14 March 2013

TT electronics plc

A global provider of performance critical technology solutions to leading manufacturers

Annual Results for the financial year ending 31 December 2012

HIGHLIGHTS

Continuing operations £million	**2012**	**2011**	**Change**
Revenue	476.9	509.6	-6.4%
Operating profit*	29.4	28.7	+2.4%
Operating profit margin*	6.2%	5.6%	+60 bps
Profit before taxation and exceptional items	26.7	24.5	+9.0%
Profit before taxation	23.4	26.8	-12.7%
Earnings per share*	12.6 pence	11.4 pence	+10.5%
Dividend per share	5.0 pence	4.4 pence	+13.6%
Net cash	46.7	15.2	+£31.5m

* before exceptional items

- Resilient performance with operating profit margin increased by 60 basis points
- Wholly focused electronics business following disposal of Secure Power division
- Strong cash generation resulting in year end net cash of £46.7 million
- Accelerating globalisation with expansion in Mexico, Romania, India and China
- Total dividend for 2012 increased by 13.6 per cent to 5.0 pence per share (2011: 4.4 pence per share)
- Evolving business structure through creation of Sensing and Control business to address increasing market opportunities

Geraint Anderson, Group Chief Executive, said today:

"The business performed well against the backdrop of a challenging market environment reporting an improvement in profitability as we made further progress towards our stated margin targets.

We are now a wholly focused electronics business and we further expanded our global footprint and capacity in strategic regions, enhancing our ability to serve key customers.

In 2013, we will combine our existing capabilities to create a Sensing and Control business and focus investment to capture increasing market opportunities and drive value for shareholders."

For further information, please contact:

TT electronics plc **Tel: 01932 825300**
Geraint Anderson, Group Chief Executive
Shatish Dasani, Group Finance Director

Hudson Sandler **Tel: 020 7796 4133**
Andrew Hayes/Wendy Baker/Katie Matthews

There will be an analysts' meeting at 9am today. For further information please contact Hudson Sandler.

Chairman's statement

I am pleased to report that TT electronics has delivered a resilient set of results for 2012 with continued progress towards its margin targets against the background of challenging market conditions. Although revenue from continuing operations decreased by 4.1 per cent at constant exchange rates, to £476.9 million (2011: £509.6 million) operating profit before exceptional items increased to £29.4 million (2011: £28.7 million) with the operating profit margin increasing to 6.2 per cent (2011: 5.6 per cent) as a result of our focus on product management and a series of self-help measures to optimise the cost base. Headline earnings per share was 12.6 pence (2011: 11.4 pence), an increase of 10.5 per cent.

During the year we successfully concluded the sale of the Secure Power division, with the disposal of Dale Power Solutions Limited in July and the Ottomotores business in December for a total consideration of £39.6 million. These disposals were in line with the Group's strategy of realising value from businesses that are non-core and mean that TT is now a focused electronics group. We supply leading manufacturers who operate in markets with strong underlying growth drivers where the pace of deployment of complex electronics is being driven by increasing demands in terms of performance and reliability.

We have made significant progress in improving our global operational footprint, with the expansion of the Mexicali facility in Mexico completed ahead of schedule. We established a new facility in Romania during the year and plan to take up additional space within this facility for all of our divisions. We opened a new purpose built facility in India and have opened a Group engineering centre in Bangalore which will be used to increase our engineering capacity and expertise within the Group. Furthermore, in February 2013 we completed the purchase of the minority interest in our Indian business from our commercial joint venture partner, to pursue growth opportunities in India.

In December, we acquired the majority of the UK business and assets of ACW Technology Limited for a consideration of £3.1 million together with the transfer of associated production from ACW's facility in Zhuhai in China to our facility in Suzhou, China. This business provides manufacturing services to leading global customers in the defence, aerospace and industrial markets and strengthens our position as one of the largest aerospace and defence contract electronic manufacturers in the UK. We will continue to look for selective acquisitions to accelerate growth in our target markets and provide complementary technologies.

The Group has further strengthened its cash position with net cash of £46.7 million at the end of 2012 compared to £15.2 million at the end of 2011, despite significant capital investment in the business. The Group's main debt facility has been refinanced at a level of £70.0 million and secures the Group's financing until August 2017, thus facilitating our organic and inorganic expansion plans.

In view of the progress made in 2012 and the Board's continued confidence in the Group's financial position and future prospects, the Board is pleased to recommend a final dividend of 3.5 pence which, when combined with the interim dividend of 1.5 pence, gives a total of 5.0 pence per share for the full year (2011: 4.4 pence per share), representing an increase of 13.6 per cent. This will be paid on 30 May 2013 to shareholders on the register at 17 May 2013.

We have created a more focused electronics business. We see increasing opportunities as critical sensing and control electronics become more prevalent in our core markets. To address this we have proven technologies and a reputation for innovation, a global presence, longstanding customer relationships and, most of all, talented people. In order to drive value for all shareholders, we will be combining our existing capabilities to create a Sensing and Control business to capture these opportunities.

Sean Watson
Chairman

13 March 2013

Operating review

Group overview

Against the background of a challenging market environment, the business has performed well and we made further progress towards our margin targets with an improvement in profitability that was underpinned by self-help measures to optimise the cost base, whilst at the same time balancing the medium and long-term goals of the Group. Further operational improvements were also delivered contributing to the improvement in the operating margin. As a result of these actions, we are creating a sustainable foundation for future growth.

We successfully concluded the sale of the Secure Power division during the year, with the disposal of Dale Power Solutions Limited in July for £10.6 million and the Ottomotores business in December for £29.0 million. These disposals are in line with our strategy to realise value from businesses that are non-core. In accordance with accounting standards, the business is shown as discontinued for all of 2012 and the comparatives for 2011 have been restated. The Group is now a focused electronics group enabling us to supply leading manufacturers in the defence, aerospace, medical, transportation, energy and industrial markets where the pace of deployment of electronics is being driven by increasing demands in terms of performance and reliability.

We have continued to make progress in developing our position in markets which present the greatest opportunity and have strengthened our relationship with key customers in these target markets, as evidenced by new business wins with leading customers. The passenger car market remains important for us, and following the sale of the Secure Power division is the largest segment for the Group, representing 41 per cent of revenue due to continuing strong demand from BMW, VW and Daimler for passenger cars in Russia, Asia and North America. Good growth was seen in the Sensors division in China as we won business with local indigenous car manufacturers, but this growth was offset by lower global demand from certain of the smaller European automotive OEMs. We will continue to look at opportunities to balance our exposure to the passenger car market by targeting other key markets, organic growth projects and through acquisitions.

We continue to improve our international operational footprint in order to increase profitability and better support our global business by aligning our presence with our key customers. The closure of the Boone, North Carolina facility and the associated expansion of the Mexicali facility in Mexico were completed ahead of schedule, delivering the annualised economic benefits earlier than planned. Additionally, within the Components division we commenced manufacturing in the facility in Romania during the year and have also commenced the transfer of certain production lines in the Sensors division from Germany to Romania. We plan to take up additional space within the Romania facility as all of our divisions seek to utilise this new opportunity. We have expanded our floor space in emerging regions by 51 per cent and headcount by 19 per cent over the last three years, reflecting their strategic importance to the Group.

We made significant progress within our business in India during the year, moving to a new purpose built facility and further strengthening the management team. We also opened a new Group engineering centre in Bangalore which will be used to increase the expertise and capacity of engineering knowledge within the Group. In February 2013, we completed the purchase of the minority interest in our Indian business from our commercial joint venture partner, reflecting the opportunities to grow the business in India.

In December, we completed the acquisition of the majority of the UK business and assets of ACW Technology Limited for a consideration of £3.1 million. We also agreed the transfer of associated production from ACW's facility in Zhuhai in China to our facility in Suzhou, China. The acquired business provides manufacturing services to leading global customers in the defence, aerospace and industrial markets and strengthens our position as one of the largest aerospace and defence CEMs in the UK.

In August, we completed the re-financing of our existing debt facility, which was due to be repaid in May 2013, with a new five year committed revolving credit facility of £70 million and an incremental accordion facility of £42 million. These new facilities secure the Group's financing until August 2017, thus facilitating our organic and inorganic expansion plans. Net cash at 31 December 2012 was £46.7 million compared with £15.2 million at 31 December 2011. The increase in net cash is due mainly to operating cash generation from the business together with the proceeds from the Secure Power division disposal, offset in part by higher levels of capital investment.

