.

5 Discontinued operations

On 7 December 2012 the Group disposed of Ottomotores SA de CV and Ottomotores Do Brasil Energia Ltda for a total consideration of $46.5 million (£29.0 million) in cash before costs. During 2013 the completion balance sheet, including net debt, was agreed with the buyer and £4.1 million was paid. As a result, £0.8 million additional cost was included within discontinued items for the year ended 31 December 2013.

6 Finance income and finance costs

£million	2014	2013
Interest expense	**(1.0)**	(0.8)
Foreign exchange losses	**(0.7)**	(1.0)
Net interest on employee obligations	**(0.8)**	(1.5)
Amortisation of arrangement fees	**(0.2)**	(0.2)
Finance costs	**(2.7)**	(3.5)
Interest income	**0.1**	0.1
Foreign exchange gains	**1.0**	2.7
Finance income	**1.1**	2.8
Net finance costs	**(1.6)**	(0.7)

7 Profit for the year

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

£million	2014	2013
Depreciation of property, plant and equipment	16.5	16.8
Amortisation of intangible assets	6.5	4.4
Net foreign exchange gains	0.1	(2.2)
Cost of inventories recognised as an expense	444.3	432.1
Research and development	18.8	16.9
Staff costs excluding restructuring (see note 12)	152.0	152.3
Restructuring (excluded from underlying operating profit)	22.2	10.2
Contingent consideration and M&A related costs (excluded from underlying operating profit)	1.2	1.4
Impairment of property, plant and equipment and intangibles	9.6	0.4
Remuneration of Group Auditors:		
– audit of these financial statements	0.3	0.2
– audit of financial statements of subsidiaries of the Company	0.5	0.6
– taxation compliance services	0.2	0.2
– other tax advisory services	0.1	0.1
– other advisory services	0.3	–
Government grants credited	(0.3)	(0.6)
Share-based payments	1.3	1.1
Profit on disposal of property, plant and equipment	0.2	–

Included within amortisation of intangible assets is £0.7 million (2013: £0.6 million) reported within items excluded from underlying operating profit. Included within impairment of property, plant and equipment and intangibles is £9.6 million (2013: £nil) reported within items excluded from underlying profit.

8 Underlying measures

To assist with the understanding of earnings trends, the Group has included within its published financial statements non-GAAP measures including underlying profit and underlying earnings.

These are considered by the Board to be the most meaningful measures under which to assess the true operating performance of the Group.

Underlying operating profit

This has been defined as operating profit from continuing operations excluding restructuring costs, asset impairments and acquisition related costs as detailed below.

£million	2014	2013
Restructuring		
Operational Improvement Plan	(15.0)	(3.1)
Other restructuring costs	(4.8)	(5.9)
Costs relating to the closure of Boone, USA plant	–	(1.2)
Charges associated with management changes	(2.4)	–
	(22.2)	(10.2)
Asset impairments		
Impairment charges associated with capitalised development costs	(8.4)	–
Other impairments	(1.0)	–
	(9.4)	–
Acquisition related costs		
Contingent consideration	(0.8)	–
Release of surplus fair value inventory provision	–	0.4
Amortisation of intangible assets arising on business combinations	(0.7)	(0.6)
M&A costs (included aborted deals)	(0.4)	(1.4)
	(1.9)	(1.6)
Total	(33.5)	(11.8)

8 Underlying measures continued

For the year ended 31 December 2014, items excluded from underlying operating profit relate to:

Restructuring costs £22.2 million

Operational Improvement Plan (£15.0 million)

The Operational Improvement Plan relates to a fundamental reorganisation of the manufacturing and sales footprint of the Transportation Sensing and Control and Industrial Sensing and Control divisions announced in June 2013. The charge in the year relates to the closure of the facility at Fullerton, USA and transfer of production to Mexico; the transfer of manufacturing at Werne, Germany to our best cost facilities in Romania; and the release of excess provisions for the closure of sales offices in France, Italy and Japan originally recognised at the end of 2013.

Other restructuring costs (£4.8 million)

Other restructuring costs relate to site consolidation in the UK and the establishment of a Romania facility for the IMS division; costs incurred in securing certain supply chain activities; costs incurred in respect of the closure of our loss making connectors facility in the US; and costs arising from the creation of our new organisation structure.

Charges associated with management changes (£2.4 million)

Charges incurred in the year ended 31 December 2014 in respect of the recruitment of the new CEO and CFO and one-off payments associated with changes in senior management.

Impairment charges £9.4 million

Following a detailed appraisal of capitalised development expenditure undertaken as part of the wider strategic review described in more detail in the Strategic report section on pages 8 to 18, the Board has re-evaluated the margin expectations of certain products in relation to which development costs have been previously capitalised. As part of this assessment the Group has recognised an impairment of £8.4 million to the carrying value of a number of development projects. In addition an impairment of £1.0 million related to other assets where recoveries were dependent on continuing with certain strategic sourcing channels which will no longer form part of the Group's strategic focus together with the closure of our loss making connectors facility in the USA.

Acquisition related costs £1.9 million

Acquisition costs relating to the amortisation of intangible assets arising on business combinations; M&A costs arising from the acquisition of Roxspur in July 2014 and other costs for potential acquisitions and disposals; and contingent consideration associated with the acquisition of Roxspur which is conditional on the employment services of the previous owners.

For the year ended 31 December 2013 items excluded from underlying profit relate to:

Restructuring costs £10.2 million

Operational Improvement Plan (£3.1 million)

Charges relating to the closure of the facility at Fullerton, USA and transfer of production to Mexico; the closure of sales offices in France, Italy and Japan; and project consultancy costs of £0.5 million.

Other restructuring costs (£5.9 million)

Costs relating to the closure of the loss-making connectors business in the US; the closure and relocation of the ACW Technology facilities from Southampton to Tonypandy in Wales; the transfer of production lines from Germany and Austria, and start-up costs in Romania; the relocation of IMS production facilities in Malaysia; costs arising from the creation of the new organisation structure; and costs incurred in securing certain supply chain activities.

Additional costs of £1.2 million relating to the Boone property in the USA mainly comprise environmental clean-up costs.

Acquisition related costs £1.6 million

Acquisition costs relating to the amortisation of intangible assets arising on business combinations; negative goodwill arising on the release of a surplus Fair Value inventory provision created at the date of the acquisition of ACW Technology; and M&A costs arising from the acquisition of ACW in December 2012 and other costs for potential acquisitions and disposals.

9 Taxation

a) Analysis of the tax charge for the year

£million	2014	2013
Current tax		
Current income tax charge	**5.7**	4.3
Adjustments in respect of current income tax of previous year	**(1.7)**	(1.6)
Total current tax charge	**4.0**	2.7
Deferred tax		
Relating to origination and reversal of temporary differences	**0.6**	1.8
Total tax charge in the income statement – continuing operations	**4.6**	4.5

UK tax is calculated at 21.5% (2013: 23.3%) of taxable profits. Overseas tax is calculated at the tax rates prevailing in the relevant countries. The Group's effective tax rate for the year from continuing operations was (78.0)% (25.7% underlying).

Included within the total tax charge above is a £2.5 million credit relating to items reported outside underlying profit (2013: £2.6 million).

9 Taxation continued

b) Reconciliation of the total tax charge for the year

£million	2014	2013
(Loss)/profit before tax from continuing operations	**(5.9)**	18.3
(Loss)/profit before tax multiplied by the standard rate of corporation tax in the UK of 21.5% (2013: 23.3%)	**(1.3)**	4.3
Effects of:		
Overseas tax rate differences	**(0.3)**	0.4
Items not deductible for tax purposes or income not taxable	**6.6**	1.5
Adjustment to current tax in respect of prior periods	**(1.7)**	(1.6)
Impact on deferred tax arising from changes in tax rates	**(0.1)**	(0.4)
Recognition and utilisation of tax losses and other items not previously recognised	**(0.3)**	(1.0)
Current year tax losses and other items not recognised	**2.1**	0.5
Adjustment to value of deferred tax assets	**(0.4)**	0.8
Total tax charge reported in the income statement – continuing operations	**4.6**	4.5

The UK corporation tax rate will reduce to 20% with effect from 1 April 2015. This rate reduction was substantively enacted in July 2013 and closing deferred tax assets in the UK have been calculated at this rate.

10 Dividends

	2014 pence per share	2014 £million	2013 pence per share	2013 £million
Final dividend for prior year	**3.8**	**6.0**	3.5	5.5
Interim dividend for current year	**1.7**	**2.7**	1.6	2.5
	5.5	**8.7**	5.1	8.0

The Directors recommend a final dividend of 3.8 pence which when combined with the interim dividend of 1.7 pence gives a total dividend for the year of 5.5 pence per share. The Group has a progressive dividend policy. The final dividend will be paid on 4 June 2015 to shareholders on the register on 22 May 2015.

11 Earnings per share

Basic loss/earnings per share is calculated by dividing the loss/profit attributable to owners of the Company by the weighted average number of shares in issue during the period.

Underlying earnings per share is based on (loss)/profit for the year from continuing operations before restructuring costs, asset impairments and acquisition related costs and their associated tax effect.

