Electronics

CREATING VALUE FOR OUR WORLD

TT Electronics plc
Annual Report and Accounts 2021

"We are a global provider of design-led, advanced electronics technologies for performance-critical applications in specialised markets.

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

Richard Tyson
CEO

WELCOME

IN THIS REPORT

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Our 2021 performance highlights

REVENUE

£476.2m

2020: £431.8m

ORGANIC REVENUE GROWTH

10%

2020: (12%)

ADJUSTED OPERATING PROFIT

£34.8m

2020: £27.5m

STATUTORY OPERATING PROFIT

£19.3m

2020: £6.6m

ADJUSTED OPERATING PROFIT MARGIN

7.3%

2020: 6.4%

STATUTORY OPERATING PROFIT MARGIN

4.1%

2020: 1.5%

ADJUSTED EPS

14.5p

2020: 11.7p

STATUTORY EPS

7.3p

2020: 0.8p

Throughout this Annual Report we refer to a number of Alternative Performance Measures (APMs) which have been adopted by the Directors to provide further information on underlying trends and the performance and position of the Group. Details of these APMs and a reconciliation to statutory measures can be found on pages 201 to 207.

CHAIRMAN'S STATEMENT

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TT is built on passion, skills, experience and opportunity. The Board is delighted with the progress the business has made this year.

Read more on page 4

CHIEF EXECUTIVE'S Q&A

2

Alongside a strong trading performance, we have continued to execute our strategy and invest for future growth including R&D, our significant self-help programme, and successful M&A.

Read more on page 6

RETURN ON INVESTED CAPITAL

9.1%

2020: 7.7%

DIVIDEND PER SHARE

5.6p

2020: 4.7p

R&D INVESTMENT AS A % OF SALES

4.5%

2020: 4.8%

REDUCTION IN SCOPE 1&2 CARBON EMISSIONS

25%

2020: 22%

Read more on page 31

CFO REVIEW

We are making tangible progress towards double-digit adjusted operating margins and, as a result, we are confident that TT's momentum will continue.

Read more on page 46

OUR PEOPLE, ENVIRONMENT AND COMMUNITIES

We have made significant progress on environment, social and governance (ESG) and sustainability matters in recent years as the Group has been transformed.

Read more on page 74

GOVERNANCE

Good governance enables TT to pursue its strategy with more pace and less risk.

TT AT A GLANCE

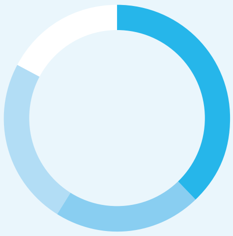
WHO WE ARE

TT Electronics is a global provider of design-led, advanced electronics technologies for performance-critical applications in specialised markets.

Our purpose

We solve technology challenges for a sustainable world.

Our global reach



We service our global markets from 26 design and manufacturing facilities and offices in the UK, North America, Sweden and Asia.

Global breakdown

North and Central America: 10 primary locations
38% of Group revenue

United Kingdom: 9 primary locations
21% of Group revenue

Asia and Rest of World: 6 primary locations
24% of Group revenue

Rest of Europe: 1 primary location
17% of Group revenue

Pie chart and figures above represent revenue by destination

Our strategy

Our strategy is designed to leverage our assets and differentiators to unlock TT's potential and create sustainable value for all our stakeholders.

Read more on page 28

People and culture

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

Read more on page 46

Our customers

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

Read more on page 44

Responsible business

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

Read more on page 46

Target markets

Read more about our target markets on page 16

Healthcare

We provide design and manufacturing solutions for a range of diagnostic, surgical and direct patient care devices critical to the identification, treatment and prevention of disease.

Aerospace & defence

We provide solutions for high-reliability applications across a broad range of platforms operating on land, air and sea.

Automation & electrification

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

% of Group revenue

Our market breakdown

- **25%** – Healthcare
- **18%** – Aerospace & defence
- **39%** – Automation & electrification
- **18%** – Other

Our divisions

Read more on about our divisions on page 34

Power and Connectivity

Designs and manufactures power application products for power efficiency and connectivity devices which enable the capture and wireless transfer of data to optimise electronic systems.

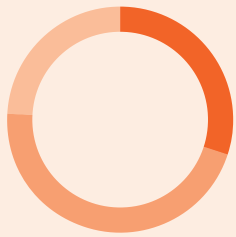
Global Manufacturing Solutions

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

Sensors and Specialist Components

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

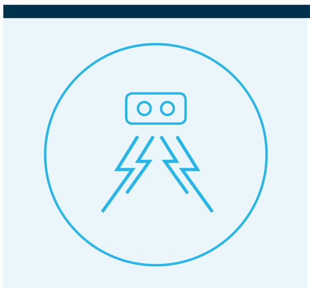
% of Group revenue



Our Divisional breakdown

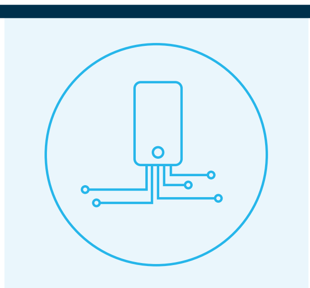
- **30%** – Power and Connectivity
- **46%** – Global Manufacturing Solutions
- **24%** – Sensors and Specialist Components

Our key capabilities



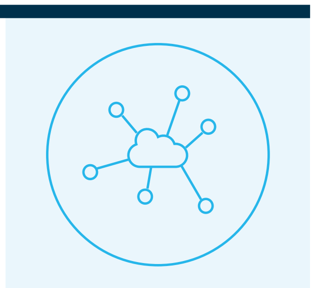
Power

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



Connectivity

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



Sensing

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

CHAIRMAN'S STATEMENT

CREATING VALUE...

TT is built on passion, skills, experience and opportunity. The Board is delighted with the progress made by the business this year.

Warren Tucker
Chairman

As I head into my third year as Chairman of TT, I am delighted to say that the values and characteristics that attracted me to the Group continue to drive success and have further strengthened in 2021.

TT is built on passion, skills, experience and opportunity. We are strongly positioned in three growing markets, with a high-quality leadership team, in-depth global reach, and R&D and manufacturing capabilities that differentiate us from competitors. Strong capital discipline is enabling continued investment in growth opportunities, including those in the sustainability space, through our focus on enabling cleaner, smarter and healthier products and applications.

We have successfully navigated the COVID-19 pandemic and are moving forward at pace with our strategy. The Board is delighted with the progress made by the business this year.

I would like to thank all of our employees who have worked tirelessly to innovate, deliver for our customers and inspire and support each other with passion and integrity. This is a great company, serving markets that align with our purpose, and I am excited about what we can achieve in the future.

TT's strategic priorities

- Technology investment and R&D to drive growth and consolidate customer positions.
- Margin enhancement through portfolio change, operational leverage and self-help actions.
- Targeted and complementary. M&A to expand technology capabilities and customer and market reach.
- Integration of ESG and sustainability matters into decision-making and business practices, from product development to recruitment.

Read more about our strategy on page 28

2021 performance

Momentum is building in the business. This year's strong trading performance has been driven by extremely high order intake, organic revenue growth in all divisions, and by pricing and operational improvements. Group adjusted operating margin returned to pre-COVID levels, and we continue to make progress towards our target of double-digit margins. We also saw free cash flow improvement in the second half despite supply chain headwinds and inventory investment to support our record order book.

We have continued to execute on our four strategic priorities to create value. Technology investment and a pipeline of new products are critical drivers of future growth. We invested £11.4 million in R&D in 2021, taking our R&D spend to £74.1 million over seven years. We have taken further action to enhance margins, including through our self-help programme to reduce our footprint and fixed cost base. Our M&A activity targets higher-margin businesses which will build scale and enhance our capabilities and market access. We have successfully integrated the two power supply businesses acquired in 2020 and we were pleased to announce the further strengthening of our positions on long-term defence platforms through the acquisition of Ferranti Power and Control at the beginning of 2022.

Our employees

Our employees are talented, dedicated and inspiring and they are critical to our current and future success. The Board is extremely proud of the culture that TT has built. We are a can-do business with people that care deeply about one another, learning and growing, and achieving more for the customer. Our responsibility as leaders is to nurture that culture and invest in meeting employee needs from safety and wellbeing to equality, diversity and inclusion (ED&I). I am pleased to note our continuing strong performance in safety, including the management of COVID-19, as well as the active ED&I programme we have across the Group.

ESG matters at TT

We have made significant progress on ESG and sustainability matters in recent years as the Group has been transformed and these considerations have been placed at the heart of strategic and day-to-day decision-making at all levels of the organisation. This way of operating reduces risk and provides significant opportunities to develop our business model. ESG progress has formed part of Directors' remuneration since 2020.

We solve technology challenges for a sustainable world and our products address resource scarcity, improve energy efficiency, support renewables and drive productivity, connectivity and health.

We also seek to have a wider positive impact on society by understanding and prioritising employee needs, doing business responsibly, and reaching out to our local communities.