Market environment

After an encouraging start to the year, the global macro-economic environment quickly deteriorated toward the end of the second quarter of 2012 with all of our divisions seeing signs of slowdown in their end markets. A general nervousness and lack of confidence arising from economic concerns in the US, in Europe as a result of the Eurozone uncertainty, and fears of a soft landing in China led to pressure being put on inventory levels throughout the supply chain.

Revenue

Revenue from continuing operations decreased by 6.4 per cent to £476.9 million (2011: £509.6 million), reflecting the difficult market conditions and the planned exit from certain lower margin projects. After adjusting for an adverse foreign exchange impact of £11.8 million, the underlying decrease in revenue was 4.1 per cent.

Operating profit

The overall Group operating profit margin improved from 5.6 per cent in 2011 to 6.2 per cent despite the challenging market environment. Our focus on product management, productivity improvements from our operational excellence programmes and investment to improve the underlying cost base resulted in an operating profit before exceptional items from continuing operations of £29.4 million, an increase of £0.7 million compared to 2011. All of the divisions delivered higher operating profit margins compared to 2011 despite the difficult market conditions and the challenges of managing the short-term cost base whilst making investments for the medium and long term in response to customer demand. Furthermore, the IMS division has achieved the 6 to 8 per cent operating profit margin target that was previously set. The adverse impact of foreign exchange variations on the translation of operating profit was £0.9 million, primarily due to a strengthening of Sterling against the Euro by 6.1 per cent.

Our plans for 2013

Consistent with our strategy, we will continue to develop the Group's position in target markets, building on current customer relationships and winning new accounts where we have a compelling offering.

Automotive, industrial, aerospace and medical products are becoming more sophisticated in response to demand for greater functionality, safety and performance. The increased use of complex electronic systems leads to the greater deployment of sensors and a requirement for intelligence and control. To build on our strengths in this area and to meet the increased demand for sensing and control electronics, we will combine our sensor capabilities (which currently span our Sensors and Components divisions) with our complementary skills in the area of power management and control. The revised structure will facilitate a unified approach to key customers and more effective use of sales resources. Together, the Sensing and Control business (which would have represented approximately 55 per cent of Group revenue in 2012) has the potential to deliver significant growth.

We will continue to invest in operational excellence scaling the Group's manufacturing footprint in its lower cost locations, which will lead to an increasing proportion of production being undertaken in Mexico, India, China and Romania. In addition we are adding capacity in our new engineering centre in Bangalore to supplement our traditional core engineering teams in Germany, Austria and the US, thereby enabling us to address many more opportunities.

We will continue to look for selective acquisitions to accelerate the Group's growth in its target markets and provide complementary technologies.

Group outlook

We remain focused on providing critical technology to markets with strong fundamental growth drivers where the deployment of complex electronics is increasing. This will drive demand for our solutions even if the macro-economic environment remains uncertain. Going forward, the focus of the Group around Sensing and Control will enable us to work closer with key global customers and take maximum advantage of these opportunities. The changes being made to the Group's operational footprint will help position us to meet these requirements with increasing efficiency. We anticipate that the Group will make further progress during the year in positioning the business for future growth and improved margins.

Components

	2012	2011
Revenue	**£226.0m**	£242.7m
Operating profit*	**£14.8m**	£14.8m
Year end headcount	**2,985**	3,219
Operating profit margin*	**6.5%**	6.1%
Return on capital employed	**13.9%**	12.4%

*Before exceptional items

The Components division is focused on creating value by delivering innovative electronic solutions with increased functionality, efficiency, and control, coupled with best in class service and support worldwide. The division provides engineered component solutions which include fixed and variable resistor products, optoelectronics, power modules and control circuitry for multiple applications. With facilities in North America, Europe and Asia, a sales presence in all major markets and application engineers strategically located around the world, the division is well positioned to serve customers in all regions.

Strategy

The division targets markets with underlying growth drivers where we can create value based upon our technology and engineering expertise. We work closely with our customers, anticipating their needs, turning ideas and technology into differentiated solutions. The division is focused on increasing the pace of new product introduction through improvements in product management and delivering wide ranging operational improvements, making it easier for customers to do business with the division and thereby contributing to improved value creation.

Progress

In 2012, we continued to focus on margin progression and responded rapidly to mitigate the impact of a challenging market in the second half of the year. We took actions to balance pressures on input prices, raw materials and overheads. These measures included temporarily reducing capacity, where needed and expanding production in better cost regions. Furthermore, the operations team delivered improvements in productivity, efficiency, quality and on-time delivery through lean manufacturing principles and Six Sigma initiatives which additionally contributed to the improvement in the operating margins.

We continued to drive new product introductions and the division won more new business in 2012 than in 2011. As a result of our focus on key accounts, product management, and targeting markets with strong underlying growth drivers, the division performed better than a number of competitors, thereby gaining market share in key segments. We achieved good customer wins in our target markets with customers such as CAS Medical Systems Inc and KTM and also grew our business and market share with a number of key global distributors.

The development of the product portfolio remains a critical focus to ensure that our product development plans accurately align with emerging customer needs. As part of this process, we have implemented a project portfolio management tool which provides a standardised framework for effectively managing and prioritising the portfolio of development projects, the market opportunity and the associated spend. This tool will facilitate the enhanced control and reporting of new product introduction and monitor the subsequent return on engineering investments.

The closure of the Boone, North Carolina facility and the associated significant expansion of the Mexicali facility in Mexico were completed several months ahead of schedule. Over the last two years, the capacity at the Mexicali facility has increased by 67 per cent to 100,000 square feet. Mexicali now provides the division with a North American low cost centre of excellence which is part of the Group's strategy to align its footprint with key customers and to improve competitiveness and margins. Additionally, in 2012, we commenced manufacturing in the Group's East European facility in Romania. Across the Group, we are planning to take additional space within the Romania campus for further transfers.

Our focus on innovation remains key to meeting the demands of increasingly sophisticated and complex electronic systems. To support our customers' needs, we are establishing a dedicated research and development laboratory in our Corpus Christi, Texas facility to further the pace of development of resistor technologies. The primary objective of this laboratory is the development, testing and commercialisation of next-generation resistor technologies that will provide additional value to our customers. The development laboratory will assist with rapid technology transfer from proof of concept to volume production, allowing us to respond quickly to customer needs. This state of the art facility will start to deliver financial benefits in 2014.

The division's principal competitors include Bourns, Koa, Semikron and Vishay.

Markets

After a positive start in early 2012, the trading environment quickly deteriorated toward the end of Q2 2012. This difficult market environment was characterised by lower levels of confidence in the industry, with customers reducing their inventory levels and lead times.

Performance

Although underlying revenue for the year decreased by 5.6 per cent to £226.0 million (excluding an adverse foreign exchange impact of 1.3 per cent), the division performed better than its main competitors and gained market share. Operating profit for the year was flat at £14.8 million, giving an operating profit margin of 6.5 per cent (2011: 6.1 per cent).

Outlook

Although the first few weeks of 2013 showed a notable improvement in order intake over 2012, market conditions are not expected to improve significantly until later in the year. The business remains focused on improving margins through new product introductions, pursuing sales growth through the key account programme, and remaining responsive to customers' needs. At the same time, we anticipate an improvement in operational performance through sharing of lean best practices, expanding our productivity improvement programmes, and a further ramp up of activity at our Mexicali and Romania facilities.

Sensors

	2012	2011
Revenue	**£148.2m**	£166.9m
Operating profit*	**£8.4m**	£8.8m
Year end headcount	**1,164**	1,108
Operating profit margin*	**5.7%**	5.3%
Return on capital employed	**14.8%**	18.5%

*Before exceptional items

The division provides sensing solutions, including speed, position, temperature, accelerator pedal and pressure sensors, for critical applications which require high levels of expertise, precision and reliability, often operating in extremely harsh environments. We are focused primarily on the transportation and industrial markets where our ability to meet these requirements helps our customers to compete and win. The division's principal operations are in Germany, India, China and Mexico and are supported by additional engineering and development teams in the UK.

Strategy

We provide sensors that form the heart of critical systems which improve safety, performance and emissions, helping our customers to be more competitive and address increasing levels of regulation and legislation. The division's ability to deliver high performance micro electronic and mechanical solutions that work reliably first time, every time, in extremely harsh environments is a key differentiator. We are focused on sectors which are growing, that value our expertise and where the deployment of sensing technology is increasing to address new challenges. Target markets include transportation, industrial and medical. We are building long-term strategic partnerships with leading companies in each of these markets whilst investing in the further development of our geographic footprint to support them in all major regions. The division is embedding a culture of continuous improvement and using total business excellence to ensure common core processes and standards across all of its operations.