Pence	2014	2013
Basic (loss)/earnings per share		
Continuing operations	**(6.6)**	8.8
Discontinued operations	**–**	(0.5)
Total	**(6.6)**	8.3

Pence	2014	2013
Diluted (loss)/earnings per share		
Continuing operations	**(6.6)**	8.7
Discontinued operations	**–**	(0.5)
Total	**(6.6)**	8.2

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

Underlying earnings per share:

£million	2014	2013*
Continuing operations		
(Loss)/profit for the period attributable to owners of the Company	**(10.5)**	13.8
Restructuring	**22.2**	10.2
Asset impairments	**9.4**	1.6
Acquisition related costs	**1.9**	–
Tax effect of above items (see note 9a)	**(2.5)**	(2.6)
Underlying earnings	**20.5**	23.0
Underlying earnings per share (pence)	**12.9**	14.6

* Re-presented to exclude acquisition related costs from underlying operating items. See note 1(d).

11 Earnings per share continued

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

Million	2014	2013
Basic	**158.3**	157.6
Adjustment for share awards	**0.5**	0.3
Diluted	**158.8**	157.9

12 Employee information

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

Number	2014	2013
By function		
Production	**5,380**	4,971
Sales and distribution	**333**	344
Administration	**379**	359
	6,092	5,674
By division		
Sensing and Control	**2,827**	2,503
Components	**1,596**	1,615
Integrated Manufacturing Services	**1,669**	1,556
Total continuing operations	**6,092**	5,674

The aggregate emoluments including those of Directors for the year (excluding restructuring costs) were:

£million	2014	2013
Wages and salaries	**120.7**	121.5
Social security charges	**28.9**	28.7
Employers' pension costs	**2.4**	2.1
	152.0	152.3

Remuneration in respect of the Directors was as follows:

£million	2014	2013
Emoluments	**1.3**	1.6

Further details of individual Directors' remuneration, pension benefits and share awards are shown in the Directors' remuneration report on pages 42 to 49.

Key management personnel

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

£million	2014	2013
Short-term benefits	**3.3**	4.1
Termination payments	**1.0**	0.3
Post-employment benefits	**–**	0.2
Share based payments	**0.5**	0.6
	4.8	5.2

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

13 Property, plant and equipment

£million	Land and buildings	Plant and equipment	Total
Cost			
At 1 January 2013	54.3	283.0	337.3
Additions	1.2	19.1	20.3
Disposals	(1.1)	(19.1)	(20.2)
Net exchange adjustment	0.2	(0.4)	(0.2)
At 1 January 2014	54.6	282.6	337.2
Additions	2.6	22.3	24.9
Businesses acquired	–	0.2	0.2
Disposals	(2.0)	(5.2)	(7.2)
Net exchange adjustment	(0.8)	(1.7)	(2.5)
At 31 December 2014	**54.4**	**298.2**	**352.6**
Depreciation and impairment			
At 1 January 2013	19.3	232.1	251.4
Depreciation charge	1.7	15.1	16.8
Impairment	–	0.3	0.3
Disposals	(1.0)	(18.6)	(19.6)
Net exchange adjustment	0.1	(0.4)	(0.3)
At 1 January 2014	20.1	228.5	248.6
Depreciation charge	1.7	14.8	16.5
Impairment	0.3	0.9	1.2
Disposals	(1.3)	(5.1)	(6.4)
Net exchange adjustment	(0.4)	(0.9)	(1.3)
At 31 December 2014	**20.4**	**238.2**	**258.6**
Net book value			
At 31 December 2014	**34.0**	**60.0**	**94.0**
At 31 December 2013	34.5	54.1	88.6

Included within land and buildings are three (2013: three) investment properties with a carrying value of £0.8 million (2013: £1.2 million). The fair value of these properties is £4.0 million (2013: £4.5 million).

Included within the impairment charge for the year is £1.2 million (2013: £nil) included within items excluded from underlying profit.

14 Goodwill

	£million
Cost	
At 1 January 2013	65.2
Net exchange adjustment	(1.3)
At 1 January 2014	63.9
Additions	2.1
Net exchange adjustment	3.4
At 31 December 2014	**69.4**

Goodwill is attributed to the following cash generating units ("CGUs") in the divisions shown below:

£million	2014	2013
Sensing and Control:		
Variable Components	**24.6**	23.1
Optoelectronics	**18.4**	17.3
Roxspur	**2.1**	–
Components:		
Power and Hybrids	**5.1**	4.9
Resistors	**1.9**	1.8
Integrated Manufacturing Services:		
TT electronics integrated manufacturing services, USA	**8.1**	7.6
TT electronics integrated manufacturing services, Suzhou	**5.1**	5.1
New Chapel Electronics, UK	**3.4**	3.4
Other	**0.7**	0.7

14 Goodwill continued

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 projections during the period for which management have detailed plans. Management estimate discount rates using pre-tax rates that reflect current market assessments of the Group's time value of money and the risks specific to the CGU being measured.

As part of the annual budgeting and strategic planning processes, the Group prepares cash flow forecasts for the following three years. In 2014 the growth rate assumed after this three-year period is based on long-term GDP projections capped at long term inflation rates of the primary market for the CGU, in perpetuity. The long-term inflation rates used are 2% for the UK and US businesses and 3% for the Chinese businesses. In prior year the growth rate after this three year period was based on long term GDP projections of the primary market for a further 10 years (2.5% for the UK business and 3% for the US and Chinese businesses) and a conservative 1% growth rate thereafter in perpetuity.

The growth rates assume that demand for our products remains broadly in line with the underlying economic environment in the long-term future. Taking into account our expectation of future market conditions, we believe that the evolution of selling prices and cost measures put into place will lead to a sustained improvement in profitability which is higher than in recent years.

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

	2014	2013
Variable Components	**9.5%**	9.5%
Optoelectronics	**9.5%**	9.5%
Power and Hybrids	**10.8%**	8.1%
TT electronics integrated manufacturing services, USA	**9.5%**	9.5%
TT electronics integrated manufacturing services, Suzhou	**11.5%**	11.5%
New Chapel Electronics, UK	**10.8%**	8.1%

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

The goodwill allocated to each of Variable Components, Optoelectronics, Power and Hybrids, TT electronics integrated manufacturing services, USA, TT electronics integrated manufacturing services, Suzhou, and New Chapel Electronics are considered to be individually significant. After translation using year end foreign exchange rates, these CGUs represent 93% or £64.7 million of the total goodwill balance.

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

£million	2014	2013
Variable Components	**31.1**	16.4
Optoelectronics	**49.8**	32.4
Power and Hybrids	**27.3**	22.7
TT electronics integrated manufacturing services, USA	**20.5**	14.5
TT electronics integrated manufacturing services, Suzhou	**56.4**	34.2
New Chapel Electronics, UK	**1.5**	1.7

The recoverable amounts associated with these goodwill balances have been determined on a value in use basis using conservative assumptions. A value in use test requires comparison of asset carrying values with pre-tax cash flows (which exclude any tax benefit).

A key assumption in the value in use test is the projected performance of the cash generating units based on cash flow forecasts. The recoverable amounts associated with the goodwill balances are based on these performance projections, and based on current forecast information do not indicate that any goodwill balance is impaired. If a company's actual performance does not meet these projections this could lead to an impairment of the goodwill in future periods.

14 Goodwill continued

Other key assumptions and sensitivities are as follows:

Long-term growth rate

The budget and strategic review for these companies have been extrapolated in perpetuity using long-term GDP projections capped at long term inflation rates of the primary market for the CGU in perpetuity. A key assumption in deriving the growth rate is that the businesses will grow in line with the underlying economic environment for the foreseeable future. Revenue would need to decrease annually by the following amounts for the carrying values to be impaired:

	2014	2013
Variable Components	**20.0%**	7.0%
Optoelectronics	**24.1%**	37.2%
Power and Hybrids	**18.2%**	14.0%
TT electronics integrated manufacturing services, USA	**13.7%**	11.6%
TT electronics integrated manufacturing services, Suzhou	**27.2%**	28.8%
New Chapel Electronics, UK	**2.2%**	3.5%

Discount rate

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

	2014	2013
Variable Components	**14.6%**	13.5%
Optoelectronics	**21.3%**	25.9%
Power and Hybrids	**21.3%**	16.1%
TT electronics integrated manufacturing services, USA	**17.3%**	16.3%
TT electronics integrated manufacturing services, Suzhou	**29.0%**	27.3%
New Chapel Electronics, UK	**13.8%**	9.8%

Cash flows

Sensitivity analysis has also been performed on the operating cash flow projections. Cash flows can be impacted by changes to sales projections, sales prices, direct costs and replacement capital expenditure. In order for the carrying values to be impaired the expected cash flows for every year would need to reduce by the following:

	2014	2013
Variable Components	**41.8%**	34.3%
Optoelectronics	**62.4%**	62.4%
Power and Hybrids	**57.5%**	54.6%
TT electronics integrated manufacturing services, USA	**52.6%**	46.0%
TT electronics integrated manufacturing services, Suzhou	**68.7%**	61.9%
New Chapel Electronics, UK	**26.4%**	21.4%

For a certain period in the last quarter of 2014 financial year, the book value of the Group's net assets exceeded its market capitalisation. This position has recovered in the post balance sheet period with the market capitalisation of the Group at the date of the approval of this report being in excess of the book value of the Group's net assets. Based on a qualitative and quantitative assessment performed as of 31 December 2014 on a global level encompassing all assets, we concluded that the fair value of our reporting units exceeded their carrying amount, and there was no impairment of goodwill or other assets. However, if the market value of our shares declines for a prolonged period, and if management's judgements and assumptions regarding future industry conditions and operations diminish, we will reconsider our goodwill impairment analysis.