We have set ambitious targets for reducing our environmental footprint, including targeting Net Zero Scope 1 & 2 emissions by 2035 and targeting reductions in single-use plastics, waste to landfill and in our Scope 3 emissions.

Read more about ESG matters from page 46

The Board and governance

We have benefited significantly from an extended period of Board continuity with no changes to either the composition of the Board or its principal Committees during 2021. I firmly believe that good governance enables a company to pursue its strategy with more pace and less risk. This is what we have put in place at TT. Our strong governance and risk management frameworks have enabled us to steer a course through the pandemic and, at the same time, strengthen the foundations of the business while investing in the levers of future growth.

I would like to thank members of the Board for their counsel and contribution during the year and for their strong commitment to our honest, open, challenging and collegiate approach.

Dividend

Given the strong trading momentum we are seeing, and the positive outlook for 2022 and beyond, the Board is proposing a final dividend of 3.8 pence per share, giving a total dividend of 5.6 pence per share for the year.

Outlook

As our CEO, Richard Tyson, explains on page 6, the TT business has been transformed in the last seven years. We, and by extension TT's stakeholders, are now in a position to reap further the benefits of that transformation. We began 2022 with a record order book and the Board is confident that we will make further good progress in our financial, operational and ESG performance in 2022.

Warren Tucker
Chairman
8 March 2022

...FOR OUR WORLD

A WORD WITH OUR CEO

Q&A

I am incredibly proud of the many talented people we have in the business. There is lots to be excited about as we look forward.

Richard Tyson
CEO

We delivered a strong trading performance in 2021 with very good revenue and profit growth and, as expected, a meaningful step forwards towards double-digit adjusted margins. The growth in revenue and the strong order intake across all divisions reflect our strong customer relationships, momentum in our pipeline and the positive structural trends evident in our end markets. This performance has been delivered despite further COVID-19 disruption and significant supply chain and cost headwinds. Alongside a strong trading performance, we have continued to execute our strategy and invest for future growth including R&D, our significant self-help programme, and successful M&A.

We have started 2022 with a record order book, which gives us the confidence and the visibility to achieve our growth plans for the coming year, whilst continuing to manage the ongoing cost and supply chain challenges in partnership with our customers. We continue to enhance the quality of our businesses and, coupled with good customer wins, strength in our target markets, and the commercial aerospace recovery still to come, we believe the Group is in a strong position for the future.

Q

It looks like there is real momentum in the business. Do you agree?

Yes, I am really pleased with how we have repositioned the business over the last six years. The Group has been transformed: we have shifted our focus on to very attractive end markets; expanded our technology capabilities; and created a growth platform. This strategy is now delivering good growth across healthcare, defence, automation and electrification. Commercial aerospace is starting to show early signs of recovery and we believe this market will provide a good underpin to medium-term growth.

We are winning an increased share of wallet with our existing customers, partly through cross-selling our expertise and aided by our strong service and delivery track records. Cross-selling has been enhanced through our active Business Development Council, a network spread across all TT divisions, and incentivised to bring in cross-division opportunities. We are gaining significant traction here and I believe there is more to come.

Targeted and complementary M&A – Torotel

A key rationale for the acquisition of Torotel was to create scale in our North American power solutions business. Not only does Torotel bolster our power capabilities, but it also brought R&D resources and additional Tier 1 OEM relationships to the Group. The acquisition leverages our exposure to US defence primes, and, through the TT network, we are able to bring Torotel's skillset to the European market. The business is margin enhancing, another key criterion for M&A.

We have completed and integrated a number of such acquisitions in the last few years, and these have led to the development of a standard set of tools and commonality of process (including governance) for successful integration. We are continually improving these standards for even more efficient application in future acquisitions.

We have also provided additional investment to Torotel to expand its product offering and create new revenue synergies. New contract wins have been secured on both existing and new programmes, including for a major defence supplier for whom we will be providing complex cable assemblies and a further contract utilising our radar electronics expertise.

The Torotel integration process was completed six months ahead of plan and the acquisition is on track to deliver the planned cost synergies and our return on invested capital (ROIC) target, with scope to enhance these further.

We are also adding new customers – over 30 in the year, a number of which we would hope to become key accounts. We are being increasingly successful at winning multi-year programmes which provides excellent long-term certainty on revenues.

As we entered 2022, our order book was at unprecedented levels across all of our divisions, providing excellent visibility for the year ahead. Yes, customers are giving us more clarity as we deal with supply chain challenges together, but it is also reflective of new customers and the longer-term nature of our relationships. There is lots to be excited about as we look forwards.

Q

Of what are you most proud in TT's 2021 performance?

I am incredibly proud of the many talented people we have in the business and the resilience our teams have shown as we faced new COVID-19 waves and variants. In 2021, COVID-19 issues have been additionally complicated and exacerbated by the global supply chain challenges. Despite this we have delivered a year of impressive growth. Our employee engagement score, from our annual survey in Q3, puts TT amongst the best industrial companies globally for engagement using the independent Best Companies Ltd benchmark.

We also delivered revenue and adjusted operating margins back at 2019 levels on a constant currency basis and this is an achievement I am very proud of.

In 2021 we delivered strong top line growth of 14% (organic revenue growth of 10%) whilst building a record order book. This puts us in a strong position for another year of good growth in 2022, with excellent visibility. I am proud that the strategy we put in place is unlocking the potential of the Group in terms of growth, and that we remain on track to achieve a double-digit Group adjusted operating margin in 2023, and to keep margins moving on from there.

I am also pleased with the great progress we have made again this year in sustainability, which is at the heart of how we think about the future of the Group and our strategic decision-making. The Group's focus on three core markets is enabling us to fulfil our purpose and invent products for our customers that not only help them to succeed, but that support sustainability and are more sustainable themselves.

Our team has really engaged with reducing our environmental footprint and we have achieved a further 25% reduction in Scope 1 & 2 CO_2 emissions during 2021, which represents a 41% reduction against our 2019 benchmark data and significant progress already towards our medium-term goal of achieving Net Zero on these emissions by 2035. Within each of our global locations it is also great to see the enthusiastic prioritisation of local agendas, including reducing single-use plastics and waste to landfill and engagement with our communities, including the promotion of STEM careers. We feel strongly about the role TT can play in ESG matters and in creating value for our world.

Demonstrating the success of our strategy

We have transformed the Group over the last six years, realigning our business to structurally growing, higher-added value markets and substantially reducing our exposure to lower growth, cyclical areas. Our adjusted operating margin has evolved significantly through our focus on increasing the proportion of higher-margin products in the portfolio, drop through from organic revenue growth, and restructuring and footprint rationalisation. We have made tangible progress towards delivering double-digit operating margins in the future, supported by continued investment in R&D, and customer partnerships to bring higher-growth, more sustainable products to market.

ESG and sustainability matters have also seen significantly greater focus and integration into decision-making and business practices. Our safety culture has matured through a focus on standards and safe behaviours so that our people are protected, and we are investing in growing skills and expertise at all levels of the organisation. Our ambitious environmental transition has led to a 41% reduction in Scope 1 & 2 emissions over the last two years.

MARKET REALIGNMENT

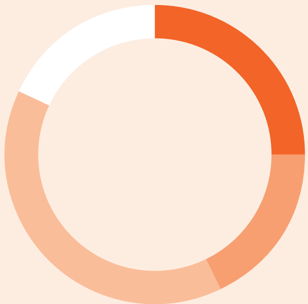
Transformation to serve markets with structural growth drivers

2015

TT market breakdown

- **13**% – Medical
- **12**% – Aerospace & defence
- **30**% – Industrial
- **45**% – Transportation

2021



TT market breakdown

- **25**% – Healthcare
- **18**% – Aerospace & defence
- **39**% – Automation & electrification
- **18**% – Other

Q
How much of your order book strength is pull forward versus genuine growth?

We have focused on working even more closely with our customers during this period of supply chain challenges. We have been asking diligent questions to ensure that orders placed are "real" and that there is minimal double ordering; in certain circumstances we have also amended our commercial terms to give us greater protection. Orders, particularly for custom parts, are now often non-refundable, non-returnable and, increasingly, non-reschedulable to ensure that we are working to genuine customer requirements. We are also taking money upfront and require customers to commit contractually to pay for inventory in advance on certain products.

We had a record order book into 2022, with increased visibility into H2, including GMS fully booked.

Q
Do you see opportunities to grow in the end markets you are exposed to?

Our primary focus areas for growth and investment are in the end markets of healthcare, aerospace & defence, and automation & electrification which includes products that address resource scarcity, improve energy efficiency, support renewables and drive productivity, connectivity and health.

In healthcare markets in 2021 we believe there has been an element of rebound effect as elective procedures previously cancelled have been reinstated. We believe this is a good medium- to long-term growth market in the region of 5-7% CAGR, and we know that some of our key customers in this area have growth targets in excess of this. We would be keen to add further scale in this market. One area of our expertise achieving great traction is surgical navigation using robotics for minimum invasive surgeries. We have been developing new, smaller and more accurate sensors to support these robotic applications.