Progress
After an encouraging start to the year, with the division performing broadly in line with expectations, we experienced a very different business environment in the second half of the year. Whilst the core business remained strong, we were impacted by lower demand from specific customers with sales to certain of the smaller European OEMs and some truck customers being impacted by the uncertain economic environment, particularly in Europe.

The management team was quick to respond to the market environment and a number of actions were taken to maintain profitability, whilst at the same time balancing our medium and long-term goals. The division’s global footprint, reputation and strong customer contacts have resulted in significant new business both identified and won. We are investing in resources and capital to take advantage of these opportunities which will move into volume production in 2014 and beyond.

We have continued to develop the division’s global footprint into emerging regions as part of our globalisation strategy, and have commenced the transfer of certain production lines from Germany to the Group’s facility in Romania. Production from these lines is due to commence in early 2013. We also commenced production in our new manufacturing centre in Mexico during the third quarter of 2012.

Significant progress has been made in India during the year. We transferred production to a new facility in the fourth quarter of 2012 and increased our capacity from 5,000 square feet to over 30,000 square feet. We have also strengthened our global management team with the appointment of an India-based VP of Global Product Management and a new Finance Director for the Indian business. Furthermore, we opened a new Group engineering centre in Bangalore, which will be used to increase the expertise and capacity of engineering knowledge within the Group. In February 2013, we completed the purchase of the minority interest in our Indian business from our commercial joint venture partner, reflecting the opportunities to grow the business in India.

The division is continuing to see operating efficiencies from the lean manufacturing programmes being put in place in all of our facilities. We are also increasing the skills of our workforce through training programmes including putting record numbers of people through Six Sigma yellow, green and black belt programmes. We are continuing to implement common processes, equipment and systems in all of our facilities so that we operate to one global standard. In addition, we have moved talented individuals to our emerging regions, reflecting our growing manufacturing presence in these locations and their strategic importance to the business.

The division’s principal competitors include divisions of Bosch, Continental, CTS and Hella.

Markets
Market demand for the top three German automotive OEMs grew during 2012 as the premium car market out-performed other sectors, due to continuing strong demand for passenger cars in Russia, Asia and North America. However, global demand for certain of the smaller European automotive OEMs significantly decreased. There was also a contraction in the truck market which was particularly impacted by the uncertain economic environment within Europe.

Performance
Underlying revenue for the year decreased by 4.9 per cent to £148.2 million, excluding a foreign exchange impact of 6.3 per cent, primarily as a result of lower demand from the smaller European OEMs and truck customers. Although operating profit decreased to £8.4 million (after allowing for a £1.1 million adverse foreign exchange impact), as a result of the mitigating actions taken the operating profit margin increased to 5.7 per cent (2011: £8.8 million operating profit, 5.3 per cent operating profit margin).

Outlook
We will continue to consolidate our position during 2013, with the further transfer of production to Romania and bringing on stream new lines in Mexico and China. We will work closely with our major OEM customers to support them in different parts of the world and anticipate growth from new contract wins with these customers as we go into 2014.

IMS

	2012	2011
Revenue	**£102.7m**	£100.0m
Operating profit*	**£6.2m**	£5.1m
Year end headcount	**1,181**	1,133
Operating profit margin*	**6.0%**	5.1%
Return on capital employed	**32.5%**	21.7%

*Before exceptional items

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

The division supports its customers with a global footprint and local support from manufacturing operations in China, USA, UK and Malaysia.

Strategy

The division's strategy is to work with customers who are looking for a partner to build their more complex electronic and electromechanical products and who value our ability to provide support, not only throughout the product lifecycle but also across multiple geographic regions. Our global presence, combined with local engineering and customer service, is a key differentiator against our regional competitors. Furthermore, these core tactics are executed exclusively within a high mix, low volume model of production designed for flexibility and agility.

Progress

The division has performed well in a difficult market environment. Whilst the underlying base business has decreased and projects have come to the end of their life, this reduction has been more than offset by new business resulting from the investments made in 2011 to strengthen the sales team and our focus on winning key strategic customers in target markets, which underpins our global strategy.

The division's sales teams have performed very well and we were particularly pleased to secure a significant new global aerospace and defence customer, Cobham plc, which will bring significant business for multiple locations.

Quality and the safety of our employees remain a key focus for us, and all four of our facilities now have OHAS 18001 certification. We have also seen the benefits of the Nadcap aerospace and defence quality accreditation for cable and harness assemblies (AC7121) that was obtained in our China facility in 2012. This certification, in addition to the Nadcap accreditation for printed circuit board assemblies (AC7120) which the facility was awarded in 2011, represents the division's commitment to the aerospace industry on a global scale. These accreditations have enabled us to win strategic new business in the Chinese commercial aerospace market. These quality standards are a key differentiator for us, as we were the first CEM company in China and only the fifth worldwide to receive both printed circuit board assembly and cable and harness certification from Nadcap. These accreditations are in the process of being replicated at our other sites.

In December, we completed the acquisition of the majority of the UK business and assets of ACW Technology Limited for a consideration of £3.1 million. We also agreed the transfer of associated production from ACW's facility in Zhuhai in China to our facility in Suzhou, China. The acquired business provides manufacturing services to leading global customers in the defence, aerospace and industrial markets, strengthens our position as one of the largest aerospace and defence CEMs in the UK, and is expected to generate approximately £25 million of sales in 2013. Exceptional costs of £0.5 million have been charged in 2012 and a further £1.4 million charge is anticipated for 2013 relating to the restructuring of the ACW business post-acquisition.

Our customers are continuing to benefit from our global manufacturing footprint and operating profit margin improved in 2012 as we continued to diversify our customer base into our key target markets.

The division's principal competitors include CTS, EPIC, Neways and Plexus.

Markets

The market environment in 2012 across all of our key target markets has been particularly challenging. Our focus on expanding our customer base globally utilising our manufacturing footprint, and expanding our value proposition through technology, services and corporate responsibility meant that the division had some success in these difficult market conditions.

Performance
Excluding the acquisition of the trade and assets of ACW Technology Limited in December 2012, underlying revenue for the year grew by 1.0 per cent excluding a foreign exchange benefit of 1.7 per cent. The division performed well given the challenging global market environment with continued progress being made with our key global strategic customers. This led to an improvement in operating profit before exceptional items to £6.2 million, delivering an operating profit margin of 6.0 per cent (2011: £5.1 million operating profit, 5.1 per cent operating profit margin) which is within the 6 to 8 per cent target range for the division.

Outlook
We anticipate making further progress during 2013 and will complete the integration of the ACW business, further strengthening our competitive position in key markets.

Financial review

Measuring our performance
The Group has a clear strategy to improve performance and deliver shareholder value. Financial progress is monitored using the financial key performance indicators identified in the 2009 Annual Report. Organic revenue from continuing operations contracted by 4.1 per cent, compared to the target of mid to high single digit growth. Despite the challenging macro-economic environment, the Group drove further progress towards the operating profit margin target of 8 to 10 per cent, achieving an operating profit margin from continuing operations of 6.2 per cent in 2012 compared to 5.6 per cent in 2011. All three divisions made progress towards their respective targets, with the IMS division reaching its target margin of 6 to 8 per cent. Headline earnings per share increased by 10.5 per cent to 12.6 pence, significantly outperforming the target of year on year growth of 3 per cent in excess of RPI. Operating cashflow conversion from continuing operations was 70 per cent, compared to the target of 100 per cent. Total cash conversion over the three years was 117 per cent. Relative total shareholder return was in the third quartile for the year, as was the case in 2011.

We use a number of financial key performance indicators (KPIs) to measure our performance:

Financial KPIs

Indicator	Target	**2012**	2011	2010*
Organic revenue growth	Each year to 2014 - Mid to high single digits	**(4.3)%**	8.9%	23.5%
Earnings per share (EPS) growth	Year on year growth of 3% in excess of RPI	**12.6p**	11.4p	9.0p
Operating cash conversion	Each year to 2012 – 100%	**70%**	121%	169%
Relative total shareholder return (TSR)	Above median performance against the FTSE Small Cap (excluding investment trusts)	**Third quartile**	Third quartile	Upper quartile
Operating profit margin	Group – in medium term 8-10%	**6.2%**	5.6%	4.5%
	Components – in medium term 10%	**6.5%**	6.1%	4.6%
	Sensors – in longer term 10%	**5.7%**	5.3%	2.7%
	IMS – in medium term 6-8%	**6.0%**	5.1%	4.7%

* 2010 data is as previously published in the 2011 Annual Report

Discontinued operations
In executing our strategy to focus on higher growth markets, the Group disposed of the Secure Power division during 2012. Total consideration received comprised £39.6 million in cash before costs (£43.9 million including costs and net debt disposed of), and is subject to a final adjustment once the completion balance sheet for the Ottomotores business has been agreed. In line with accounting standards, the business is shown as discontinued for all of 2012 and the comparatives for 2011 have been restated. Discontinued operations for 2011 also include AEI Compounds Limited which was sold in July 2011.