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

15 Other intangible assets

£million	Product development costs	Patents, licences and other	Customer relationships	Total
Cost				
At 1 January 2013	21.9	6.9	3.5	32.3
Additions	5.2	4.2	–	9.4
Net exchange adjustment	0.1	(0.1)	–	–
At 1 January 2014	27.2	11.0	3.5	41.7
Additions	6.8	4.3	–	11.1
Businesses acquired	–	–	4.5	4.5
Net exchange adjustment	(1.2)	0.1	0.1	(1.0)
At 31 December 2014	**32.8**	**15.4**	**8.1**	**56.3**
Amortisation				
At 1 January 2013	12.9	3.7	2.5	19.1
Charge for the year	3.1	1.0	0.3	4.4
Impairment	0.1	–	–	0.1
At 1 January 2014	16.1	4.7	2.8	23.6
Charge for the year	4.1	1.8	0.6	6.5
Impairment	8.4	–	–	8.4
Net exchange adjustment	(0.7)	0.1	0.1	(0.5)
At 31 December 2014	**27.9**	**6.6**	**3.5**	**38.0**
Net book value				
At 31 December 2014	**4.9**	**8.8**	**4.6**	**18.3**
At 31 December 2013	11.1	6.3	0.7	18.1

Included within patents, licenses and other are intangible assets under construction with a carrying value of £0.8 million (2013: £2.2 million).

Included within the amortisation charge for the year is £0.7 million (2013: £0.6 million) included within items excluded from underlying profit. The impairment of product development costs followed a detailed appraisal of capitalised development expenditure undertaken as part of the wider strategic review described in more detail in the Strategic report section on pages 8 to 18.

16 Inventories

£million	2014	2013
Raw materials	**42.1**	36.8
Work in progress	**19.4**	21.3
Finished goods	**17.4**	21.9
	78.9	80.0

Inventories are stated after deduction of a provision for slow moving and obsolete items of £27.6 million (2013: £28.9 million).

17 Trade and other receivables

£million	2014	2013
Trade receivables	**58.6**	58.2
Prepayments	**6.4**	8.2
Other receivables	**5.7**	8.0
	70.7	74.4

Trade receivables include £nil (2013: £2.5 million) of receivables due after more than one year.

Provisions for impairment in respect of trade receivables are shown in note 21(d)(ii).

18 Trade and other payables

£million	2014	2013
Current liabilities		
Trade payables	**43.2**	62.3
Taxation and social security	**4.0**	2.7
Other payables, accruals and deferred income	**34.4**	39.3
Financial liability to settle minority interest	**–**	0.5
	81.6	104.8

£million	2014	2013
Non-current liabilities		
Accruals and deferred income	**6.1**	6.1
	6.1	6.1

19 Provisions

£million	Operational Improvement Plan	Reorganisation	Legal and other	Total
At 1 January 2013	–	1.2	9.5	10.7
Utilised	(0.4)	(1.7)	(3.3)	(5.4)
Arising during the year	3.1	2.6	(0.8)	4.9
At 1 January 2014	2.7	2.1	5.4	10.2
Utilised	(1.8)	(0.7)	(1.0)	(3.5)
Released	(0.3)	–	(0.1)	(0.4)
Arising during the year	11.6	0.7	0.5	12.8
At 31 December 2014	**12.2**	**2.1**	**4.8**	**19.1**

The Operational Improvement Plan provision relates to fundamental restructuring of the manufacturing footprint and sales organisation of the Sensing and Control division. The balance as at 31 December 2014 includes the directors' best estimate of costs to complete the fundamental reorganisation of the manufacturing and sales footprint of the Transportation Sensing and Control and Industrial Sensing and Control divisions announced in June 2013. The charge in the year relates to the closure of the facility at Fullerton, USA and transfer of production to Mexico and the transfer of manufacturing at Werne, Germany to our best cost facilities in Romania. The utilisation of provision is expected in the next 12 months.

The Reorganisation provision primarily relates to the restructuring programme associated with the closure of the Boone, USA operations, costs on site consolidation in the UK and the establishment of a Romania facility for the IMS division. The utilisation of provision is expected in the next 12 months.

Legal and other claims represent the best estimate for the cost of settling outstanding product and other claims, and warranty provisions issued on the disposal of businesses. The Group has, on occasion, been required to enforce commercial contracts and similarly 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 total provisions are analysed between current and non-current as follows:

£million	2014	2013
Non-current	**0.2**	0.2
Current	**18.9**	10.0
	19.1	10.2

20 Borrowings

£million	Maturity	Currency of denomination	Current	Non-current	Total
31 December 2014					
£45 million multi-currency revolving credit facility	**2017**	**GBP**	**18.0**	**–**	**18.0**
	2017	**EUR**	**7.8**	**–**	**7.8**
$30 million USD bilateral revolving credit facility	**2017**	**USD**	**4.5**	**–**	**4.5**
$10 million USD bilateral revolving credit facility	**2017**	**USD**	**19.3**	**–**	**19.3**
AB Mikroelektronik GmbH loan	**2015**	**EUR**	**4.5**	**–**	**4.5**
Finance leases			**0.1**	**–**	**0.1**
Loan arrangement fee			**(0.5)**	**–**	**(0.5)**
Total			**53.7**	**–**	**53.7**
31 December 2013					
£45 million multi-currency revolving credit facility	2017	GBP	–	1.0	1.0
$30 million USD bilateral revolving credit facility	2017	USD	–	18.1	18.1
$10 million USD bilateral revolving credit facility	2017	USD	–	4.2	4.2
AB Mikroelektronik GmbH loan	2015	EUR	4.0	0.8	4.8
Finance leases			0.1	0.1	0.2
Loan arrangement fee			(0.2)	(0.5)	(0.7)
Total			3.9	23.7	27.6

In August 2012, the Group agreed a new five year committed revolving credit facility of £70.7 million and a further incremental accordion facility of £42.9 million with a club of four banks comprising HSBC, The Royal Bank of Scotland, Santander UK and Barclays Bank, as well as two separate bilateral agreements with Fifth Third Bank and Comerica Bank, both within the USA. At 31 December 2014, £49.6 million of the revolving credit facility was drawn down and the accordion facility was undrawn. Arrangement fees with a gross cost before amortisation of £0.9 million, and amortised cost of £0.5 million, have been netted off against these borrowings.

In March 2015 it was agreed with the club of four banks (above) that the committed facility be increased by £20 million to £90.7 million by way of reducing the incremental accordion facility to £22.9 million.

The interest margin payable on the facility is based on the Group's compliance with financial covenants (net debt/EBITDA before exceptional items) and is payable on a floating basis above £LIBOR, €LIBOR or $LIBOR depending on the currency of denomination of the loan.

The loan in AB Mikroelektronik GmbH is an export facility loan and used for working capital purposes within that business (£4.2 million, £3.8 million utilised) and a research loan (£0.7 million, fully utilised).

Undrawn facilities

At 31 December 2014, the total borrowing facilities available to the Group amounted to £165.3 million (2013: £143.3 million). At 31 December 2014, the Group had available £36.1 million (2013: £45.9 million) of undrawn committed borrowing facilities and £75.1 million (2013: £69.3 million) of undrawn uncommitted borrowing facilities, representing overdraft lines and the accordion facility.

Under the five year revolving credit there is a limit on inter-group lending outside the guarantee group. This limit was exceeded during the year causing the outstanding loan balance of £49.6 million at the year end to become technically repayable on demand. It has therefore been disclosed as a current liability.

Since the year end, the company has agreed an increase in this limit with the lending banks and completed actions to remedy the issue subject only to certain steps required to bring two of the Group's Romanian subsidiaries into the guarantor group. The banks have given a two-month waiver in relation to the outstanding steps (expiring 25 April 2015). These steps are underway and expected to be complete within the two-month waiver period, and the loan facilities remain in place with ultimate maturity in August 2017.

Following the date of these accounts the steps were completed and the two Romanian subsidiaries became part of the guarantor group.

21 Financial risk management

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

A Group Treasury policy has been approved by the Board of Directors and is periodically updated to reflect developments in the financial markets and the financial exposure facing the Group.

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

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

21 Financial risk management continued

a) Derivatives, financial instruments and risk management

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

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

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

The Group uses average rate forward currency hedges to mitigate translational foreign exchange risk taking into account the level of forecast profits in foreign currencies, natural hedges and the cost of taking out cover. During 2014, the Group took out average rate forward contracts hedging GBP against a portion of Euro forecast cash flows for 2014. In 2014, the Group generated a gain of £0.1 million (2013: loss of £0.4 million) on the hedges that matured in 2014. There were no average rate forward contracts outstanding at 31 December 2014.

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 Tax and Treasury Committee. To meet this objective the Group has entered into a $30 million interest rate swap from floating to fixed in 2014, maturing in 2019.

During 2014, the Group took out hedges against a portion of the commodity purchases for 2014. In 2014 the Group generated no gain or loss on the hedges that matured during 2014 (2013: loss of £0.1 million).