We estimate aerospace & defence end markets offer medium-term growth of 3-4% CAGR. We have recently won a contract to participate in the main UK army vehicle programme for the next 10 to 20 years, which I believe is clear evidence of our capabilities. We started to see the first signs of recovery in civil aerospace in 2021, for both wide and single aisle planes, but do not expect a return to meaningful growth before 2023.

In automation & electrification, we see through-cycle growth of 4-6% CAGR in areas such as industrial automation and robotics, smart infrastructure, and metering, all of which should grow faster than GDP. And, with the onset of 5G and further proliferation of electronics to deliver connectivity across a range of markets, we believe this area offers us exciting growth opportunities.

The majority of our products contribute to delivering the global sustainability agenda and are enablers used by our customers to achieve their own sustainability goals. Our connectivity, sensing, power and manufacturing solutions all enable end use products that are cleaner (smaller, lighter and more power efficient), smarter (through factory automation and productivity and in connectivity for smart city infrastructure) and healthier, providing improved patient outcomes and wellbeing (such as through remote health monitoring and diagnostics).

EVOLUTION OF ADJUSTED OPERATING MARGIN

+300bps

2021 adjusted operating margin vs 2015

MATURED SAFETY CULTURE

5

5 three day lost-time incidents in 2021 vs 29 in 2015

SIGNIFICANT INVESTMENT IN R&D

£74m

Total R&D spend 2015-2021

REDUCTION IN SCOPE 1 & 2 CARBON EMISSIONS

41%

2021 vs 2019

Q

As we come through the pandemic and you focus on delivering the growth strategy do you think organisational changes will be required? How are you continuing to look after the team?

In TT we have a strong culture of expertise and set out to attract, promote and retain talented people who share our values. The wellbeing of our colleagues continues to be high on the leadership team's agenda. I am mindful of the ongoing constraints on capacity across parts of the business but am confident we can continue to operate in a COVID-safe environment. We managed well in the initial stages of the pandemic but, as parts of our business have been dealing with the impact for two years now, we will increasingly focus on wellness initiatives. Our devolved business model allows our individual sites to work out and implement the things most important to them within our framework.

We continue to invest in personal development, apprentices and harnessing young talent. Following the success of our InTTernship programme in the US in 2021, where we hired 14 students for the Summer, we recruited around half of them in various engineering roles. We are extending the programme in 2022.

Talent lies in all groups and locations, which is why we are acutely focused on equality, diversity and inclusion matters, both in the way we recruit and the way we behave. While I am pleased that we are a balanced business overall in terms of gender diversity, with 53% female employees, we continue to focus on improving the picture in the higher levels of the organisation. We have recently launched a Leadership Programme for women which includes joint workshops with senior male leaders as well as mentoring and advocacy.

We believe engagement is an important part of delivering our strategy and the 2* status achieved in our recent employee engagement survey is testament to the TT Way. A 2* rating from Best Companies demonstrates that TT Electronics is committed to achieving top levels of workplace engagement by valuing and investing in our organisation and our people.

Our people drive our success. We undertake quarterly talent reviews at a site level and annual reviews at a divisional and functional level; going forward these will occur on a biannual basis.

Q

Can you describe your margin progress and potential?

The Group's run rate adjusted operating margin in 2021 was 8.1%, excluding the start-up costs related to Virolens, which is in line with our pre-COVID adjusted operating margin.

We have made tangible progress towards a double-digit Group adjusted operating margin which incorporates the operational leverage achieved on organic growth and the benefit of our self-help initiatives (operational efficiency) and we reiterate our expectation that we will achieve this short-term goal in 2023. Adding high-quality, higher-margin businesses through acquisition and delivering synergies can enhance margins further.

Within our divisions, we believe self-help improvement will be a key driver of margin in Sensors and Specialist Components, and growth and greater leverage will be key in Power and Connectivity. Our GMS business has an historical margin target of 7-8%, but we are confident that with the transformation of this business it is capable of delivering a higher margin over time.

Q

Historically, GMS has been perceived as a lower-margin business; how has the transformation been achieved?

In GMS we undertake low-volume, high-mix manufacture of complex electronic assemblies to our customers' designs, with added value through design for manufacture and testing. Our GMS business has been transformed over the last few years given that it was a low-growth, high-churn, 3-4% margin business just four years ago. As I mentioned above, GMS has shifted to delivering margins of c.8%. We have worked hard to expand the customer base, add engineering services and deliver more complex assemblies with a higher value add, and this has also reduced customer churn. GMS is also central to our cross-selling activities.

Our GMS business ended 2021 with a full order book for 2022 and has a great future ahead.

Q

Can you talk through your environmental priorities?

Sustainability is embedded in our strategy and much of what we do for our customers on a day in, day out basis is focused on enabling them to create products that are cleaner, smarter and healthier or that bring those benefits to the world.

In our own operations there is lots going on as we continue with our three environmental focus areas of reducing our carbon emissions, diverting our waste from landfill and reducing the use of single-use plastics.

I am pleased that we have delivered a further 25% reduction in Scope 1 & 2 CO_2 emissions in 2021. This means that we have now achieved a 41% reduction in emissions against our 2019 benchmark carbon levels. Part of the reduction in 2021 has been achieved from switching our US locations onto renewable energy tariffs; this is on top of the 22% reduction we achieved in 2020 following switching our UK locations to green energy. We have a Net Zero target for our Scope 1 & 2 emissions by 2035, at the latest, and have recently added an additional interim target of a 50% reduction (against 2019 emission levels) by the end of 2023.

All of our sites that can access renewable energy have switched or will switch. Renewable tariff options are not currently possible at our sites in China and Mexico and, here, we are working on projects to ensure we can meet our targets. In 2022 we will undertake feasibility studies for possible solar projects.

We are also committed to providing a safe working environment for our employees.

We have begun scoping and assessing our Scope 3 emissions and will initially focus on areas which we believe are significant and measurable. We have signed up with CDP (formerly the Carbon Disclosure Project) as a supply chain partner as measurement and disclosure are critical elements of our journey to achieve Net Zero. CDP has been developing its proven global carbon disclosure systems for over 20 years and is the international gold standard for environmental reporting. Through partnership with CDP we will measure, declare and combat carbon emissions in our supply chain. We already participate in the CDP, scoring C for our most recent submission, and we make our first disclosure under the Task Force on Climate-related Financial Disclosures (TCFD) recommendations in this Annual Report (see page 59).

Q

How has the business dealt with the challenges in global supply chains?

The headwinds we have faced from supply chain challenges and increased costs, whether freight, power or people related strengthened as we progressed through the second half of 2021. We have invested in our inventory position to support our future growth and manage the supply chain constraints. More than ever, we have prioritised staying close and partnering with our customers, but we have also been mindful to protect ourselves commercially and reduce risk. Here, I believe we benefit from being in different parts of the supply chain across the TT divisions.

Our Supply Chain Council is collaborating across the business to meet our customers' needs and we have developed software tools and data analytics to enhance parts availability and sourcing. We have also added resource on procurement to ensure we can continue to differentiate ourselves through the service we provide.

The challenges have served to demonstrate the importance of more localised supply chains. We anticipate these supply chain issues continuing through 2022.

Q

Are you able to pass on the input cost increases you have experienced?

On the whole we have been able to pass on our cost increases, albeit with a lag and, on our multi-year contracts, we have had to engage with customers to agree pricing changes. We are operating in an environment at the moment where there is an understanding that if the customer wants a product it will come at a price and pricing discussions with customers have been on a real-time basis.

In 2021 the business faced increases in freight costs, which we have looked to pass on in the form of freight surcharges. Resins and metals, such as palladium used in the Sensors and Specialist Components business, have doubled in price. We have also experienced wage and logistics increases from overtime (as we worked around power rationing in China) or expediting orders. Overall, we believe our pricing actions and operational improvements are offsetting cost increases.

We believe that around 1.5 to 2% of the revenue growth delivered in the year can be attributed to the price increases we have implemented to recover cost headwinds.

Q

How is the self-help programme progressing?

Our formal self-help programme is progressing really well and nearing completion. We also have a continuous operational efficiency programme with the objective of delivering the most efficient ongoing configuration of our global footprint. The formal programme is expected to deliver as anticipated, with an increased run rate of £13-14 million by 2023, of which circa £6 million was achieved in 2021, so there is an additional £5-6 million to come. The cash cost to deliver the programme is expected to be £18.8 million.

A strong team

Our Executive Leadership Team

Members of TT's Executive Leadership Team (ELT) are experienced and passionate leaders with the deep knowledge and range of skills necessary to deliver continued success for the Group and value for stakeholders. The ELT meets monthly and has a weekly check-in call. It is the principal decision-making body below the Board.

1

Richard Tyson
Chief Executive Officer

Joined: 2014

Relevant skills and experience:
Richard has more than 30 years' experience in global engineering technology businesses. He previously held senior positions at Cobham plc.