Acquisitions
In December 2012 the Group acquired the majority of the UK business and assets of ACW Technology Limited for consideration of £3.1 million. The acquired business provides manufacturing services to leading global customers in the defence, aerospace and industrial markets and strengthens our position as one of the largest aerospace and defence CEMs in the UK. Exceptional costs of £0.5 million have been charged in 2012 and a further £1.4 million charge is anticipated for 2013 relating to the restructuring of the ACW business post-acquisition.

Exceptional items

The Group reports non-trading income or expenditure as exceptional 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. An exceptional charge of £3.3 million from continuing operations has been recognised during 2012, compared with an exceptional credit of £2.3 million for 2011. The make-up is shown below:

£million	**2012**	2011
Continuing operations		
Reduction in UK pension liabilities	**–**	7.5
Restructuring costs	**(3.2)**	(5.2)
Negative goodwill on business acquisition	**0.3**	–
Acquisition costs	**(0.4)**	–
Total	**(3.3)**	2.3

The exceptional items relate to:

- Restructuring costs of £3.2 million associated with:
  - the closure of the Components operation in Boone, North Carolina of £2.1 million;
  - the transfer of certain production lines from the Sensors division facilities to Romania of £0.2 million;
  - redundancy costs of £0.4 million; and
  - costs associated with the post-acquisition restructuring of the ACW Technology business of £0.5 million.
- Negative goodwill arising on the acquisition of the trade and assets of ACW Technology Limited of £0.3 million; and
- £0.4 million of acquisition-related legal and professional fees.

Net finance costs

Net finance costs for 2012 were £2.7 million compared to £4.2 million in 2011. Included within this amount is £0.5 million (2011: £1.0 million) in respect of the net interest expense arising on pension scheme liabilities, £0.8 million (2011: £0.6 million) in respect of the amortisation of loan arrangement fees and £0.7 million (2011: £0.7 million) in respect of the interest expense on the minority put/call option relating to a third party minority interest in one of the Group's subsidiaries.

Taxation

The tax charge from continuing operations for the year was £6.2 million (2011: £5.3 million), which represents an effective tax rate of 26.2 per cent on continuing operations excluding exceptional items (2011: 28.2 per cent). The charge arises from the profits generated in overseas countries, in particular the USA, China and India. There is a minimal level of tax payable in the UK and Germany due to the availability of tax losses.

Earnings per share and dividends

Headline earnings per share from continuing operations were 12.6 pence, an increase of 10.5 per cent from 2011. Basic earnings per share from continuing operations were 11.0 pence (2011: 13.9 pence).

The Directors recommend a final dividend of 3.5 pence which together with the interim dividend of 1.5 pence gives a total dividend for the year of 5.0 pence per share (2011: 4.4 pence), an increase of 13.6 per cent. This is in line with the Group's policy of increasing dividends progressively whilst maintaining cover of at least two times underlying earnings per share. The final dividend will be paid on 30 May 2013 to shareholders on the register at 17 May 2013.

Pensions

The Group operates one significant defined benefit scheme in the UK and two overseas defined benefit schemes, in the USA and Japan. All of these schemes are closed to new members and the UK and USA schemes are closed to future accrual.

The assets and liabilities of the Group's defined benefit schemes are summarised below:

£million	2012	2011
Fair value of assets	**382.5**	373.4
Liabilities	**(416.2)**	(405.5)
Deficit – UK scheme	**(33.7)**	(32.1)
Overseas schemes	**(3.1)**	(3.4)
Total Group deficit	**(36.8)**	(35.5)

The triennial valuation of the UK scheme as at April 2010 showed a deficit of £39.8 million. A funding agreement is in place with the Trustee fixing deficit contributions at £3.7 million in 2012 and increasing by £0.2 million each year to £4.5 million in 2016. In addition, the Company has agreed to set aside £1.0 million per year for the next three years to be utilised in agreement with the Trustee for reducing the long-term liabilities of the scheme. The next triennial valuation of the UK scheme will take place in April 2013.

In the year ending 31 December 2013, revisions to IAS 19 'Employee benefits' will become effective leading to a change in the calculation of net interest expense on the pension scheme deficit and also the charging of administration expenses to operating profit rather than as a deduction to the expected return on pension scheme assets. Had the revisions to IAS 19 been adopted during the year, profit before tax would have decreased by £1.4 million.

Cash flow, borrowings and facilities

During 2012 the Group further strengthened its cash position with net cash of £46.7 million at 31 December 2012 compared to £15.2 million at the end of 2011. The increase in net cash is mainly due to operating cash generation from the business together with the proceeds from the disposal of the Secure Power division, offset in part by higher levels of capital investment.

£million (unless otherwise stated)	2012	2011
Underlying operating cash flow*	**45.4**	61.6
Working capital (outflow)/improvement*	**(3.5)**	10.7
Capital expenditure (including software)	**(20.0)**	(21.6)
Exceptional costs	**(4.1)**	(2.2)
Proceeds from disposal of businesses (net of expenses)	**37.5**	8.3
Net cash	**46.7**	15.2
Stock turns (times)*	**5.6**	6.6
Debtor days*	**39**	38
Creditor days*	**48**	39

* Amounts relate to continuing operations excluding the ACW acquisition and Secure Power division disposal

Underlying operating cash flow from continuing operations for 2012 was £45.4 million, compared with £61.6 million in 2011. The cash outflow from working capital was £3.5 million, compared to a cash inflow of £10.7 million in 2011 and was largely attributable to the build-up of inventory within the Sensors division as certain production lines are in the process of being transferred from Germany to Romania. This inventory build-up contributed £3.3 million of the increase in working capital.

Trade working capital represented 14 per cent of sales at 31 December 2012 (2011: 14 per cent). Working capital balances continued to be actively monitored and managed, with debtor days at a healthy 39 days and creditor days improving by 9 days to 48 days. Stock turns decreased from 6.6 turns to 5.6 turns due to the build-up of inventory within the Sensors division (as discussed above), longer supply chains on the business globally and the slowdown in activity levels in the second half of the year.

Conversion of operating profit to operating cash flow after capital expenditure from continuing operations was 70 per cent, due to higher capital investment and the increase in inventory mentioned above.

Exceptional cash restructuring costs of £4.1 million were incurred, together with a £3.7 million special payment to the UK pension fund.

In August 2012, the Group agreed a new five year committed revolving credit facility of £70 million and a further incremental accordion facility of £42 million with a club of four banks comprising HSBC, The Royal Bank of Scotland, Santander UK and Barclays Bank, as well as two separate bi-lateral agreements with Fifth Third Bank and Comerica Bank, both within the USA.

At 31 December 2012, £8.4 million of the revolving credit facility was drawn down and the accordion facility was undrawn. The undrawn facilities, together with the Group's net cash position, give the Group £61.6 million of committed undrawn facilities and £192.4 million of total cash and facilities available to fund organic and inorganic growth.

The main financial covenants in the new facility restrict net debt to below 2.75 times EBITDA before exceptional items. In addition, EBITDA before exceptional items is required to cover net finance charges by 4.0 times. The covenants are tested half-yearly on a rolling 12 month basis and were satisfied comfortably at 31 December 2012:

	Covenant	December 2012[1]
Net debt / EBITDA before exceptional items	**< 2.75**	(0.9)
EBITDA before exceptional items / net finance charges	**> 4.00**	22.7

1 based on EBITDA and net finance charges for the year ended 31 December 2012

The Directors have assessed the future funding requirements of the Group and compared them with the level of available borrowing facilities and are satisfied that the Group has adequate resources for the foreseeable future.