The forward currency contracts, interest rate swaps and commodity hedges have been designated as cash flow hedges and the mark to market valuation of these derivatives at 31 December 2014 is taken to the hedging reserve within equity. At 31 December 2014, the Group had a net derivative financial liability of £0.9 million (2013: £0.8 million asset).

b) Foreign exchange risk

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

£million	GBP	USD	Euro	Other	Total
31 December 2014					
Trade and other receivables	**0.1**	**6.7**	**2.8**	**0.2**	**9.8**
Cash and cash equivalents	**–**	**6.8**	**8.1**	**0.5**	**15.4**
Borrowings	**–**	**(23.8)**	**(7.8)**	**–**	**(31.6)**
Trade and other payables	**(4.3)**	**(5.1)**	**(0.7)**	**(0.8)**	**(10.9)**
	(4.2)	**(15.4)**	**2.4**	**(0.1)**	**(17.3)**
31 December 2013					
Trade and other receivables	0.4	6.6	2.4	0.1	9.5
Cash and cash equivalents	0.4	11.2	1.6	0.9	14.1
Borrowings	–	(22.3)	–	–	(22.3)
Trade and other payables	(2.6)	(8.2)	(1.1)	(1.9)	(13.8)
	(1.8)	(12.7)	2.9	(0.9)	(12.5)

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

£million	2014	2013
US dollar	**(0.9)**	0.8
Euro	**0.2**	(0.3)

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

21 Financial risk management continued

c) Interest rate risk

The Group has financial assets and liabilities which are exposed to changes in market interest rates. Changes in interest rates primarily impact borrowings by changing their future cash flows (floating rate debt) or their fair value (fixed rate debt) and deposits. The Group's objective is to manage this interest rate exposure through the use of interest rate derivatives.

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

£million	Floating rate	Fixed rate	Non-interest bearing	2014 total
Financial assets				
Trade and other receivables	–	–	62.3	62.3
Cash and cash equivalents	39.4	–	–	39.4
Derivative financial instruments	–	–	0.4	0.4
Total financial assets	39.4	–	62.7	102.1
Financial liabilities				
Borrowings (including interest effects of derivatives)	(33.6)	(20.1)	–	(53.7)
Trade and other payables	–	–	(86.3)	(86.3)
Derivative financial instruments	–	–	(1.3)	(1.3)
Total financial liabilities	(33.6)	(20.1)	(87.6)	(141.3)

At 31 December 2014, 37% (2013: 3%) of total debt was at a fixed rate when including the effect of derivatives and the balance was at floating rate.

£million	Floating rate	Fixed rate	Non-interest bearing	2013 total
Financial assets				
Trade and other receivables	–	–	64.9	64.9
Cash and cash equivalents	54.5	–	–	54.5
Derivative financial instruments	–	–	0.8	0.8
Total financial assets	54.5	–	65.7	120.2
Financial liabilities				
Borrowings	(26.7)	(0.9)	–	(27.6)
Trade and other payables	–	–	(110.7)	(110.7)
Total financial liabilities	(26.7)	(0.9)	(110.7)	(138.3)

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

Considering the net debt position of the Group at 31 December 2014, any increase in interest rates would result in a net loss in the consolidated income statement, and any decrease in interest rates would result in a net gain. The effect on profit after tax of a 1% movement in £LIBOR, based on the year end floating rate net cash and with all other variables held constant, is estimated to be £0.3 million (2013: £0.2 million).

d) Credit risk

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

Credit risk relating to trade receivables

The Group's major exposure to credit risk is in respect of trade receivables. Given the number and geographical spread of the Group's ultimate customers and the solvency of major trade debtors, credit risk is believed to be limited. The Group is not reliant on any particular customer in the markets in which it operates and there is no significant concentration of credit risk. The Group regularly monitors its exposure to bad debts in order to minimise this exposure.

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

Trade receivables are denominated in the currencies in which the Group trades. The Group's policy is that receivables and payables not in the functional currency of the subsidiary concerned are covered by forward foreign currency exchange contracts. The exchange risk at Group level is therefore restricted to the risk on the translation of overseas assets, liabilities and cash flows into GBP which can be hedged using foreign exchange hedges.

There were no material impairments of trade receivables as at 31 December 2014 or 2013. The solvency of the debtor and their ability to repay the receivables were considered in assessing the impairment of such assets.

21 Financial risk management continued

(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	2014	2013
Europe (including UK)	**36.2**	38.2
North America	**10.8**	9.4
Central and South America	**0.2**	0.2
Asia	**11.2**	10.0
Rest of the World	**0.2**	0.4
	58.6	58.2

(ii) Impairment losses

The ageing of trade receivables at 31 December was:

	2014		2013	
£million	Gross	Impairment	Gross	Impairment
Not past due	**48.0**	**–**	48.9	–
Past due 0 – 60 days	**9.6**	**–**	7.3	(0.3)
Past due 61 – 120 days	**1.3**	**(0.3)**	2.5	(0.3)
More than 120 days	**0.1**	**(0.1)**	0.8	(0.7)
	59.0	**(0.4)**	59.5	(1.3)

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

£million	2014	2013
At 1 January	**(1.3)**	(1.4)
Credited to income statement	**0.2**	0.1
Utilised	**0.7**	–
At 31 December	**(0.4)**	(1.3)

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

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

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

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

£million	2014	2013
Other receivables	**3.7**	6.7
Cash and cash equivalents	**39.4**	54.5
Derivative financial instruments (current assets)	**0.4**	0.8

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 2014, the Group had £35.6 million of undrawn committed borrowing facilities (2013: £45.9 million).

21 Financial risk management continued

Maturity of financial assets and liabilities

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

£million	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2014						
Trade and other receivables	**0.9**	**59.0**	**2.4**	**–**	**–**	**62.3**
Cash and cash equivalents	**38.8**	**0.6**	**–**	**–**	**–**	**39.4**
Derivative financial instruments	**–**	**–**	**0.4**	**–**	**–**	**0.4**
	39.7	**59.6**	**2.8**	**–**	**–**	**102.1**
Borrowings	**(53.7)**	**–**	**–**	**–**	**–**	**(53.7)**
Trade and other payables	**(0.5)**	**(72.8)**	**(8.5)**	**(1.7)**	**(2.8)**	**(86.3)**
Derivative financial instruments	**–**	**–**	**(1.2)**	**(0.1)**	**–**	**(1.3)**
	(54.2)	**(72.8)**	**(9.7)**	**(1.8)**	**(2.8)**	**(141.3)**

At 31 December 2014, the Group had derivative financial instruments hedging a notional contractual amount of £71.7 million of foreign exchange, commodity and interest rate cash flows. Of this total amount, £52.4 million matures within one year.

£million	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
31 December 2013						
Trade and other receivables	0.1	59.3	3.0	2.5	–	64.9
Cash and cash equivalents	53.9	0.6	–	–	–	54.5
Derivative financial instruments	–	–	0.8	–	–	0.8
	54.0	59.9	3.8	2.5	–	120.2
Borrowings	–	(4.2)	(0.6)	(26.1)	–	(30.9)
Trade and other payables	–	(97.8)	(8.9)	(3.4)	(0.6)	(110.7)
Derivative financial instruments	–	–	–	–	–	–
	–	(102.0)	(9.5)	(29.5)	(0.6)	(141.6)

f) Fair value of financial assets and liabilities

The Group has adopted IFRS 13 "Fair Value Measurement" which 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.

		2014		2013	
	Fair value hierarchy	Carrying value	Fair value	Carrying value	Fair value
Held at amortised cost					
Cash and cash equivalents	n/a	**39.4**	**39.4**	54.5	54.5
Trade and other receivables	n/a	**62.4**	**62.4**	64.9	64.9
Trade and other payables	n/a	**(86.3)**	**(86.3)**	(110.7)	(110.7)
Borrowings	n/a	**(53.7)**	**(53.7)**	(27.6)	(27.6)
Held at fair value					
Derivative financial instruments (assets)	1 and 2	**0.4**	**0.4**	0.8	0.8
Derivative financial instruments (liabilities)	1 and 2	**(1.3)**	**(1.3)**	–	–
Held at depreciated cost					
Investment properties	2	**0.8**	**4.0**	1.2	4.5

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 (£0.4 million) and liabilities (£1.3 million) are estimated by discounting expected future cash flows using current market indices such as yield curves and forward exchange rates over the remaining term of the instrument (level 1 and level 2); and
- the fair value of investment properties are based on market valuations obtained through third party valuations (level 2).

21 Financial risk management continued

g) Capital management

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

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

Dividends are paid when the Board consider it appropriate to do so, taking into account the availability of funding. The Group has a progressive dividend policy.