See full biography on page 76

2

Mark Hoad
Chief Financial Officer

Joined: 2015

Relevant skills and experience:
Mark is a chartered accountant and has 25 years' experience in international finance roles including as Financial Controller and then CFO at BBA Aviation plc.

See full biography on page 76

3

Lynton Boardman
General Counsel and Company Secretary

Joined: 2012

Relevant skills and experience:
Lynton qualified as a lawyer with Simmons & Simmons. He was formerly head of legal at Syngenta Crop Protection (EMEA) and General Counsel and Company Secretary at QinetiQ Group plc.

See full biography on page 76

4

Michael Leahan
Chief Operating Officer

Joined: 2017

Relevant skills and experience:
Michael has over 30 years' experience in operational roles in the aerospace & defence industry including holding senior positions at Marotta Controls, Lucas Aerospace and Fairchild Controls.

5

Sarah Hamilton-Hanna
Chief People Officer

Joined: 2019

Relevant skills and experience:
Sarah has spent more than 17 years in HR and is experienced in business transformation, organisational development and talent management. She was formerly global HR lead for the food and beverage solutions division of Tate & Lyle.

During the year we closed sites in Barbados and Carrollton, Texas and transferred manufacturing from Corpus Christi in Texas and Lutterworth in the UK to other existing TT sites. We have sold the freehold Covina site and have recently made the decision that the business from this site will be integrated into our Torotel site in Kansas City. We believe this provides us with an additional opportunity to create efficiencies and improve the ROIC of both acquisitions combined.

Q

On the subject of M&A, how has the Torotel acquisition delivered? What was the rationale for the Ferranti acquisition?

Torotel has been part of the TT Group for just over a year now and we are delighted with the progress we have made across all metrics including establishing new customer relationships, delivering on cross-selling opportunities and financial targets. In aerospace & defence, a cross-selling opportunity from the Torotel business generated over $2 million (over £1.5 million) in orders for complex, ruggedised wire harness assemblies. We are on track to hit our required ROIC acquisition hurdles and the mid-teens margin is accretive to our overall Group margin.

I am excited about what the Ferranti Power and Control business will bring to the Group. This "carve out" brings talented engineers with an excellent reputation for delivering mission-critical power and control sub-assemblies to top tier global customers. The business steps up our aerospace & defence power capabilities in Europe, creating scale and a platform for growth with attractive customer positions. Ferranti is well aligned with our global strategy of becoming a world leader in power conversion and power management and a great example of the type of M&A opportunities we seek.

Q

What is your strategy for capital allocation? Does the business have the firepower to deliver further M&A?

In terms of competing uses for our capital, we prioritise organic investment, including R&D and capex for automation and efficiency improvements, we maintain a progressive dividend policy and then pursue targeted, complementary acquisitions which provide us with an opportunity to accelerate our strategy and growth opportunities. These are especially attractive when they add to our capabilities and allow us to access more markets or deepen customer relationships. We target leverage within a range of 1-2x EBITDA. It is also worth noting that during 2021 we put in place private placement debt which diversified our funding sources and brought longer maturity money into the funding mix.

We ended the 2021 financial year with leverage at 1.7x as the working capital inflow we had expected ahead of the second half was constrained by component availability and the need to limit supply chain challenges by holding higher levels of inventory. Looking forward, we have around £40 million of headroom, sufficient for a decent sized bolt-on acquisition. As the self-help programme nears its end and is successfully delivered, our free cash flow will improve, and this will add to our natural de-leveraging, improving the creation of investment capacity. Furthermore, our pension has been well managed and de-risked such that we can see a path, over the medium term, to executing a buyout and reducing the cash currently consumed on pension funding and running costs, and investing it back into growing the business.

Q

How is your M&A pipeline looking?

We look to create value through M&A by extending our technical capabilities, leveraging access to customers and growth markets, and building scale to optimise our operations and supply chain. We have a pipeline of targets we believe will deliver on these attributes and most opportunities remain in our target valuation range. While we acknowledge some valuations are prohibitive, there are still opportunities to create value.

Q

Why do you believe customers choose TT?

Our engineers have the ability to respond to our customers' unique technology challenges through designing one-off solutions or customising products that meet their needs. We seek out customers who value what we do and with whom we can work long term. R&D is high on our capital allocation priority list – we are often "designed in" so our components, products and engineering services are integral to our customers' designs.

We have a global manufacturing footprint (our mantra being "think global, act local") with the flexibility to switch production between geographies if required, depending on capacity and customer requirements, with centres of excellence in the UK, North America and China.

In 2021 we have really stepped up our Voice of the Customer initiative which focuses on engaging with and seeking feedback from our customers on how we can improve our service and the way we work.

Q

What are your priorities as you look into 2022?

We entered 2022 in a very strong position in terms of the cover for our budgeted revenue growth provided by our order book. One of our short-term priorities will be to deliver on this order book to customer expectations, even in the face of the expected ongoing supply chain challenges.

We expect these challenges will be a feature of our business environment through 2022.

Our strategy is delivering as intended. Our focus end markets provide us with good levels of structural growth particularly in healthcare and automation & electrification, while our differentiated offer and partnering approach will enhance this accessible growth through a greater share of customer spend.

While we will lead in sustainable growth in 2022, we also expect to progress on our journey to double digit-margins.

Building real partnerships

TT's success is built on engaging deeply with our customers and becoming real partners making a critical contribution to their teams and their products.

In February 2022 we were delighted to announce the further extension of our partnership and an exclusive manufacturing agreement with Radwave Technologies, Inc which will propel growth and accelerate time-to-market for Radwave's innovative electromagnetic (EM) tracking platform for surgical navigation. Radwave's EM tracking technology enables medical device customers to easily incorporate accurate, reliable and customisable tracking features into their diagnostic and therapeutic products. The partnership is a great example of collaboration between a customer and two of our divisions.

TT Minneapolis began working with Radwave in early 2021 to develop sensor technologies for the EM tracking system. Together with Radwave's system, TT's sensor technologies deliver a high degree of accuracy and precision, even in challenging settings where other EM technologies may be limited by interference or sensing volume constraints.

In Spring 2021, our Cleveland facility teamed up with Minneapolis to support Radwave on the system's control unit, one of the key intelligent technologies within the EM tracking platform which requires complex printed circuit board assembly (PCBA), full equipment assembly and calibration. By Summer 2021, an agreement had been reached for TT to manufacture both the tracking sensors and the control unit.

Both businesses recognised the opportunity to partner further in this growing area of the healthcare market and we have since collaborated on the launch of a full EM sensor tracking portfolio. This is being jointly marketed to a wide variety of medical device OEMs to improve patient outcomes in disciplines including electrophysiology, cardiology, ENT, interventional pulmonology, orthopaedics, interventional radiology, robotic surgery and endoscopy.

The agreement announced in February 2022 will see TT partner with Radwave on R&D and complete system manufacturing for the next five years.

OUR BUSINESS MODEL

CREATING VALUE FOR OUR WORLD

Our assets

Engineering and manufacturing capability
- We have deep domain knowledge in our markets and years of experience.
- We have a particular skill in product design and manufacture to make customers' end products smaller, lighter and more energy efficient.
- We specialise in low-volume and high-mix products, enabling us to offer the customisation and flexibility our customers require.
- Our global footprint enables us to serve customers around the world.

Research and development
- We have R&D capability around the world with IP and specialist product development skills.
- Our agile development model enables us to bring new products to market quickly.
- We have the know-how and experience to comply with complex regulatory approvals.

Access to our customers
- We have excellent customer credibility, often working in partnership with customers over many years.
- We seek out customers who value what we do and with whom we can work long term to add value.
- We have a business development organisation that fosters inter-Group collaboration and cross-selling.

People and culture
- Our people are talented designers, engineers and manufacturing experts passionate about what they do.
- Our teams are caring, supportive and service-driven. Behaviour is shaped by the TT Way values which guide how we work with each other and our stakeholders.

We do the right thing

We bring out the best in each other

We achieve more together

We champion expertise

We get the job done...well

What makes us different

Four key themes differentiate us from competitors, and we are focused on extending this differentiation:

Cleaner, smarter, healthier
Our target markets of healthcare, aerospace & defence, and automation & electrification have strong long-term structural growth potential. This growth is supported by megatrends pushing for the development of cleaner, smarter and healthier products and applications as we move towards a more sustainable world.

Culture of expertise
Our teams are passionate about finding solutions to the world's toughest technology challenges and delivering for customers. We champion knowledge, skills, innovation, problem solving and service in four key areas: power; connectivity; sensing; and manufacturing & engineering. We set out to attract, promote and retain the best, diverse, talented people and we are focused on developing expertise at all levels of the organisation.

Design-led technology
We design and manufacture bespoke technology solutions for specific customer applications, creating one-off solutions; customising and packaging products; and creating modular platforms built for customisation. We work from initial concept to production at scale, and from single component to complete device manufacture. We seek single source and designed-in development opportunities that enable us to move up the value chain and create long-term revenue streams.