Geraint Anderson
Group Chief Executive
13 March 2013

Shatish Dasani
Group Finance Director
13 March 2013

Responsibility statement

Each of the persons who is a Director at the date of approval of this report confirms that to the best of his or her knowledge:

- each of the Group and parent Company financial statements, prepared in accordance with IFRS and UK Accounting Standards respectively, gives a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the undertakings included in the consolidation taken as a whole; and
- the Directors' report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board:

Geraint Anderson	***Shatish Dasani***
Group Chief Executive	Group Finance Director
13 March 2013	13 March 2013

Cautionary statement

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

Consolidated income statement
for the year ended 31 December 2012

£million (unless otherwise stated)	Note	**2012**	2011*
Continuing operations			
Revenue	3	**476.9**	509.6
Cost of sales		**(384.8)**	(407.8)
Gross profit		**92.1**	101.8
Distribution costs		**(32.7)**	(34.8)
Administrative expenses		**(34.8)**	(37.7)
Other operating income		**1.5**	1.7
Operating profit		**26.1**	31.0
Analysed as:			
Operating profit before exceptional items	3	**29.4**	28.7
Exceptional items	7	**(3.3)**	2.3
Finance income	6	**21.0**	21.1
Finance costs	6	**(23.7)**	(25.3)
Profit before taxation		**23.4**	26.8
Taxation	8	**(6.2)**	(5.3)
Profit from continuing operations		**17.2**	21.5
Discontinued operations			
Profit from discontinued operations	5	**6.3**	3.5
Profit for the year attributable to owners of the Company		**23.5**	25.0
EPS attributable to owners of the Company – basic			
From continuing operations (p)	10	**11.0**	13.9
From discontinued operations (p)	10	**4.0**	2.2
		15.0	16.1
EPS attributable to owners of the Company – diluted			
From continuing operations (p)	10	**11.0**	13.6
From discontinued operations (p)	10	**4.0**	2.2
		15.0	15.8

* Re-presented for discontinued operations in accordance with IFRS

Consolidated statement of comprehensive income
for the year ended 31 December 2012

£million	Note	**2012**	2011
Profit for the year		**23.5**	25.0
Other comprehensive income/(loss) for the year after tax			
Exchange differences on translation of foreign operations		**(4.3)**	0.9
Tax on exchange differences		**0.1**	0.1
Loss on hedge of net investment in foreign operations		**(2.8)**	(0.6)
(Loss)/gain on cash flow hedges taken to equity less amounts taken to income statement		**(0.5)**	0.2
Foreign exchange gain on disposals taken to income statement	5	**(0.2)**	–
Actuarial loss on defined benefit pension schemes	12	**(5.7)**	(6.2)
Tax on actuarial amounts in pension deficit movement		**(0.1)**	(2.3)
Total comprehensive income for the year		**10.0**	17.1

Total comprehensive income is entirely attributable to the owners of the Company.

Consolidated balance sheet
at 31 December 2012

£million	Note	**2012**	2011
ASSETS			
Non-current assets			
Property, plant and equipment		**85.9**	90.9
Goodwill		**65.2**	67.3
Other intangible assets		**13.2**	11.8
Deferred tax assets		**13.1**	21.0
Total non-current assets		**177.4**	191.0
Current assets			
Inventories		**68.2**	83.4
Trade and other receivables		**67.6**	85.6
Derivative financial instruments		**0.2**	0.5
Cash and cash equivalents		**59.1**	69.5
Total current assets		**195.1**	239.0
Total assets		**372.5**	430.0
LIABILITIES			
Current liabilities			
Borrowings		**3.8**	14.2
Derivative financial instruments		**–**	6.9
Trade and other payables		**99.9**	113.0
Income taxes payable		**12.5**	6.1
Provisions		**10.5**	6.4
Total current liabilities		**126.7**	146.6
Non-current liabilities			
Borrowings		**8.6**	40.1
Deferred tax liability		**2.4**	9.3
Pensions and other post-employment benefits	12	**36.8**	35.5
Provisions		**0.2**	0.2
Other non-current liabilities		**6.7**	6.9
Total non-current liabilities		**54.7**	92.0
Total liabilities		**181.4**	238.6
Net assets		**191.1**	191.4
EQUITY			
Share capital		**39.2**	38.8
Share premium		**0.7**	0.5
Share options reserve		**1.5**	3.6
Hedging and translation reserve		**19.5**	27.2
Retained earnings		**128.2**	119.3
Equity attributable to owners of the Company		**189.1**	189.4
Non-controlling interests		**2.0**	2.0
Total equity		**191.1**	191.4

Approved by the Board of Directors on 13 March 2013 and signed on their behalf by:

Geraint Anderson
Director

Shatish Dasani
Director

Consolidated statement of changes in equity
for the year ended 31 December 2012

£million	Share capital	Share premium	Share options reserve	Hedging reserve	Translation reserve	Retained earnings	Sub-total	Non-controlling interest	Total
At 1 January 2011	38.8	0.4	1.6	(11.7)	38.3	109.7	177.1	2.0	179.1
Profit for the year	–	–	–	–	–	25.0	25.0	–	25.0
Other comprehensive income									
Exchange differences on translation of foreign operations	–	–	–	–	0.9	–	0.9	–	0.9
Tax on exchange differences	–	–	–	–	0.1	–	0.1	–	0.1
Net loss on hedge of net investment in foreign operations	–	–	–	–	(0.6)	–	(0.6)	–	(0.6)
Net gain on cash flow hedges taken to equity less amounts taken to income statement	–	–	–	0.2	–	–	0.2	–	0.2
Actuarial loss on defined benefit pension scheme	–	–	–	–	–	(6.2)	(6.2)	–	(6.2)
Tax on actuarial amounts in pension deficit movement	–	–	–	–	–	(2.3)	(2.3)	–	(2.3)
Total other comprehensive income	–	–	–	0.2	0.4	(8.5)	(7.9)	–	(7.9)
Transactions with owners recorded directly in equity									
Equity dividends paid by the Company	–	–	–	–	–	(5.0)	(5.0)	–	(5.0)
Change in fair value of minority put option	–	–	–	–	–	(1.9)	(1.9)	–	(1.9)
Share-based payments	–	–	1.7	–	–	–	1.7	–	1.7
Deferred tax on share-based payments	–	–	0.3	–	–	–	0.3	–	0.3
New shares issued	–	0.1	–	–	–	–	0.1	–	0.1
At 31 December 2011	38.8	0.5	3.6	(11.5)	38.7	119.3	189.4	2.0	191.4
Profit for the year	–	–	–	–	–	23.5	**23.5**	**–**	**23.5**
Other comprehensive income									
Exchange differences on translation of foreign operations	–	–	–	–	(4.3)	–	**(4.3)**	**–**	**(4.3)**
Tax on exchange differences	–	–	–	–	0.1	–	**0.1**	**–**	**0.1**
Net loss on hedge of net investment in foreign operations	–	–	–	–	(2.8)	–	**(2.8)**	**–**	**(2.8)**
Net loss on cash flow hedges taken to equity less amounts taken to income statement	–	–	–	(0.5)	–	–	**(0.5)**	**–**	**(0.5)**
Foreign exchange gain on disposals taken to income statement	–	–	–	–	(0.2)	–	**(0.2)**	**–**	**(0.2)**
Actuarial loss on defined benefit pension scheme	–	–	–	–	–	(5.7)	**(5.7)**	**–**	**(5.7)**
Tax on actuarial amounts in pension deficit movement	–	–	–	–	–	(0.1)	**(0.1)**	**–**	**(0.1)**
Total other comprehensive income	–	–	–	(0.5)	(7.2)	(5.8)	**(13.5)**	**–**	**(13.5)**

Consolidated statement of changes in equity (continued)

£million	Share capital	Share premium	Share options reserve	Hedging reserve	Translation reserve	Retained earnings	Sub-total	Non-controlling interest	Total
Transactions with owners recorded directly in equity									
Equity dividends paid by the Company	–	–	–	–	–	(7.3)	**(7.3)**	**–**	**(7.3)**
Change in fair value of minority financial liability	–	–	–	–	–	(1.1)	**(1.1)**	**–**	**(1.1)**
Share-based payments	–	–	(1.3)	–	–	–	**(1.3)**	**–**	**(1.3)**
Deferred tax on share-based payments	–	–	(0.8)	–	–	–	**(0.8)**	**–**	**(0.8)**
New shares issued	0.4	0.2	–	–	–	(0.4)	**0.2**	**–**	**0.2**
At 31 December 2012	**39.2**	**0.7**	**1.5**	**(12.0)**	**31.5**	**128.2**	**189.1**	**2.0**	**191.1**