The Group is in a net debt position of £14.3 million (2013: net cash £26.9 million). Included within the debt facilities are certain financial covenants related to net debt/EBITDA before exceptional items and EBITDA before exceptional items/net finance charges for which compliance certificates are produced on a 12 month rolling basis 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 Deferred tax

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

£million	As at 1 January 2014	Continuing operations	Recognised on acquisition	Recognised in equity/OCI	Net exchange translation	As at 31 December 2014
Intangible assets	(4.8)	(0.3)	(0.9)	–	(0.3)	(6.3)
Property, plant and equipment	(1.7)	0.6	–	–	(0.1)	(1.2)
Deferred development costs	(3.3)	1.9	–	–	–	(1.4)
Retirement benefit obligations	4.4	(0.8)	–	(1.0)	–	2.6
Inventories	2.5	(0.6)	–	–	0.2	2.1
Provisions	5.1	(1.6)	–	–	0.2	3.7
Tax losses	0.8	0.6	–	–	–	1.4
Unremitted overseas earnings	(0.9)	(0.2)	–	–	–	(1.1)
Share-based payments	0.1	(0.1)	–	(0.1)	–	(0.1)
Short-term timing differences	0.4	(0.1)	–	–	–	0.3
Deferred tax asset/(liability)	2.6	(0.6)	(0.9)	(1.1)	–	–

£million	As at 1 January 2013	Continuing operations	Recognised in equity/OCI	Net exchange translation	Transfer to current tax	As at 31 December 2013
Intangible assets	(4.3)	(0.5)	–	–	–	(4.8)
Property, plant and equipment	(1.4)	(0.4)	–	0.1	–	(1.7)
Deferred development costs	(2.8)	(0.5)	–	–	–	(3.3)
Retirement benefit obligations	9.3	(1.0)	(3.8)	(0.1)	–	4.4
Inventories	2.0	0.5	–	–	–	2.5
Provisions	3.4	1.8	–	(0.1)	–	5.1
Tax losses	4.0	(0.9)	–	(0.1)	(2.2)	0.8
Unremitted overseas earnings	(0.9)	–	–	–	–	(0.9)
Share-based payments	1.0	(0.7)	(0.2)	–	–	0.1
Short-term timing differences	0.4	0.1	–	(0.1)	–	0.4
Deferred tax asset/(liability)	10.7	(1.6)	(4.0)	(0.3)	(2.2)	2.6

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

£million	2014	2013
Deferred tax assets	5.6	7.3
Deferred tax liabilities	(5.6)	(4.7)
Net deferred tax asset	–	2.6

The Group has recognised deferred tax assets of £0.2 million in a number of entities which have incurred losses in 2013 or 2014. Such assets have been recognised due to the availability of suitable taxable profits in future periods to support their recovery.

The gross amount and expiry date of losses available for carry forward are as follows:

£million	Expiring within 5 years	Expiring within 6–10 years	Unlimited	Total
31 December 2014				
Losses for which a deferred tax asset has been recognised	–	1.2	4.3	5.5
Losses for which no deferred tax asset has been recognised	1.1	1.1	35.3	37.5
Deferred tax asset	1.1	2.3	39.6	43.0

22 Deferred tax continued

£million	Expiring within 5 years	Expiring within 6–10 years	Unlimited	Total
31 December 2013				
Losses for which a deferred tax asset has been recognised	0.1	0.7	2.7	3.5
Losses for which no deferred tax asset has been recognised	0.8	0.7	29.6	31.1
Deferred tax asset	0.9	1.4	32.3	34.6

Included within the £37.5 million (2013: £31.1 million) of unrecognised tax losses in the table above is £23.2 million (2013: £23.5 million) of tax losses within the Company. Since UK tax legislation does not allow the utilisation of brought forward tax losses of one UK entity against the current year tax profits of another UK entity, the use of these tax losses is limited.

£million	2014	2013
Other temporary differences	**11.1**	14.2

At the balance sheet date the aggregate unrecognised deferred tax liability in respect of undistributed earnings of overseas subsidiaries is £1.1 million (2013: £0.9 million). This is in respect of undistributed earnings in respect of a Chinese subsidiary of £13.8 million (2013: £9.6 million).

23 Retirement benefit schemes

Defined contribution schemes

The Group operates 401(k) plans in North America and defined contribution arrangements in the rest of the world. The assets of these schemes are held independently of the Group. The total contributions charged by the Group in respect of defined contribution schemes were £2.4 million (2013: £2.1 million).

Defined benefit schemes

During the year the Group operated a significant defined benefit scheme in the UK and an overseas defined benefit scheme in the USA (which includes a post retirement medical benefit element). The Group's main scheme is the UK plan which commenced in 1993 and increased in size in 2006 and 2007 through the merger of the UK former schemes. The Group is the principal employer in the UK plan. The UK plan is governed by TTG Pension Trustees Limited (the "Trustee") that has control over the operation, funding and investment strategy in consultation with the Group.

The Scheme exposes the Group to actuarial risks such as longevity risk, currency risk, inflation risk, interest rate risk and market (investment) risk. The Group is not exposed to any unusual, entity specific or Scheme specific risks, although in view of the size of the Scheme relative to the Group it is crucial that the risks are effectively managed.

The Trustee's investment strategy mitigates the majority of these risks. Market (investment) risk is addressed by diversification across asset classes and managers within those assets classes. With regard to currency risk, the Trustees hedge around 50% of developed market equities, 100% of alternatives and 100% of bonds (excluding local currency emerging market debt).

In addition, the Trustee has a framework in place to hedge a proportion of the Scheme's interest rate and inflation exposures. This framework is managed by investing in both physical and, for efficiency, derivative investments; and currently has a target to hedge 75% of the interest rate and 80% of the inflation linked liabilities. The target hedge level is kept under review and any change would be in consultation with the Group.

The Trustee does not currently hedge the longevity risk, although prudent assumptions are made regarding anticipated longevity for the purposes of the actuarial valuation and Recovery Plan.

The Trustee, in conjunction with the Group, has a duty to ensure that the UK plan 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 UK plan should target 100% funding on a basis that should ensure benefits can be paid as they fall due. Any shortfall in the assets relative to the funding target will be financed over a period that ensures the contributions are reasonably affordable to the Group.

The weighted average duration of the UK defined benefit obligation is 17 years.

UK legislation requires the Trustee to carry out funding valuations at least every three years and to target full funding against a basis that prudently reflects the UK plan's risk exposure.

The Trustee allocates the UK plan's assets across a range of investments to help diversify and manage risks. In particular a significant portion of the assets are in investments that aim to broadly match the term and nature of the liabilities

The triennial valuation of the UK scheme as at April 2013 showed a deficit of £19.1m against the Trustee's funding objective compared with £39.4 million at April 2010. It was agreed with the Trustee that the existing recovery plan is sufficient to address the deficit; namely contributions of £4.3 million and £4.5 million to be paid in respect of 2015 and 2016. £3.1 million was paid in respect of 2014 during the year and a further £1 million was paid early in 2015 in respect of 2014. A further £1 million payment was made during the year to fund an exercise which offered Scheme members with small pensions the opportunity to exchange their annual pensions for a one-off lump sum payment, in accordance with HMRC rules. In addition, the Group has set aside £3.0 million to be utilised in agreement with the Trustee for reducing the long-term liabilities of the scheme.

Both the UK and USA schemes are closed to new members and the UK scheme was closed to future accrual in 2010. The Group also operated an overseas defined benefit scheme in Japan which was wound up in 2013.

23 Retirement benefit schemes continued

An actuarial valuation of the USA defined benefit scheme was carried out by independent qualified actuaries in 2014 using the projected unit credit method. Pension scheme assets are stated at their market value at 31 December 2014.

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

£million	2014	2013
UK	**10.5**	19.8
USA	**1.9**	0.7
	12.4	20.5

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

%	2014	2013
Discount rate	**3.6**	4.6
Inflation rate (RPI)	**3.2**	3.5
Increases to pensions in payment (LPI 5% pension increases)	**3.1**	3.4
Increases to deferred pensions (CPI)	**2.2**	2.5

The mortality tables applied by the actuaries at 31 December 2014 and 31 December 2013 were S1NA tables adjusted by + one year, with a 1.25% long-term rate of improvement in conjunction with the CMI 2012 projections. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

– Current pensioner aged 65: 87 years (male), 89 years (female).
– Future retiree upon reaching 65: 89 years (male), 92 years (female).

A decrease in the discount rate by 0.1% per annum increases the liabilities by approximately £8.2 million. An increase by 0.1% per annum in the inflation rate increases the liabilities by approximately £5.5 million; by £1.9 million for pensions in payment and £3.6 million for deferred pensions. An increase in the life expectancy of 1 year increases the liabilities by approximately £15.0 million.

The sensitivities above consider the impact of the single change shown, with the other assumptions assumed to be 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 deficit in the Consolidated balance sheet are:

£million		2014	2013
Equities			
UK	Quoted	**1.8**	2.1
	Unquoted	**14.1**	25.5
Overseas	Quoted	**34.5**	29.9
	Unquoted	**71.1**	75.0
Government bonds			
UK	Fixed	**12.2**	15.0
	Index-linked	**20.7**	16.8
Overseas		**18.9**	21.9
Corporate bonds		**66.4**	57.3
Cash and cash equivalents		**71.9**	69.4
Derivatives		**125.1**	54.5
Other		**28.2**	26.7
Fair value of assets		**464.9**	394.1
Present value of funded obligation		**(477.3)**	(414.6)
Net liability recognised in the Consolidated balance sheet		**(12.4)**	(20.5)

The schemes' assets do not include the Group's financial instruments nor any property occupied by, or other assets used by the Group. Derivatives include liability driven instruments taken out to hedge part of the scheme inflation and interest rate risks.