Real partners
Our success has been built on engaging deeply with our customers and becoming real partners. Customer intimacy enables us to leverage our capabilities to respond to their unique requirements and become a critical contributor to their teams and their products. We retain a flexible approach that enables us to support customers as and when they need us.

We are a business with high-quality assets and a differentiated market offer, aligned with key global megatrends. We are creating value for our world by helping our customers to succeed, inventing products that support sustainability and that are more sustainable themselves, investing in and creating opportunities for our people, and doing business responsibly.

Our strategy

Our strategy is designed to leverage our assets and differentiators to unlock TT's potential and create continuous value for all our stakeholders.

It is enabled by strong capital discipline: a focus on cash generation and careful use of the balance sheet to facilitate continued investment in the quality of our assets and TT's exposure to long-term growth markets.

Read more about our strategy on page 28

The value we create

Customers and suppliers
- We help our customers succeed by providing critical products and services and solving tough technology challenges.
- £74.1 million investment in R&D since 2015.
- We treat our suppliers fairly in line with our TT Way values.

Our people
- We are focused on employee safety and wellbeing.
- We invest in our people to grow their skills and experience and create new opportunities.
- We are committed to creating a work environment where everyone can be themselves every day.
- We have strong employee engagement evidenced by annual improvements in our engagement survey score since 2014.

Environment and our communities
- Our solutions contribute to cleaner, smarter and healthier products.
- 41% reduction in Scope 1 & 2 emissions in two years.
- Targeting Net Zero Scope 1 & 2 emissions by 2035.
- Targeting 50% reduction in Scope 1 & 2 emissions by 2023 vs 2019.
- We are committed to social responsibility and ethical business practices.
- We support our teams to undertake STEM educational outreach in their communities.

Shareholders
- 14.5p adjusted earnings per share
- Medium-term target of double-digit annual adjusted earnings per share growth.
- 5.6p dividend per share.

Read more about our stakeholders and how we engage with them on page 44

OUR MARKETS: CREATING VALUE IN HEALTHCARE

We provide design and manufacturing solutions for a range of diagnostic, surgical and direct patient care devices critical to the identification, treatment and prevention of disease.

The past two years have reinforced the importance of public health to the smooth functioning of society. Efforts to improve healthcare infrastructure have intensified globally, with wellness and longevity a top priority for consumers. These forces serve to accelerate the pace of innovation within the healthcare ecosystem. Given the central role that electronics play in advancing medical technology, the COVID-19 pandemic has strengthened many of the tailwinds which have long supported the market.

Market trends and drivers

The global medical device manufacturing market is expected to have grown by over 6% in 2021. This attractive growth is characteristic of healthcare. While certain sub-segments of the market, such as elective surgery equipment, have not been immune to the idiosyncratic progress of the pandemic, return to growth is a hallmark of healthcare's inelastic demand profile. The medium- and long-term outlook for the global medical device manufacturing market is equally optimistic, with an expected CAGR of 5-7% to 2025.

Notable drivers include technological advancement, the increasing ageing population, and rising patient awareness. Technology has prompted many end users to overhaul or update their medical manufacturing systems. As this is a costly process, end users are increasingly seeking trusted third-party partners, such as TT, to service these needs. Additionally, we are well placed to capitalise on increasing demand for high-complexity products which is structurally driven by technological advancement. We therefore continue to expect favourable shifts in product mix towards high-value, high-margin devices suited to our capabilities. Finally, these dynamics are supported by consistent increases in life expectancy with the world's population of over 60s expected to double by 2050.

Contribution to Group

25%

of Group revenue

Our response
The pandemic created an opportunity to demonstrate to customers the extent of TT's agility by maintaining quality standards while rapidly and flexibly scaling production of urgently needed products. Over the past year we have sought to capitalise on that positive momentum. Our strategy has been tailored to bolster our technical expertise and capability in areas which OEMs find most complex to navigate, such as where significant engineering precision is required or there are constraints due to regulatory compliance.

Notable focus areas for the Group include life sciences and laboratory equipment, surgical devices, medical implants, and diagnostics and imaging equipment. In line with our purpose, we are energised by the tangible contributions we can make to health and quality of life in society. By supporting our life sciences partners, we are collectively improving laboratory automation systems and enabling samples to be collected and analysed with minimal human intervention, the benefits of which are improved data reliability and accuracy, minimised wastage, and time-efficient experiments. Ultimately, this is enhancing scientific progress in areas of drug discovery, vaccine production, and more. And, through developing smaller, lighter, more precise surgical devices, we are reducing the size of incisions, shortening recovery times, and improving overall patient outcomes. In addition, by improving the portability and ease of use of diagnostics, we are increasing the availability of medical imaging to point-of-care facilities. This promotes earlier detection and better monitoring, hence supporting measures taken to address the rising prevalence of cancer, cardiac, neurological, and musculoskeletal disorders.

While there is emphasis on addressing supply chain challenges across the Group, the urgency of ensuring healthcare products are delivered in a timely manner is top of mind given the human cost associated with such issues. We are proactively working with customers to mitigate global shortages and extend visibility into future demand. At the same time, we are able to leverage our globally integrated manufacturing footprint to mitigate local issues and seamlessly deliver products by collaborating across the network. We believe that enhanced dialogue and continued performance under adversity has deepened our relationships with key customers.

Expected market growth

5-7%
Healthcare market 2021-25 CAGR

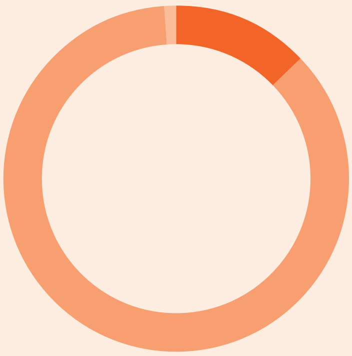
TECHNOLOGY SHAPING THE FUTURE OF HEALTHCARE

What we do

Our power, connectivity, and sensor technologies span the modern surgical suite; from patient monitoring and therapeutic devices to surgical navigation, diagnostic equipment and life sciences.

Our products help deliver therapy directly to patients during minimally invasive procedures, as well as in implantable devices and other external applications that require high-reliability power and sensor-enabled communication.

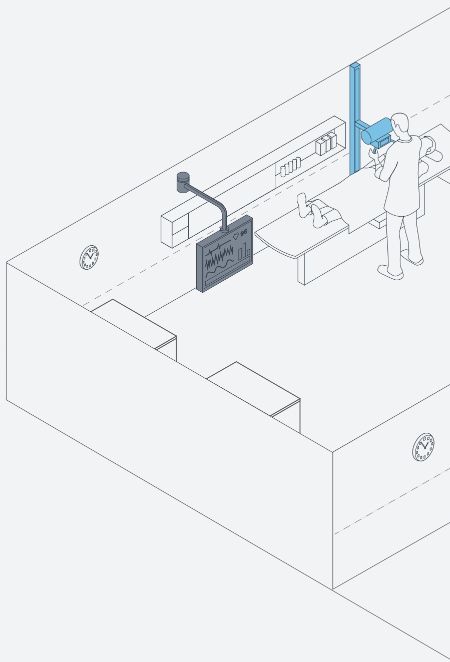
Market revenue by division



Our market breakdown

- 13% – Power and Connectivity
- 86% – Global Manufacturing Solutions
- 1% – Sensors and Specialist Components

TT Electronics in action



Advanced interventional and surgical devices

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

Innovative diagnostic and Imaging

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

Direct patient care and monitoring

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

Laboratory and life sciences

- Therapeutic drug monitoring
- Gene sequencing
- Immuno-assay
- Pill counting and dispensing
- Portable hemodialysis systems
- Scientific instrumentation

OUR MARKETS: CREATING VALUE IN AEROSPACE & DEFENCE

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

The global defence market has shown strong resilience in recent years. Moderate expansion is expected to continue as governments invest to maintain state-of-the-art capabilities. While commercial aerospace has been impacted by the COVID-19 pandemic, recovery is expected in the next 3-5 years.

Market trends and drivers
The resilience of the defence market, with a core feature being its moderate correlation to broader economic conditions, has been exemplified by recent history. In 2021 the global defence electronics manufacturing market is expected to have expanded by over 2%. This is a pace reflective of the past seven years, all of which have seen consistent, moderate expansion. Moreover, it is expected that this market will continue to progress steadily in the coming years at a CAGR of 3–4% to 2025.

A central long-term growth driver is the desire of governments to maintain state-of-the-art capabilities. In the US, the market is being driven by investment in R&D and long-term projects such as the fifth generation F-35 JSF and the B21. This reflects the US military's increasing focus on "near peer" competitors such as Russia and China. The US DoD budget is set to increase by 3.7% to $768.2 billion in FY2022. It is expected that global defence budgets will remain constant rather than contract despite inflationary pressures, record high budget deficits, and the potential fiscal consolidation this could provoke. In aggregate, we continue to remain optimistic that our exposure to the defence market will provide growing, high-margin business for decades to come.