Consolidated cash flow statement
for the year ended 31 December 2012

£million	**2012**	2011*
Cash flows from operating activities		
Profit for the year	**23.5**	25.0
Taxation	**6.2**	6.3
Net finance costs	**2.7**	4.2
Exceptional items	**3.3**	(2.3)
Profit from discontinued operations	**(6.3)**	(4.5)
Operating profit from continuing operations before exceptional items	**29.4**	28.7
Adjustments for:		
Depreciation of property, plant and equipment	**15.8**	16.0
Amortisation of intangible assets	**4.6**	7.6
Impairment of intangible assets	**0.1**	0.6
Other items	**(1.0)**	(2.0)
Increase in inventories	**(3.5)**	(3.8)
Decrease in receivables	**1.1**	7.8
(Decrease)/increase in payables	**(1.1)**	6.7
Operating cash flow from continuing operations before exceptional payments	**45.4**	61.6
Operating cash flow from acquisitions and discontinued operations	**(8.5)**	1.4
Special payments to pension funds	**(3.7)**	(3.5)
Exceptional costs	**(4.1)**	(2.2)
Net cash generated from operations	**29.1**	57.3
Net income taxes paid	**(2.3)**	(7.9)
Net cash flow from operating activities	**26.8**	49.4
Cash flows from investing activities		
Interest received	**0.6**	0.3
Purchase of property, plant and equipment	**(18.7)**	(21.3)
Proceeds from sale of property, plant and equipment and grants received	**0.3**	2.0
Development expenditure	**(4.8)**	(5.3)
Purchase of other intangibles	**(1.3)**	(0.3)
Acquisitions of businesses	**(3.0)**	–
Disposal of subsidiaries (£39.6m consideration less £2.3m of disposal costs add £6.6m of overdrafts in subsidiaries at date of disposal)	**43.9**	7.6
Deferred consideration received	**0.2**	0.7

Consolidated cash flow statement (continued)

£million	**2012**	2011*
Net cash flow from/(used in) investing activities	**17.2**	(16.3)
Cash flows from financing activities		
Issue of share capital	**0.2**	0.1
Interest paid	**(2.0)**	(2.4)
Repayment of borrowings	**(62.0)**	(11.1)
Proceeds from borrowings	**30.6**	0.2
Other items	**(2.4)**	–
Finance leases	**(0.1)**	(0.1)
Dividends paid by the Company	**(7.3)**	(5.0)
Net cash flow used in financing activities	**(43.0)**	(18.3)
Net increase in cash and cash equivalents	**1.0**	14.8
Cash and cash equivalents at beginning of year	**58.8**	44.2
Exchange differences	**(0.7)**	(0.2)
Cash and cash equivalents at end of year	**59.1**	58.8
Cash and cash equivalents comprise		
Cash at bank and in hand	**59.1**	69.5
Bank overdrafts	**–**	(10.7)
	59.1	58.8

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

* Re-presented for discontinued operations in accordance with IFRS

Notes to the consolidated financial statements

1 General information
The information set out below, which does not constitute full financial statements, is extracted from the audited financial statements of the Group for the year ended 31 December 2012 which:

- were approved by the Directors on 13 March 2013
- carry an unqualified audit report which did not contain statements under sections 498(2) or (3) of the Companies Act 2006
- will be available to the shareholders and the public in April 2013
- will be filed with the Registrar of Companies following the Annual General Meeting on 9 May 2013

2 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 financial statements have been prepared using consistent accounting policies, except for the adoption of new accounting standards and interpretations. No revisions to Adopted IFRS that became applicable in 2012 had a significant impact on the Group's financial statements.

3 Segmental reporting
For management purposes, the Group is organised into three divisions, as shown below, according to the nature of the products and services provided. Each of these divisions represents an operating segment in accordance with IFRS 8 ”Operating segments“ and there is no aggregation of segments. The chief operating decision maker is the Board of Directors. The operating segments are:

- Components – specialist resistive components and microcircuits, connectors and interconnection systems;
- Sensors – electronic accelerator pedals, engine and wheel speed, temperature and pressure sensors and chassis height sensors; 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.

The Group disposed of the Secure Power division during 2012, with the disposal of Dale Power Solutions Limited in July 2012 and the disposal of Ottomotores SA de CV and Ottomotores Do Brasil Energia Ltda in December 2012. This division is shown as a discontinued operation in these financial statements and the 2011 comparative amounts have been re-presented accordingly.

The key performance measure of the operating segments is operating profit before exceptional items. The Group reports non-trading income or expenditure as exceptional 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. 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

£million	Components	Sensors	Integrated Manufacturing Services	Total
				2012
Sales to external customers	**226.0**	**148.2**	**102.7**	**476.9**
Segment operating profit before exceptional items	**14.8**	**8.4**	**6.2**	**29.4**
Exceptional items				**(3.3)**
Operating profit				**26.1**
Net finance costs				**(2.7)**
Profit before taxation				**23.4**

£million	Components	Sensors	Integrated Manufacturing Services	Total
				2011 (re-presented)
Sales to external customers	242.7	166.9	100.0	509.6
Segment operating profit before exceptional items	14.8	8.8	5.1	28.7
Exceptional items				2.3
Operating profit				31.0
Net finance costs				(4.2)
Profit before taxation				26.8

There are no significant sales between segments.

b) 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	**2012**	2011 (re-presented)
United Kingdom	**78.3**	79.4
Rest of Europe	**234.6**	250.1
North America	**95.4**	104.1
Central and South America	**3.2**	4.4
Asia	**62.0**	70.5
Rest of the World	**3.4**	1.1
Total continuing operations	**476.9**	509.6

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.

4 Acquisitions

On 12 December 2012 the Group acquired the majority of the UK business and assets of ACW Technology Limited for a consideration of £3.0 million in cash with £0.1 million of consideration being deferred until 2013. Acquisition costs of £0.4 million were incurred and have been recognised within administrative expenses and treated as an exceptional item in the income statement.

From the date of acquisition to the year end, the business contributed £0.9 million of revenue, an operating loss of £0.1 million to the Group's results and an operating cash outflow of £0.4 million. If the acquisition had occurred on 1 January 2012 it is estimated that Group revenue would have increased by £31.7 million and Group operating profit would have increased by £1.4 million.

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

£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	0.5	(0.2)	**0.3**
Current assets/(liabilities)			
Inventory	6.1	(1.6)	**4.5**
Trade and other receivables	3.8	–	**3.8**
Trade and other payables	(5.2)	–	**(5.2)**
	5.2	(1.8)	**3.4**
Consideration paid/payable			
Cash			**3.0**
Deferred consideration			**0.1**
Negative goodwill			**(0.3)**

As the fair value of the net assets acquired exceeds the consideration payable, negative goodwill of £0.3 million has been recognised within other operating income in the income statement.

No deferred tax asset has been recognised on the fair value adjustment to the assets and liabilities acquired as it is currently considered unlikely that this asset could be utilised against future taxable profits of entities in the UK.

5 Discontinued operations

On 31 July 2012 the Group disposed of Dale Power Solutions Limited for total consideration of £10.6 million in cash before costs.

On 7 December 2012 the Group disposed of Ottomotores SA de CV and Ottomotores Do Brasil Energia Ltda for total consideration of $46.5 million (£29.0 million) in cash before costs, and is subject to a final adjustment once the completion balance sheets have been agreed.

Following the disposal of these businesses the Secure Power division has been treated as discontinued.

During the year ended 31 December 2011 the Group disposed of AEI Compounds Limited, for consideration of £8.6 million in cash before costs. Discontinued operations during 2011 include both the Secure Power division and AEI Compounds Limited.

The results from discontinued operations shown in the consolidated income statement are as follows:

£million	**2012**	2011 (re-presented)
Revenue	**68.8**	94.1
Cost of sales	**(56.7)**	(76.6)
Gross profit	**12.1**	17.5
Distribution costs	**(4.4)**	(6.1)
Administrative expenses	**(4.6)**	(5.9)
Operating profit	**3.1**	5.5
Exceptional items	**(0.6)**	–
Net finance costs	**(0.4)**	(0.5)
Profit on disposal of discontinued operations	**6.8**	0.5
Profit before taxation	**8.9**	5.5
Taxation	**(2.6)**	(2.0)
Profit from discontinued operations	**6.3**	3.5

The profit on disposal of discontinued operations is analysed below:

£million	**2012**	2011
Gross cash received	**39.6**	8.6
Less: legal and professional costs	**(2.3)**	(0.5)
Less: overdrafts/(cash) disposed of at completion	**6.6**	(0.5)
Net proceeds per consolidated cash flow statement	**43.9**	7.6
Deferred consideration receivable	**–**	0.2
Less: net assets at completion	**(37.3)**	(7.3)
Add: foreign exchange gain on disposals	**0.2**	–
	6.8	0.5

The net cash flows from discontinued operations included within the consolidated cash flow statement are shown below:

£million	**2012**	2011 (re-presented)
Operating activities	**(8.1)**	1.4
Investing activities	**(0.9)**	(0.7)
Financing activities	**(0.2)**	2.5
Net cash flow	**(9.2)**	3.2