Amounts recognised in the Consolidated income statement are:

£million	2014	2013
Scheme administration costs	**0.7**	0.8
Net interest on employee obligations	**0.8**	1.5
Settlements and curtailments	**–**	(0.4)

23 Retirement benefit schemes continued

The actual return on scheme's assets was a gain of £84.0 million (2013: £20.7 million). Actuarial gains and losses are remeasured and reported in the Consolidated statement of comprehensive income and, since transition to IFRS, amount to a net loss of £21.9 million.

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

£million	2014	2013
Defined benefit obligation at 1 January	**414.6**	424.3
Interest on obligation	**18.7**	18.2
Settlements and curtailments	**–**	(0.4)
Remeasurements:		
Effect of changes in demographic assumptions	**–**	7.4
Effect of changes in financial assumptions	**61.5**	(6.4)
Effect of experience adjustments	**–**	(9.9)
Benefits paid	**(17.5)**	(18.6)
Defined benefit obligation at 31 December	**477.3**	414.6
UK	**468.7**	407.9
USA	**8.6**	6.7
	477.3	414.6

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

£million	2014	2013
Fair value of schemes' assets at 1 January	**394.1**	387.5
Interest income on defined benefit scheme assets	**17.9**	16.7
Return on scheme assets, excluding interest income	**66.1**	4.0
Contributions by employer	**5.0**	5.1
Pension scheme expenses	**(0.7)**	(0.8)
Benefits paid	**(17.5)**	(18.4)
Fair value of schemes' assets at 31 December	**464.9**	394.1

24 Share capital

£million	2014	2013
Issued and fully paid		
159,008,330 (2013: 158,608,324) ordinary shares of 25p each	**39.8**	39.7

During 2014 the Company issued 278,708 ordinary shares on the vesting of the Long Term Incentive Plan awards issued in 2011. The shares were then allocated to award holders via an Employee Benefit Trust for nil consideration. A charge of £0.1 million has been recognised in retained earnings accordingly.

The Company also issued 121,298 ordinary shares as a result of share options being exercised under the 2004 Unapproved Plan, the Sharesave scheme and Share Purchase plans. The aggregate consideration received was £0.1 million, which resulted in an increase in share premium of £0.1 million.

25 Share-based payment plans

The Company has the following share-based payment plans in operation at 31 December 2014:

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

a) Share option schemes

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

	2014		2013	
	Number of share options	Weighted average exercise price (p)	Number of share options	Weighted average exercise price (p)
At 1 January	**37,548**	**145.0**	346,364	100.5
Forfeited	**–**	**–**	(27,480)	145.8
Exercised	**(37,548)**	**145.0**	(257,586)	91.0
Expired	**–**	**–**	(23,750)	80.0
At 31 December	**–**	**–**	37,548	145.0
Exercisable at 31 December	**–**	**–**	37,548	145.0

25 Share-based payment plans continued

The options exercisable at the prior year end over 37,548 ordinary shares under the Group share option schemes had a remaining contractual life of 0.33 years and were exercised in 2014 at a subscription price of 145 pence. These options are equity settled, had a life of ten years and vested after three years. Exercise of the options is conditional on there being an increase in earnings per share over any consecutive three year period above the increase in the Retail Price Index over the same period.

Following the approval of the Long Term Incentive Plan 2005 at the Extraordinary General Meeting held on 20 October 2006, all existing share option schemes were closed for future grants.

b) Long Term Incentive Plans

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

	2014 Number of share awards	2013 Number of share awards
At 1 January	**3,629,342**	4,184,223
Granted	**1,739,150**	1,294,107
Forfeited	**(1,565,459)**	(408,562)
Vested	**(1,259,345)**	(1,440,426)
At 31 December	**2,543,688**	3,629,342
Exercisable at 31 December	**–**	–

During 2013 and 2014 grants of awards were made under the LTIP for the issue of shares in 2016 and 2017 respectively. The award is a contingent right to receive shares in the future, subject to continued employment and the achievement of predetermined performance criteria. The performance targets attached to awards require the achievement of earnings per share ("EPS") and total shareholder return ("TSR") targets as detailed in the Directors' remuneration report on page 45.

On 9 May, 22 August and 31 December 2014 grants of awards were made under the LTIP for the issue of up to 1,185,484 shares, 223,214 shares and 330,452 shares in 2017. On 17 April, 3 September and 15 October 2013 grants of awards were made under the LTIP for the issue of up to 948,607 shares, 323,500 shares and 22,000 shares in 2016.

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

The following table lists the inputs to the model:

	2014			2013	
	Shares with a 31 December 2014 grant date	Shares with a 22 August 2014 grant date	Shares with a 9 May 2014 grant date	Shares with a 3 September 2013 grant date	Shares with a 17 April 2013 grant date
Number of awards	**330,452**	**223,214**	**1,185,484**	345,500	948,607
Fair value at grant date	**64.7p**	**129.4p**	**166.2p**	144.3p	120.0p
Share price at grant date	**101.5p**	**168.8p**	**216.8p**	190.0p	161.0p
Exercise price	**£nil**	**£nil**	**£nil**	£nil	£nil
Expected volatility	**40%**	**32%**	**38%**	42%	42%
Expected weighted average life at 31 December (years)	**3.0**	**2.7**	**2.3**	2.7	2.3

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

On 9 May 2014, 55,000 (3 September 2013: 37,500) notional share awards were granted to senior executives which will ultimately be settled in cash. These awards are subject to the same vesting criteria as the 9 May 2014 (3 September 2013) LTIP grant.

The LTIP grants made in 2011 vested during 2014 achieving 39.6% of the performance conditions. The weighted average exercise price was £nil.

The Group gave its 2011 LTIP holders the option to receive shares net of the employee tax owed. The employee tax of £0.5 million has been paid to the tax authorities in cash.

25 Share-based payment plans continued

c) Restricted Share Plan

On 24 September 2010, the Group granted 259,515 shares under a restricted share plan to certain senior executives. The award vested over 131,314 shares on 24 September 2013.

On 31 October 2013, the Group granted 481,900 shares under a new restricted share plan to certain senior executives. The award is a contingent right to receive shares with 40% vesting on completion of a three year period and the remaining 60% vesting six months later subject to continued employment with the Group and the achievement of predetermined performance criteria. The performance targets attached to the awards require the achievement of three equally weighted performance criteria: Revenue Growth Targets, Profit Margin Targets and Return on Capital Employed.

On 25 March 2014, the Group granted 153,800 shares under the restricted share plan. The award is a contingent right to receive shares with 40% vesting on the third anniversary of the date of the grant and the remaining 60% vesting in April 2017 subject to continued employment with the Group and the achievement of predetermined performance criteria. The performance targets attached to the awards require the achievement of three equally weighted performance criteria: Revenue Growth Targets, Profit Margin Targets and Return on Capital Employed. The fair value of the shares at grant date 22 August 2014 was 202.0p.

On 22 August 2014, the Group granted 218,626 shares under the restricted share plan. The award is a contingent right to receive shares with 57% vesting on completion of a 0.66 year period and the remaining 43% vesting one year later subject to continued employment with the Group. The fair value of the shares at grant date 22 August 2014 was 159.8p.

Details of the restricted share plan awards outstanding during the year are as follows:

	2014 Number of share awards	2013 Number of share awards
At 1 January	**481,900**	207,612
Granted	**372,426**	481,900
Forfeited	**(205,000)**	(76,298)
Exercised	**–**	(131,314)
At 31 December	**649,326**	481,900
Exercisable at 31 December	**–**	–

d) Sharesave schemes

The Group operates Sharesave schemes for participating employees in the UK, Germany and Austria under a three-year plan (historically a five year plan was offered which was discontinued during 2013). 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 (UK) or €7,200 (Germany/Austria) in any one year. Monthly contributions are saved with LloydsTSB plc, via Equiniti Ltd, the Registrars, in the employee's share savings plan and will only be released to employees who remain in the Group's employment for a period of either three or five years from commencement of the savings contract. Options become exercisable on completion of either the three or five year term or within six months of leaving in certain circumstances.

	Date price set	Market price	Option price	Options outstanding
UK	03 September 2010	142.5p	114.0p	478,915
Germany/Austria	19 April 2011	169.0p	136.0p	39,308
UK	2 September 2011	162.0p	130.0p	175,586
Germany/Austria	31 May 2012	162.0p	130.0p	53,116
UK	31 August 2012	148.0p	119.0p	85,966
UK	30 August 2013	186.0p	149.0p	297,751
Germany/Austria	24 June 2014	192.0p	166.0p	53,042
UK	30 September 2014	167.0p	136.0p	650,914

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

pence	2014 UK	2014 Germany/ Austria	2013 UK
3 year scheme	**43.0**	**53.0**	80.0

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

	2014 Number of share awards	2013 Number of share awards
At 1 January	**1,328,505**	1,678,514
Granted	**723,452**	348,481
Forfeited	**(131,944)**	(227,536)
Exercised	**(85,415)**	(470,954)
At 31 December	**1,834,598**	1,328,505
Exercisable at 31 December	**127,072**	13,850

25 Share-based payment plans continued

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

The total share-based payment charge for the year (excluding social security credit of £0.1 million (2013: £0.3 million charge) arising from the above share scheme plans was £1.3 million (2013: £1.1 million).