Throughout 2021 the commercial aerospace market has been characterised by the gradual alleviation of travel restrictions following the onset of the pandemic. While it is positive that air travel volumes will exceed those of the lows seen in 2020, the effects of the pandemic are lingering. Under base case expectations, where some form of travel restrictions continue, it is expected that demand for small- and medium-sized aircraft will not recover to pre-COVID levels until 2024-5. Whilst the

Contribution to Group

18%
of Group revenue

Expected market growth

3-4%
Aerospace & defence market 2021-25 CAGR

future course of the pandemic is unclear, on balance, the prevailing sentiment in the aviation community is one of cautious optimism.

Irrespective of short-term uncertainty, we continue to see positive long-term trends that suit our capabilities. Fundamentally, the need for more efficient, safer, and environmentally friendly aircraft remains. This drives demand for increasingly advanced electronic systems and applications. This is complemented by further tailwinds comprised of a growing, globalised middle-class population who exhibit greater propensity to travel.

As travel patterns gradually return to pre-pandemic levels, we expect a strong civil aerospace recovery in the next three to five years, driven primarily by narrowbody aircraft deliveries, of at least double-digit CAGR growth 2021-25.

Our response
Within commercial aerospace we are focused on increasing the electronic content of aircraft. Over the near term, this means opportunities lie in helping our customers with the adoption of hybrid models, mid-life electrification initiatives and electronics updates. Presently we are focused on electrically powered sub-systems such as Human Machine Interface (HMI), avionics and actuation. Our ultimate ambition is to enable wholly electrically powered aircraft; as technology progresses we believe that we are well positioned to support customers throughout this transition.

In defence, our central focus is on supporting our customers to reduce size, weight, power and cost (SWaP-C), while simultaneously enhancing command, control, communications, computing, intelligence, surveillance and reconnaissance (C4ISR) capabilities. We have found success recently in providing more integrated, design-led solutions. In these products we have demonstrated greater capacity to deliver SWAP-C improvements, and this is resonating with customers. A recent example is the delivery of a significant increase in the power density of DC-DC converters for a major prime. We expect this to drive favourable shifts in product mix moving forward.

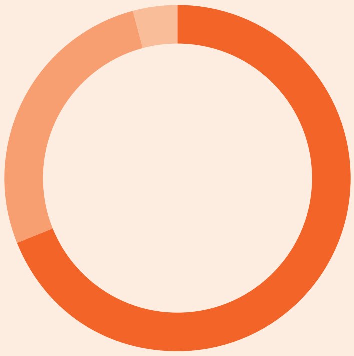
PERFORMANCE-ENHANCING SOLUTIONS FOR SAFE FLIGHT

What we do

From cockpit displays to engine controls and defence systems, our solutions optimise performance and reliability in the harshest and most demanding conditions, while our interior solutions enhance the passenger experience.

Our products provide size, weight and efficiency benefits for applications such as power conversion, actuation and control for mission-critical systems on a broad range of military and commercial platforms globally.

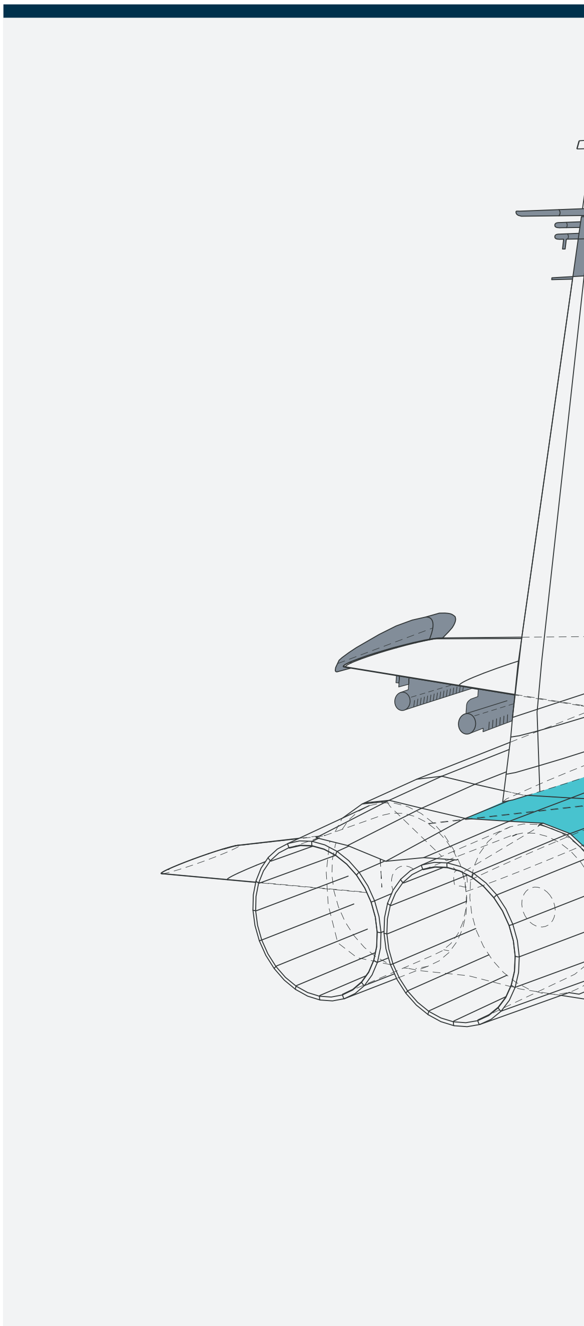
Market revenue by division



Our market breakdown

- 69% – Power and Connectivity
- 27% – Global Manufacturing Solutions
- 4% – Sensors and Specialist Components

TT Electronics in action

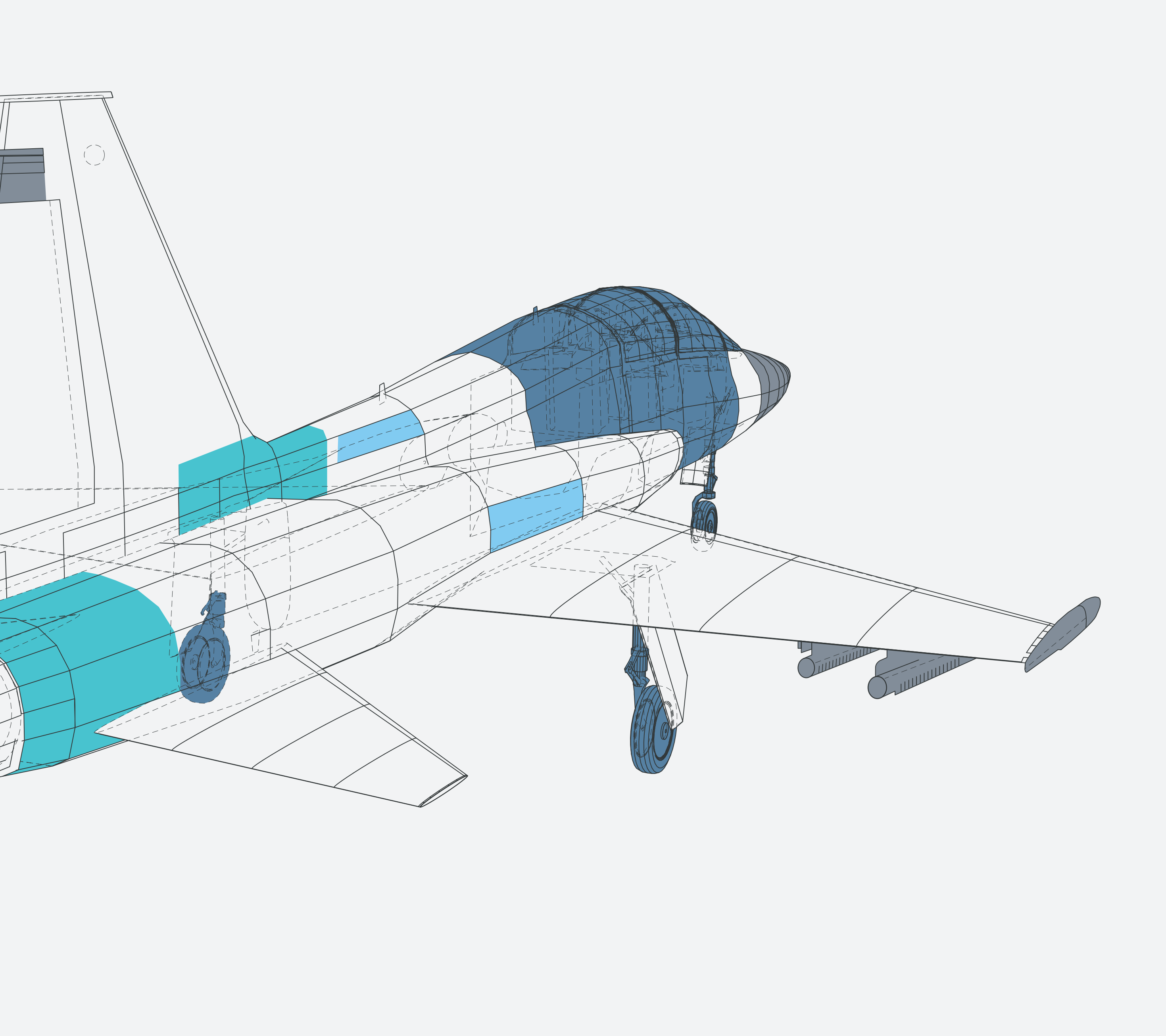


Precision guidance and defensive aids systems

- Laser targeting and inertial navigation systems
- Precision guidance systems
- Radar jammers