6 Finance income and finance costs

£million	**2012**	2011 (re-presented)
Interest expense	**1.6**	2.2
Foreign exchange losses	**1.6**	1.8
Interest on employee obligations	**19.0**	20.0
Amortisation of arrangement fees	**0.8**	0.6
Unwinding of discount factor on minority financial liability	**0.7**	0.7
Finance costs	**23.7**	25.3
Interest income	**0.6**	0.5
Foreign exchange gains	**1.9**	1.6
Expected return on pension scheme assets	**18.5**	19.0
Finance income	**21.0**	21.1
Net finance costs	**2.7**	4.2

7 Exceptional items

£million	**2012**	2011
Continuing operations		
Reduction in UK pension liabilities	–	7.5
Restructuring costs	(3.2)	(5.2)
Negative goodwill on business acquisition	0.3	–
Acquisition costs	(0.4)	–
Total	(3.3)	2.3

a) Year ended 31 December 2012

For the year ended 31 December 2012, the exceptional items relate to:

- Restructuring costs of £3.2 million associated with:
  - the closure of the Components operation in Boone, North Carolina of £2.1 million;
  - the transfer of certain production lines from the Sensors division facilities to Romania of £0.2 million;
  - redundancy costs of £0.4 million; and
  - costs associated with the post-acquisition restructuring of ACW Technology Limited of £0.5 million.
- Negative goodwill arising on the acquisition of the trade and assets of ACW Technology Limited of £0.3 million; and
- £0.4 million of acquisition-related legal and professional fees.

b) Year ended 31 December 2011

For the year ended 31 December 2011, the exceptional items relate to:

- a one-off reduction of £7.5 million in the future liabilities of the UK pension scheme following the UK Government's announcement to change the basis of indexation of occupational pension schemes from RPI to CPI; and
- restructuring costs of £5.2 million primarily associated with the closure of the Components operation in Boone, North Carolina. This amount includes impairments of fixed assets of £1.8 million, provisions against inventory of £0.6 million and reorganisation provisions of £2.8 million.

The Group reports non-trading income or expenditure as exceptional 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.

8 Taxation

a) Analysis of the tax charge for the year

£million	**2012**	2011 (re-presented)
Current tax		
Current income tax charge	**6.7**	7.7
Adjustments in respect of current income tax of previous year	**0.4**	(0.1)
Total current tax charge	**7.1**	7.6
Deferred tax		
Relating to origination and reversal of temporary differences	**(0.9)**	(2.3)
Total tax charge in the income statement – continuing operations	**6.2**	5.3

UK tax is calculated at 24.5% (2011: 26.5%) 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 26.5% (26.2% excluding exceptional items).

Included within the £0.9 million deferred tax credit for 2012 is £0.8 million relating to exceptional items.

b) Reconciliation of the total tax charge for the year

£million	**2012**	2011 (re-presented)
Profit before tax from continuing operations	**23.4**	26.8
Profit before tax multiplied by the standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	**5.7**	7.1
Effects of:		
Items not deductible for tax purposes or income not taxable	**1.8**	4.3
Adjustment to current tax in respect of prior periods	**0.4**	(0.1)
Recognition and utilisation of previously unrecognised tax losses	**(2.0)**	(4.2)
Current year tax losses and other items not recognised	**0.5**	0.2
Overseas tax rate differences	**0.7**	(0.5)
Other timing differences – exceptional items	**(0.8)**	(1.6)
– other	**(0.1)**	0.1
Total tax charge reported in the income statement – continuing operations	**6.2**	5.3

The 2010 Emergency Budget and the 2012 Budget announced that the UK corporation tax rate will reduce from 28% to 22% over a period of four years from 2011. The reduction to 23%, effective from 1 April 2013, was substantively enacted on 17 July 2012. As the rate change to 23% was substantively enacted prior to the year end, the closing deferred tax assets and liabilities have been calculated at this rate. The resulting charges or credits have been recognised in the income statement except to the extent that they relate to items previously charged or credited to other comprehensive income or equity. Accordingly, in 2012 £1.3 million has been charged directly to equity and £0.1 million has been charged to the income statement.

Had the further tax rate changes been substantively enacted on or before the balance sheet date it would have had the effect of reducing the deferred tax asset by £0.4 million.

9 Dividends

	2012 pence per share	**2012 £million**	2011 pence per share	2011 £million
Final dividend for prior year	**3.2**	**5.0**	2.0	3.1
Interim dividend for current year	**1.5**	**2.3**	1.2	1.9
	4.7	**7.3**	3.2	5.0

The Directors recommend a final dividend of 3.5p which when combined with the interim dividend of 1.5p gives a total dividend for the year of 5.0p per share. The Group’s dividend policy is to increase dividends progressively whilst maintaining cover of at least two times underlying earnings per share. The final dividend will be paid on 30 May 2013 to shareholders on the register on 17 May 2013.

10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of shares in issue during the period. The weighted average number of shares in issue is 156.1 million (2011: 154.9 million).

Headline earnings per share is based on profit for the year from continuing operations before exceptional items and their associated tax effect.

Pence	**2012**	2011 (re-presented)
Basic earnings per share		
Continuing operations	**11.0**	13.9
Discontinued operations	**4.0**	2.2
Total	**15.0**	16.1

Pence	**2012**	2011 (re-presented)
Diluted earnings per share		
Continuing operations	**11.0**	13.6
Discontinued operations	**4.0**	2.2
Total	**15.0**	15.8

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

Headline earnings per share

£million	**2012**	2011 (re-presented)
Continuing operations		
Profit for the period attributable to owners of the Company	**17.2**	21.5
Exceptional items	**3.3**	(2.3)
Tax effect of exceptional items (see note 8a)	**(0.8)**	(1.6)
Headline earnings	**19.7**	17.6
Headline earnings per share (pence)	**12.6**	11.4

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

Million	**2012**	2011
Basic	**156.1**	154.9
Adjustment for share awards	**0.8**	3.6
Diluted	**156.9**	158.5

11 Reconciliation of net cash flow to movement in net funds/(debt)

£million	**Net cash**	**Borrowings and finance leases**	**Net (debt)/funds**
At 1 January 2011	44.2	(54.1)	(9.9)
Cash flow	14.8	11.0	25.8
Non-cash items	–	(0.5)	(0.5)
Exchange differences	(0.2)	–	(0.2)
At 1 January 2012	58.8	(43.6)	15.2
Cash flow	1.0	31.5	32.5
Non-cash items	–	(0.9)	(0.9)
Exchange differences	(0.7)	0.6	(0.1)
At 31 December 2012	**59.1**	**(12.4)**	**46.7**

Net cash includes overdraft balances of £nil (2011: £10.7 million).

12 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 £1.9 million (2011: £2.0 million).

Defined benefit schemes

The Group operates one significant defined benefit scheme in the UK and two overseas defined benefit schemes in the USA and Japan. All of these schemes are closed to new members and, in April 2010, the UK scheme was closed to future accrual following extensive consultation with affected employees being transferred into an enhanced Group defined contribution scheme.

Following the UK Government's announcement in July 2010 to change the basis of statutory minimum indexation of occupational pension scheme from the Retail Price Index (RPI) to the Consumer Price Index (CPI), the Company communicated the impact of this change to affected members in 2011. This resulted in a one-off reduction in the future liabilities of £7.5 million which was recognised as an exceptional item within the consolidated income statement during 2011 (see note 7).

The Company had reached agreement with the Trustee of the UK scheme for additional fixed contributions extending to 2016 based on the actuarial deficit at April 2007 and these arrangements have been confirmed under the actuarial valuation at April 2010. £3.2 million was paid in 2010, £3.5 million was paid in 2011, £3.7 million was paid in 2012; and further planned contributions amount to: 2013 £3.9 million; increasing by £0.2 million each year to £4.5 million in 2016. The next triennial valuation of the UK scheme will take place in April 2013.

The Group also operates defined benefit schemes in the USA and Japan. Actuarial valuations of the schemes were carried out by independent qualified actuaries in 2007 and 2010 using the projected unit credit method. Pension scheme assets are stated at their market value at 31 December 2012.

An analysis of the pension deficit by country is shown below:

£million	**2012**	2011
UK	**33.7**	32.1
USA	**2.8**	3.1
Japan	**0.3**	0.3
	36.8	35.5

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:

%	**2012**	2011
Discount rate	**4.4**	4.7
Inflation rate	**2.5**	2.7
Increases to pensions in payment	**2.5 – 3.2**	2.5 – 3.2

A decrease in the discount rate by 0.1% per annum increases the liabilities by approximately £7.0 million. An increase in the inflation rate of 0.1% per annum increases the liabilities by approximately £1.8 million.