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

£million	Net cash	Borrowings and finance leases	Net (debt)/ funds
At 1 January 2013	59.1	(12.4)	46.7
Cash flow	(3.8)	(16.5)	(20.3)
Non-cash items	–	(0.1)	(0.1)
Exchange differences	(0.8)	1.4	0.6
At 1 January 2014	54.5	(27.6)	26.9
Cash flow	(15.3)	(24.9)	(40.2)
Non-cash items	–	(0.2)	(0.2)
Exchange differences	0.2	(1.0)	(0.8)
At 31 December 2014	**39.4**	**(53.7)**	**(14.3)**

Net cash includes overdraft balances of £nil (2013: £nil).

27 Contingent liabilities

The Group has contingent liabilities amounting to £0.3 million (2013: £0.3 million) in respect of performance bonds and guarantees entered into in the normal course of business. The Group is subject to claims which arise in the ordinary course of business. Other than those for which provisions have been made and included within note 19, the Directors consider the likelihood of any other claims giving rise to a significant liability to be remote.

28 Capital commitments

£million	2014	2013
Contractual commitments for the purchase of property, plant and equipment	**6.7**	6.7

29 Operating leases

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

£million	2014	2013
Fixtures and equipment	**0.6**	0.5
Land and buildings	**2.8**	3.1

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

£million	2014	2013
In less than one year	**3.5**	3.2
Between one and five years	**11.5**	8.6
After five years	**8.0**	0.9

30 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 2014 or 2013 that have affected the financial position or performance of the Group.

Key management personnel and Directors' emoluments are disclosed in note 12.

Company balance sheet

£million	Note	2014	2013
Fixed assets			
Tangible assets	2	**1.0**	1.6
Intangible assets	2	**5.9**	4.3
Investments	3	**49.6**	90.0
Deferred tax asset	11	**2.1**	4.1
		58.6	100.0
Current assets			
Debtors	4	**147.0**	155.6
Cash at bank and in hand		**3.7**	3.9
		150.7	159.5
Creditors: amounts falling due within one year	5	**(11.4)**	(31.0)
Net current assets		**139.3**	128.5
Total assets less current liabilities		**197.9**	228.5
Pension liability	10	**(10.5)**	(19.8)
Net assets		**187.4**	208.7
Capital and reserves			
Called up share capital	6	**39.8**	39.7
Share premium account	8	**1.5**	1.4
Profit and loss account	8	**146.1**	167.6
Shareholders' funds		**187.4**	208.7

Approved by the Board of Directors on 11 March 2015 and signed on their behalf by:

Richard Tyson
Director

Mark Hoad
Director

Notes to the Company financial statements

1 Significant accounting policies

Basis of preparation

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

There were no new standards or amendments to existing standards that became effective in the year. Further, there are no new standards or amendments to standards which are issued but not yet effective.

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

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less a provision for depreciation. Depreciation is calculated so as to write-off the cost less estimated residual value of tangible fixed assets, in equal instalments over their expected useful lives. No depreciation is provided on freehold land. The depreciation rates for the major categories of asset are given in note 2 to the consolidated financial statements. The carrying values of fixed assets are reviewed for impairment when there is an indication that the assets may be impaired.

Intangible fixed assets and amortisation

Acquired computer software licences 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 Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets and amortised over a 3 to 5 year period. Capitalised software development expenditure is stated at cost less accumulated amortisation.

Investment properties

Investment property is recorded at open market value as determined by independent valuers. In accordance with the Statement of Standard Accounting Practice (SSAP) 19, depreciation is not provided on investment property on the basis that such property is not held for consumption but for investment. The Directors believe, therefore, that this accounting policy is necessary for the accounts to give a true and fair view.

Changes in the market value of investment properties are not taken to the profit and loss account and are recognised within the revaluation reserve, unless a deficit (or its reversal) on an individual investment property is expected to be permanent, in which case it is charged (or credited) in the profit and loss account of the period.

Investments

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

Deferred taxation

Deferred taxation is the taxation attributable to timing differences between the results computed for taxation purposes and results as stated in the financial statements. It is recognised on all timing differences where the transaction or event which gives the Company an obligation to pay more tax, or the right to pay less tax in the future, has occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using the rates of tax enacted or substantively enacted at the balance sheet date.

Pension costs

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

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

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

Foreign currencies

Assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date.

Share-based payments

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

Leases

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

1 Significant accounting policies continued

Own shares held by Employee Benefit Trust

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

2 Tangible and intangible fixed assets

£million	Intangible assets	Freehold land and buildings	Plant, equipment and vehicles	Total tangible fixed assets
Cost				
At 1 January 2014	5.0	2.9	1.5	4.4
Group transfers	–	–	(0.7)	(0.7)
Disposals	–	(0.7)	–	(0.7)
Additions	2.7	–	1.0	1.0
At 31 December 2014	**7.7**	**2.2**	**1.8**	**4.0**
Depreciation				
At 1 January 2014	0.7	2.2	0.6	2.8
Charge for the year	1.1	–	0.2	0.2
At 31 December 2014	**1.8**	**2.2**	**0.8**	**3.0**
Net book value				
At 31 December 2014	**5.9**	**–**	**1.0**	**1.0**
At 31 December 2013	4.3	0.7	0.9	1.6

Included within intangible fixed assets are assets under construction with a carrying value of £0.8 million (2013: £2.2 million).

3 Fixed asset investments

£million	Subsidiary undertakings
Cost	
At 1 January 2014	129.4
Return of capital	(42.0)
At 31 December 2014	**87.4**
Provisions	
At 1 January 2014	39.4
Charge for the year	26.8
Return of capital	(28.4)
At 31 December 2014	**37.8**
Net book value	
At 31 December 2014	**49.6**
At 31 December 2013	90.0

The Company's principal operating subsidiary undertakings and their locations are shown in note 14.

The Company owns 100% of the ordinary share capital or equivalent and 100% of voting rights of all subsidiary undertakings other than Rodco Limited, which is non-trading and is 60% owned. Shareholdings are held indirectly for all principal operating subsidiary undertakings.

During the year the Company was part of a restructuring of entities within the TT Electronics Group. As part of this restructuring the Company's subsidiaries Magnetic Materials Group Ltd, Deltight International Ltd, Yerrus Number Three Ltd and Crystalate Holdings Ltd returned their capital invested by the Company. A gain of £2.7 million was realised on the transactions as the gross consideration received was £16.3 million and the carrying value of the investments was £13.6 million.

In the opinion of the Directors the investments in subsidiaries are not less than the value at which they are included in the balance sheet.

4 Debtors

£million	2014	2013
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	**146.1**	154.6
Prepayments and accrued income	**0.7**	1.0
Income tax receivable	**0.2**	–
	147.0	155.6

5 Creditors

£million	2014	2013
Amounts falling due within one year		
Trade creditors	**2.3**	3.9
Amounts owed to subsidiary undertakings	**6.4**	22.0
Taxation and social security	**0.2**	0.5
Accruals and deferred income	**2.5**	4.6
	11.4	31.0

6 Share capital

£million	2014	2013
Issued, called up and fully paid		
159,008,330 (2013: 158,608,324) ordinary shares of 25p each	**39.8**	39.7

During 2014 the Company issued 278,708 ordinary shares on the vesting of the Long Term Incentive Plan awards issued in 2011. The shares were then allocated to award holders via an Employee Benefit Trust for nil consideration. A charge of £0.1 million has been recognised in retained earnings accordingly.

The Company also issued 121,298 ordinary shares as a result of share options being exercised under the 2004 Unapproved Plan, the Sharesave scheme and Share Purchase plans. The aggregate consideration received was £0.1 million, which resulted in an increase in share premium of £0.1 million.

7 Share-based payments

Details of share-based payments are shown in note 25 of the Consolidated financial statements.

8 Shareholders' funds

£million	Share capital	Share premium	Profit and loss account
At 1 January 2014	39.7	1.4	167.6
New shares issued	0.1	0.1	(0.1)
Actuarial net gain on defined benefit pension schemes	–	–	2.3
Tax on actuarial amounts in pension deficit movement	–	–	(1.2)
Share-based payments	–	–	0.8
Deferred tax on share-based payments	–	–	(0.1)
Dividends paid by the Company	–	–	(8.7)
Loss for the year	–	–	(14.5)
At 31 December 2014	**39.8**	**1.5**	**146.1**

9 Profit for the year

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its profit and loss account for the year. The loss after tax of the Company for the year was £14.5 million (2013: loss of £4.4 million). The auditor's remuneration for audit services is disclosed in note 7 to the Consolidated financial statements.

10 Pension schemes

Defined benefit scheme

The triennial valuation of the UK scheme as at April 2013 showed a deficit of £19.1m compared with £39.4 million at April 2010. It was agreed with the Trustee that the existing recovery plan is sufficient to address the deficit; namely contributions of £4.3 million and £4.5 million to be paid in respect of 2015 and 2016. £3.1 million was paid in respect of 2014 during the year and a further £1 million was paid early in 2015 in respect of 2014. A further £1 million payment was made during the year to fund a trivial commutation exercise. In addition, the Company has set aside £3.0 million to be utilised in agreement with the Trustee for reducing the long-term liabilities of the scheme. Further details of the scheme are provided in note 23 to the Group financial statements.