Aircraft interiors

- Passenger Control Units
- Cabin signage
- Mood & ambient lighting



Communication, navigation and radar systems

- Global positioning systems (GPS)
- Radar systems
- Communications, navigation and identification

Engine controls and fuel systems

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

Cockpit avionics and flight controls

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

OUR MARKETS: CREATING VALUE IN

AUTOMATION & ELECTRIFICATION

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

Automation & electrification markets continue to show encouraging signs of recovery from the disruption caused by the pandemic. Given the wide scope of these markets, performance correlates strongly with global economic growth more broadly. Key indicators include GDP growth and the Purchasing Managers' Index (PMI) which improved sharply in 2021, producing the strongest recovery in 50 years.

Contribution to Group

39%

of Group revenue

Market trends and drivers

Globally, the electronics manufacturing market is estimated to have grown by over 3% in 2021. New order growth and the pace of job creation remain close to the highs reached mid-year; however, the short-term outlook has been tempered by supply chain issues, inflation, and prospective monetary tightening. Ultimately, this is expected to delay rather than halt the recovery and sentiment is one of patient optimism.

Over the longer term we continue to see structural growth drivers aligned with our capabilities. A key force underpinning growth in automation & electrification markets is the increasing focus on sustainability. With the backdrop of increasingly stringent regulation to reduce environmental impacts across supply chains, sustainability is a significant positive trend. Shifting towards electricity as the major fuel powering industrial systems is a key imperative for organisations looking to reduce their carbon footprints. Additionally, the increasing digitisation of industrial processes and proliferation of connected devices in areas such as smart infrastructure, robotics and automation is promoting improved energy management, efficiency and reliability. As many of our products are enabling devices, the demand profile is highly attractive. This is reflected in the market outlook, with a CAGR of 4-6% expected to 2025.

Expected market growth

4-6%

Automation & electrification market 2021-25 CAGR

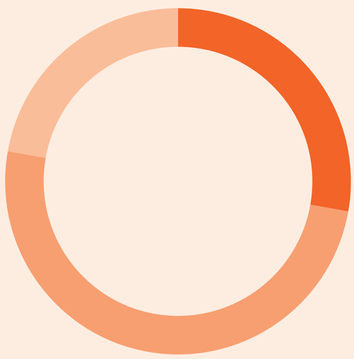
Our response
We are continuing to invest in developing capabilities which exemplify our low-volume, high-mix approach to address the needs of high-end industrial and connectivity markets. Within automation, we are focusing on products which will enable the full potential of innovation in this space. Irrespective of the final form industrial processes take, we are positioning our business to become embedded within the fabric of this technology. A key focus, for instance, is enhancing our optoelectronic sensors offer. Our sensor products improve the connectivity of manufacturing operations, promoting access to information throughout the supply chain and supporting the collection of quality real-time data. Within electrification, our priority is in developing capabilities which will support increasing energy efficiency and connectivity. Core focus areas include complex systems integrations and AC and DC power conversion technologies. We are increasingly able to develop complete, high-value products and durable components featuring higher voltages. These are supporting our customers by improving legacy designs and enhancing their ability to meet complex, high-bandwidth requirements.

EMPOWERING SMART INFRASTRUCTURE TO STREAMLINE PROCESSES AND IMPROVE LIVES

What we do

From clean energy and smart home applications to more efficient factory equipment and connected asset tracking, our technologies enable the Internet of Things (IoT) and innovations that are creating a smarter and cleaner world.

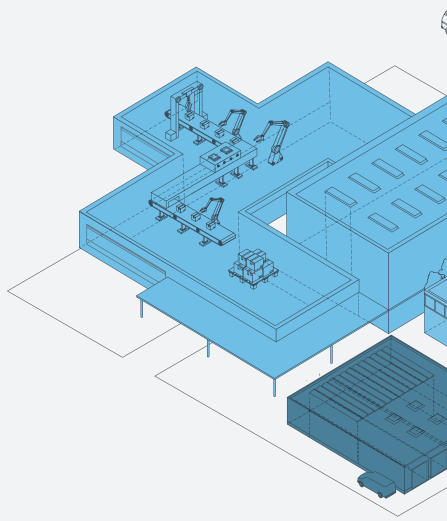
Market revenue by division

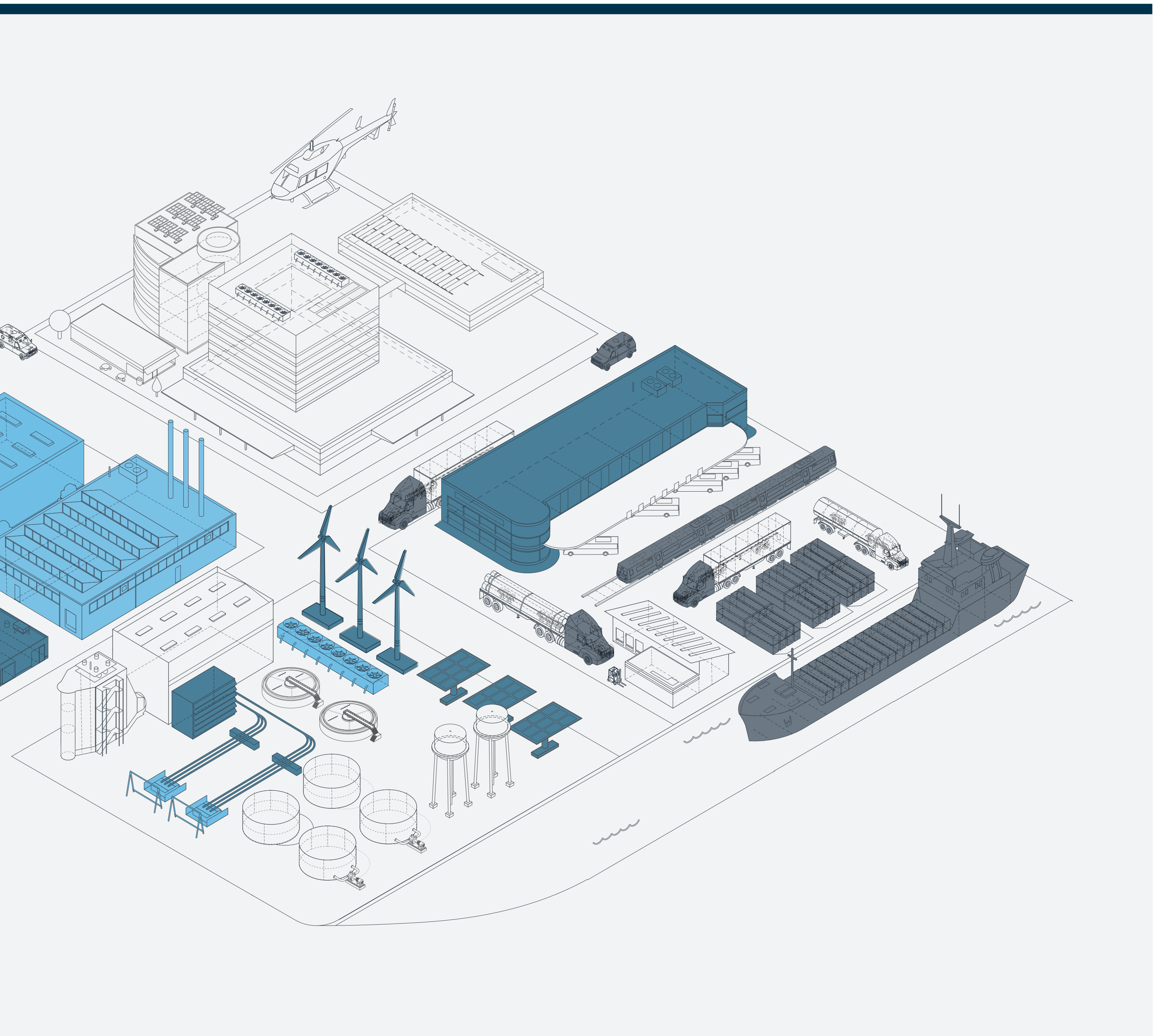


Our market breakdown

- 28% – Power and Connectivity
- 50% – Global Manufacturing Solutions
- 22% – Sensors and Specialist Components