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

%	**2012**	2011
Equities	**7.0**	6.8
Bonds	**4.0**	4.1
Gilts and swaps	**2.7**	2.5
Cash	**0.3**	0.1

The mortality tables applied by the actuaries at 31 December 2012 were S1NA tables adjusted by + one year, with future improvements increasing in line with medium cohort with a 1% per annum floor.

The amounts recognised in respect of the pension deficit in the Consolidated balance sheet are:

£million	**2012**	2011
Equities	**203.8**	213.9
Bonds	**83.7**	78.6
Gilts and cash	**31.4**	26.9
Swaps	**68.6**	58.6
Fair value of assets	**387.5**	378.0
Present value of funded obligation	**(424.3)**	(413.5)
Net liability recognised in the Consolidated balance sheet	**(36.8)**	(35.5)

The schemes' assets do not include the Group's financial instruments nor any property occupied by, or other assets used by the Group. Swaps are 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	**2012**	2011
Current service cost	**–**	0.1
RPI/CPI change to indexation	**–**	(7.5)
Interest on employee obligations	**19.0**	20.0
Expected return on pension scheme assets	**(18.5)**	(19.0)

The actual return on schemes assets was a gain of £21.7 million (2011: £49.3 million). Actuarial gains and losses are recognised directly in retained earnings and reported in the Consolidated statement of comprehensive income and, since transition to IFRS, amount to a net loss of £42.0 million.

13 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 2012 or 2011 that have affected the financial position or performance of the Group.

14 Post balance sheet event

On 1 February 2013 the Group completed the acquisition of the 49% minority interest in Padmini TT electronics Private Limited, paying an initial consideration of £8.2 million with £0.5 million deferred to 2014. Following the acquisition, Padmini TT electronics Private Limited is wholly owned by the Group.

Principal risks and risk management process

Risk management framework

The Board of Directors has overall responsibility for risk management and internal controls, supported by the Audit Committee and the Risk Committee. The Board defines risk appetite and monitors the management of significant risks to ensure that the nature and extent of those 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 the responsibility for reviewing the effectiveness of risk management processes and controls. The Risk and Assurance function assists the Risk Committee in defining improvements to the overall risk management framework and evaluating the design and operating effectiveness of the framework as well as risk mitigation strategies implemented by management.

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 Profile

A number of risks were identified and assessed through risk identification and assessment processes during 2012. Executive management, the Risk Committee and the Board of Directors performed further analysis to prioritise these risks, with a focus on principal risks which posed the highest current risk to achieving company objectives. Risks assessed as higher priority were consolidated onto a "Risk Heat Map" and 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 "top principal risks" shown overleaf are not presented in any order of priority.

Risk description and context	Mitigation actions
Strategic, Market and Brand	
Economic downturn	
General economic downturn leading to reduction in customer demand and production volumes impacting sales and margins.	Forward-looking indicators are regularly reviewed to identify deteriorating market conditions. Management structures in place to enable a rapid response to changing circumstances. Alternative "economic downturn" plans in place.
Acquisitions	
The Group pursues acquisitions as part of our overall growth strategy. Such acquisitions may not realise expected benefits.	Clear acquisition criteria used to confirm fit and value creation potential. Performing robust due diligence. Obtaining representations, warranties and indemnities from vendors where possible. Implementing business integration processes.
Disposals	
The Group disposes of non core businesses, not supporting the growth strategy in key markets. Risks include not achieving an expected sale price, unsuccessful or delayed disposal processes, or deteriorating business performance.	Assemble cross functional team with necessary skill sets. Regular reviews with project team. Regular talent and performance reviews, supported by monitoring and communication with employees. Close monitoring of representation, warranties and indemnities.

New products or technical capability	
The Group is seeking to introduce an increased number of new product offerings to key customers to grow existing and create new business opportunities. Risks include potential write-off for unsuccessful projects, project overruns and not achieving expected customer contracts, market pricing and benefits.	Robust project delivery and cost controls throughout product and project development cycle. Close communication and working relationships with key customers to ensure products meet expectation and demand. Regular project reviews with standard gated processes.
Operational transformation programme	
The Group continues to review and assess the target operating model to improve competitive advantage and be responsive to customers' requirements. This is achieved by consolidating manufacturing sites and setting up manufacturing and engineering capability in lower cost regions. Risks include disruption to customer base, loss of key talent and delayed or unsuccessful cost savings.	Strong change management and operational control with professional project managers to oversee major programmes. Close communication with key customers to explain the actions being taken and to understand and address their concerns. Regular talent and performance reviews, supported by monitoring and communication with employees.
Customer concentration	
Relationships with large key accounts continue to improve. Risks associated with large key accounts include over-reliance on key customers, price pressure, customer default and not achieving expected orders and benefits.	Review customer and market concentration and pursue opportunities by diversifying into new industries and regions. Improve margin with existing key customers by leveraging lower cost regions. Regular review and monitoring of key customers' financial status, orderbook levels and trends.
Margin erosion	
The Group operates in highly competitive markets. This, combined with continued uncertain macro-economic conditions, could cause customers to accept lower cost competitors and substitute products leading to increased price pressure, margin erosion or lost business.	Strong relationships with key customers, including ongoing review of product strategy, pricing and other demand. Operational transformation programme to leverage lower cost manufacturing locations, driving margin improvements. Monitoring of competitors and potential new entrants into specific markets.
Operational	
Health and Safety	
Inherent to our industry is the risk of incidents due to unsafe manufacturing processes or facilities causing injuries or fatalities to our people.	Zero tolerance attitude for safety incidents at all levels of operations, with rules incorporated into operational procedures, safety manuals and all aspects of communication on safety. Health and Safety Committee responsible for Group-wide best practice sharing, monitoring and improvements.
Attract and retain talent	
Our future success as we expand will be dependent on our ability to attract and retain highly skilled and qualified employees. We face risks in selecting, recruiting, training and retaining the people we need.	Talent strategy and requirements regularly reviewed at Board and Operating Board level. Human resource teams share best practice across the Group to adapt recruitment and retention programmes to reflect changes in the labour market. Regular reviews of development plans and opportunities, including 360º appraisal results and succession planning. Remuneration Committee review of pay/bonus and ensuring competitive compensation plans and pensions are in place.

IT delivery and support	
The Group and operational management depend on timely, accurate and reliable information from software systems. Risks associated with the IT environment include failure to deliver IT projects on time and on budget, inadequate Enterprise Resource Planning ("ERP") controls and security, and a lack of management information that could delay/impact decision making or our service.	The Group's IT Steering Committee, chaired by the Group Chief Executive, meets on a regular basis to review all major IT projects. Hardware and software are sourced from reputable suppliers. Implementation of up-to-date ERP solution is in progress and will reduce exposure to older more fragmented ERP suites. Appropriate disaster recovery plans are in place.
Supply chain reliance and costs	
We rely upon a small number of core vendors for a high percentage of our material requirements. Some of our needs may only be available from a limited number of these vendors. There is potential risk in terms of supply and price fluctuations driven by commodity price changes.	Monthly reviews of key data ensure that each of our businesses are kept fully informed of developments in commodity pricing. Increased low cost sourcing will further offset current risk. In addition, commodity price hedging is undertaken on a non-deliverable basis taking into account the forecast volume of purchases, forward commodity prices and the cost of taking out cover.
Laws and regulations	
Product liability and contractual risk	
We manufacture products that often operate in extreme environments where a serious incident arising from failure could result in liabilities for personal injury and/or damage to property, which could have an impact on our reputation, particularly in the automotive sector.	Comprehensive quality control procedures are in place and appropriate levels of insurance are carried for key risks. Major contracts are reviewed by the Group Legal Counsel and we work continuously to build and maintain relationships with all key stakeholders. 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	
We operate in a large number of jurisdictions and, as a consequence, are subject to numerous domestic and international regulations. These include laws and regulations covering export control, anti-bribery and competition. Failure to comply could result in civil or criminal liabilities leading to significant fines and penalties or restrictions being placed upon our ability to trade, resulting in reduced sales, profitability and reputational damage.	Robust control framework. A cross-division export compliance group is embedded in the business, supported by Group Legal Counsel with external adviser participation. An Anti bribery programme including employee declaration, supported by online and site specific training and audit programmes.
Financial	
Financial risks	
As an international business, the major financial risks faced by the Group are: foreign exchange risk, interest rate risk, credit risk, liquidity risk, commodity price risk and tax compliance.	Financial risks 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 Group Finance Director. The responsibilities of the Group's Tax and 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 tax and treasury activities undertaken by the Group.