Defined contribution scheme

The Company operates a Group personal pension plan for employees and pays contributions to administered pension insurance plans. The Company has no further payment obligation once the contributions have been paid. Payments to the defined contribution scheme are charged as an expense as they are incurred. The total contributions charged by the Company including employee salary exchange contributions in respect of the year ended 31 December 2014 were £0.6 million (2013: £0.6 million).

11 Deferred tax

The deferred tax asset of £2.1 million (2013: £4.1 million) is made up of an asset of £2.1 million (2013: £4.0 million) in respect of the pension liability, the movement in which has been recognised in profit (£0.7 million charge) and equity (£1.2 million charge), and an asset of £nil (2013: £0.1 million) in respect of share-based payments, the movement in which has been released through equity (£0.1 million charge).

At 31 December 2014, the Company had recognised no deferred tax assets on gross tax losses of £23.2 million (2013: £23.5 million) and gross property, plant and equipment timing differences of £2.6 million (2013: £0.9 million).

12 Commitments under operating leases

Annual commitments under non-cancellable operating leases were £0.1 million, expiring between two and five years (2013: £0.1 million, expiring between two and five years).

13 Related party transactions

During 2014 and 2013, the Company did not have any related party transactions other than with wholly owned subsidiaries.

14 Principal operating subsidiaries

The principal operating subsidiaries are:

Sensing and Control
AB Elektronik GmbH, Germany
AB Elektronik Sachsen GmbH, Germany
TT Electronics Sensing and Control Private Limited, India
AB Elektronik Sensors (Suzhou) Co Ltd, China
AB Electronic Manufacturing, Mexico
Optek Technology, USA, Mexico
AB Mikroelektronik GmbH, Austria
TT Electronics Sensing and Control SRL, Romania
TT Electronics Technology Ltd
Roxspur Measurement and Control Limited
AB Elektronik, Inc, USA
BI Technologies*, USA, Mexico
TT Electronics Asia Pte Ltd*, Singapore

* Also conducts Components business.

Components
International Resistive Company, USA, Barbados
Semelab Limited
Welwyn Components Limited
AB Connectors Limited
AB Electronics (Suzhou) Co Ltd, China
BI Technologies, Malaysia

Integrated Manufacturing Services
TT Electronics Integrated Manufacturing Services Limited
TT Electronics Integrated Manufacturing Services (Suzhou) Co Ltd, China
TT Electronics Integrated Manufacturing Services Inc, USA
New Chapel Electronics Limited
TT Electronics Integrated Manufacturing Services SRL, Romania
Abtest Ltd

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

Five-year record

£million (unless otherwise stated)	2014	2013[1]	2012	2011	2010
Revenue	**524.3**	532.2	476.9	509.6	555.5
Operating profit[2]	**29.2**	30.8	28.7	28.7	24.9
Profit before taxation[2]	**27.6**	30.1	25.3	24.5	20.6
Earnings/(loss)[2]	**20.5**	23.0	18.6	17.6	13.9
Earnings/(loss) per share (p)[2]	**12.9**	14.6	11.9	11.4	9.0
Dividends – paid and proposed	**8.7**	8.5	7.8	6.8	4.3
Dividend per share – paid and proposed (p)	**5.5**	5.4	5.0	4.4	2.8
Average number of shares in issue	**158.3**	157.6	156.1	154.9	154.8
Net cash/(debt)	**(14.3)**	26.9	46.7	15.2	(9.9)
Total equity	**187.8**	203.3	191.1	191.4	179.1

Notes
1 Results for 2013 have been represented to exclude acquisition related items from underlying profit.
2 Operating profit, profit before taxation, earnings and earnings per share exclude the impact of restructuring costs, asset impairments and acquisition related costs.

Glossary

Key performance indicators

Organic revenue growth
Definition:
Organic revenue growth is the percentage change in revenue from continuing Group operations in the current year from the prior year. The effects of currency movements, divestments and acquisitions made during the current or prior financial year have been removed. This KPI measures our strategy in growth markets.

Operating profit margin
Definition:
Operating profit margin is defined as operating profit before exceptional items from continuing operations expressed as a percentage of revenue from continuing operations. This KPI is appropriate because we are focused on increasing the proportion of revenue from those markets where we can make higher returns, in addition to delivering an improvement in operational efficiency.

Operating cash conversion
Definition:
Operating cash conversion is defined as cash generated from continuing operations after capital and development expenditure, expressed as a percentage of operating profit before exceptional items from continuing operations. Cash conversion is an important metric to track the management of our working capital and capital expenditure.

Employee engagement
Definition:
We use our employee survey to measure how our employees feel about working in TT using a scale of 1 (low) to 7 (high) against eight factors (as surveyed by Best Companies Ltd).

Underlying earnings per share (EPS) growth
Definition:
EPS is calculated as profit before exceptional items from continuing operations attributable to shareholders, divided by the weighted average number of shares in issue during the year. We have chosen EPS growth as a KPI as it is a standard metric to determine corporate profitability for shareholders. In addition, it is a measure used as one of the performance conditions in the Group's Long Term Incentive Plan – see further details on page 45.

Safety performance
Definition:
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 of our facilities worldwide, reflecting our commitment to raising standards globally.

Relative total shareholder return
Definition:
TSR is defined as capital growth plus dividends paid, assuming dividends are reinvested over the period using a three-month opening and closing average. We believe that TSR is an important KPI because it measures the delivery of shareholder value as well as performance. In addition, it is a measure used as one of the performance conditions in the Group's Long Term Incentive Plan – see further details on page 45.

Glossary continued

Other terms

AECQ-200	An Automotive Electronics Council document
AGM	Annual General Meeting
Board of Directors	The Board of Directors of TT Electronics plc
CCA	Climate Change Agreement
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CR	Corporate Responsibility
CRC	Carbon Reduction Commitment
CSR	Corporate and Social Responsibility
DEF	Diesel Exhaust Fluid
DEFRA	Department for Environment, Food and Rural Affairs
EBT	Employee Benefit Trust
EICC	Electronics Industry Citizenship Coalition
EMB	Executive Management Board
EnHCDR	Enhanced High Capacity Data Radio
EPS	Earnings Per Share or Electronic Power Steering (as the context requires)
ESOS	Energy Savings Opportunity Scheme
EU	European Union
Euro6	European Emissions Standard 6
EVP	Executive Vice President
GDP	Gross Domestic Product
HFC	Hydrofluorocarbons
IFRS	International Financial Reporting Standards
IMS	Integrated Manufacturing Services
ISO/TS	International Organization for Standardization Technical Specification
ITAR	International Traffic in Arms Regulations
KPI	Key Performance Indicator
LED	Light emitting diode
LLP	Limited liability partnership
LTIP	Long Term Incentive Plan
MABAC	Micro ABAC (AB Aerospace Connector)
MIL PP	Military Push-Pull
Nadcap	National Aerospace and Defense Contractors Accreditation Program
NASA	National Aeronautics and Space Administration
NATO	North Atlantic Treaty Organisation
NOx	Nitrous oxide
OEM	Original Equipment Manufacturer
OIP	Operational Improvement Plan
PCBA	Printed circuit board assembly
PFC	Perfluorocarbons
PMI	Purchasing Managers Index
R&D	Research and Development
Roxspur	Roxspur Measurement and Control Limited
RSP	Restricted Share Plan
SAP	Systems, Applications and Products
SCR	Selective Catalytic Reduction
the Board	The Board of Directors of TT Electronics plc
the Code	UK Corporate Governance Code 2012
the Company	TT Electronics plc
TSR	Total Shareholder Return
TT	TT Electronics plc
UK	United Kingdom of Great Britain and Northern Ireland
USA	United States of America

Shareholder information

Annual General Meeting
The Annual General Meeting will be held on 12 May 2015 at 11.30am at The City Centre (formerly City Marketing Suite), 80 Basinghall Street, London EC2V 5AR.

Results
Announcement of 2015 half year results – late August 2015.
Preliminary announcement of 2015 results – mid March 2016.
Annual Report 2015 – to be posted mid April 2016.

Dividends
For the year ending 31 December 2014, the Board has recommended a final dividend of 3.8p per share which will be paid on 4 June 2015 to shareholders on the register on 22 May 2015 (2013: 3.8p). An interim dividend of 1.7p per share was paid on 30 October 2014 (2013: 1.6p).

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 below.

Share dealing services
Shareview Dealing is a telephone and internet service provided by Equiniti. It offers a simple and convenient way of buying and selling TT Electronics plc shares.

Log on to www.shareview.co.uk/dealing or call 0845 603 7037 between 8.00 am and 4.30 pm, Monday to Friday (except bank holidays), for more information about this service and for details of the rates and charges. Please note that telephone lines remain open until 6.00 pm for enquiries.

A weekly postal dealing service is also available and a form together with terms and conditions can be obtained by calling 0871 384 2248*. Commission is 1.75 per cent with a minimum charge of £55.

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

Shareholder enquiries
Equiniti maintain the register of members of the Company. If you have any queries concerning your shareholding, or if any of your details change, please contact the Registrars:
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

Telephone 0871 384 2396* (or +44 121 415 7047 if calling from outside the United Kingdom) Fax 0871 384 2100*

Textphone for shareholders with hearing difficulties 0871 384 2255*

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

* UK calls to 0871 numbers cost 8p per minute plus network extras. Lines are open from 8.30 am to 5.30 pm, Monday to Friday (except bank holidays).

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

Notes

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