TT Electronics in action





Smart infrastructure and industrial connectivity

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

Factory automation and electrification

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

Clean energy and smart cities

- Renewable energy generation and smart grid metering
- Power management and energy control systems
- Water and wastewater measurement and monitoring
- Smart lighting, security systems and fire detection
- Secure access and safety controls
- Energy-efficient home appliances

OUR STRATEGY

MOVING AT PACE

Strategic priority	2021 achievements	2022 actions
Technology investment and R&D to drive growth and consolidate customer positions We prioritise organic investment in the business, including R&D to maintain and drive our differentiation in the market and our offer to customers. R&D is critical if we are to stay ahead of customer needs and continue to meet the challenges they set us.	– £11.4 million R&D investment in the year. – Order intake in 2021 at 137% of revenue and record order book as we enter 2022. – Development of smaller, more accurate sensors supporting minimally invasive robotic surgical navigation. – Partnering with the Aerospace Techology Institute (ATI) on power conversion for increased electrification of aerospace platforms. – Contract for power assemblies on UK army Boxer vehicle programme. – Selected as hardware partner for Telenor to support IoT upgrades from 2G and 3G cellular. – Expansion of Voice of the Customer initiative to engage more deeply with customer needs on products, service and future R&D. See below. – Virolens COVID-19 screening device gained registration with the UK Medicines and Healthcare products Regulatory Agency (MHRA).	– R&D investment at c.5% of revenue to bring higher-growth, more sustainable products to market. – Continued support for life science partners on laboratory automation and efficiency. – Ongoing development of products supporting smaller, lighter and more precise surgical devices and surgical navigation. – Ongoing focus on integrated, design-led solutions that support the electrification and increased efficiency of aerospace platforms. – Continued focus on developing capabilities that support increasing energy efficiency and connectivity in industrial processes and infrastructure.

Meeting the unique requirements of our customers

Our Voice of the Customer (VoC) programme was pioneered by the GMS division more than seven years ago. It has been deployed Group-wide since 2020 and is a powerful tool in our efforts to understand precisely what our customers want and need and build stronger relationships.

The programme is continuously evolving and improving, and our teams are extremely supportive, having seen the benefits of the initiative in their day-to-day interactions, customer retention, and growth in customer accounts.

VoC comprises a semi-annual customer satisfaction survey which focuses on the various stages of the customer journey and allows the respondent to provide detailed information on their dealings with TT. This helps us to identify strengths and weaknesses and address areas where we are not meeting expectations. The survey is supported by a 24/7 feedback service for issues that require quick resolution. This appears as a button in the customer facing team members' email signature.

As the programme has grown, we have begun actively collaborating with customers to drive response rates to the survey. This has included a recent joint promotion with one of our strategic accounts with the results analysed by both parties to drive continuous improvement in the relationship.

With the Group strongly positioned in its three target markets we are now able to move forward at pace to unlock TT's potential. Our strategy is supported by strong capital discipline, enabling continued investment in the quality of our assets and growing our exposure to long-term growth markets.

Strategic priority	2021 achievements	2022 actions
Margin enhancement through portfolio change, operational leverage and self-help actions We are focused on activities which will enable the Group to consistently achieve double-digit operating margins in the medium term. This has included increasing the proportion of higher-margin products in the portfolio, drop through from organic revenue growth, and restructuring and footprint rationalisation.	– 7.3% adjusted operating profit margin achieved in 2021. Run rate of 8.1% excluding Virolens. – Self-help programme delivering as planned. £6 million benefits achieved in 2021. Closure of sites in Barbados, Carrollton and Corpus Christi and transfer of manufacturing from Lutterworth, UK to Bedlington and to our new facility in Plano, Texas. Sale of Covina and Corpus Christi sites. – Operational leverage from organic revenue growth. – Inorganic expansion in higher-margin technology. – Expansion of specialist Group operations team to accelerate operational best practice including Health, Safety, Environment (HSE); Continuous Improvement (CI) and process excellence; integration of acquisitions; and governance. – Continued transformation of the GMS division through higher value add services and complex assemblies. – Continued with ongoing activities to drive operational efficiency across the organisation. – Supply chain management and inventory investment to mitigate supply chain challenges and ensure we pass on costs.	– Complete delivery of self-help programme. Run rate expected to increase to £13-14 million in 2023. – Integrate Ferranti Power and Control – Complete Covina business integration into Torotel. – Continue to move business positioning up the value chain to capture margin. – Continued supply chain management and inventory investment to mitigate supply chain challenges and ensure we pass on costs. – Identify further automation and efficiency improvement activities through Group operations team. – Deploy further Group operational policies and standards including BE Lean and Sales Inventory and Operations Planning (SIOP).
Targeted and complementary M&A to expand technology capabilities and customer and market reach We seek to maintain an M&A pipeline to build scale, expand our capabilities to increase our exposure to market sectors with high growth potential and higher margins, and enhance value.	– Successful integration of Torotel acquisition with anticipated cost synergies and cross-selling opportunities coming through. – Continued to scope M&A opportunities that are a good fit and in target valuation range to enhance pipeline. – Maintained financial headroom to convert opportunities.	– Acquisition of Ferranti Power and Control (announced in January 2022), adding further technology capability, IP and scale to our Power Solutions business, including positions on long-term defence platforms. – Integrate Ferranti and Torotel customer proposition more closely with other businesses and provide higher-value customer offerings. – Maintain and convert pipeline of additional opportunities that meet our acquisition criteria. – Continue to manage financial leverage to support the execution of M&A opportunities.

Strategic priority	2021 achievements	2022 actions
Integration of ESG and sustainability matters into decision-making and business practices, from product development to recruitment We are well positioned to benefit from and support sustainability megatrends. Our products address resource scarcity, improve energy efficiency, support renewables and drive productivity, connectivity and health. We aim to produce them more sustainably with a focus on ethical sourcing practices and the work we are doing to reduce the impact of our operations on the environment. We maintain a strong governance framework and processes across the organisation and seek to have a wider positive impact on society by understanding and prioritising employee needs, doing business responsibly and reaching out to our local communities.	– New contracts to support a range of customer products and infrastructure, including high performance electric vehicles, more efficient aircraft, offshore renewable energy, micro turbines, and surgical robotics. – Continuing high levels of employee engagement as demonstrated in our 2021 employee engagement survey. – Continued maturing safety culture through the introduction of 15 global minimum standards based on ISO 45001 thinking and our analytical safety reporting tool. – ED&I roadmap launched Group-wide. – Continued our STEM education community outreach work. – Became corporate partners of the Institute of Environmental Management & Assessment (IEMA). – Switch to renewable electricity tariffs for sites able to access them. – 25% reduction in operational Scope 1 & 2 emissions during the year and 41% reduction vs 2019. – Committed to Net Zero Scope 1 & 2 emissions by 2035 with a short-term target of 50% reduction by the end of 2023 vs 2019. – Greater focus on reducing use of single-use plastics and diverting waste to landfill. – Undertook Group-wide climate risk and opportunities assessment. Read more on page 51. – Introduction of site environmental action plans.	– Roll out ED&I training to all employees. – Consider introduction of ED&I KPIs. – Launch of UK graduate recruitment programme. – Transition remaining sites to renewable energy tariffs where they are available. – Undertake feasibility studies for possible solar projects. – Undertake feasibility studies for renewable electricity projects in Mexico and China. – Launch Group-wide Sustainability Policy. – Set baseline for measuring Scope 3 emissions under significant categories and clarify intention for reductions. – Partnership with CDP to measure and reduce carbon emissions in our supply chain. – Further work on reducing the use of single-use plastics and waste to landfill. – Detailed climate risk and opportunities scenario analysis. – Begin collecting data on other greenhouse gases. – Internal audit to verify environmental data.

CFO REVIEW

BUILDING MOMENTUM

We are making tangible progress towards double-digit adjusted operating margins, and we are confident that TT's momentum will continue.

Mark Hoad,
Chief Financial Officer

Overview

Group revenue for the year at £476.2 million was 14 per cent higher than the prior year at constant currency and 10 per cent higher on an organic basis. There was a strong improvement in our financial performance with adjusted operating profit up by 31 per cent compared to 2020, reflecting the benefits of growth and our self-help programme.

In common with the broader industry, we have experienced supply chain challenges with extended lead times, component shortages and notable cost inflation. These have been largely mitigated through price increases, although there can be a lag effect. During the year, we adapted software tools and data analytics to enhance visibility of parts availability and sourcing in certain areas, helping to mitigate the impact of cost increases and lead-time extensions for our customers. We expect these cost headwinds and supply chain challenges to continue through 2022 but are confident of our ability to manage these, in partnership with our customers, and deliver on our growth plans.

There has been exceptionally strong order intake across the Group, reflecting underlying strength in our markets and new customer wins, as well as customers committing earlier to secure capacity. Order intake for 2021 was 137 per cent of revenue. The order book at the end of February 2022 is at record levels.

Adjusted operating profit was £34.8 million, 31 per cent higher than the prior year at constant currency. The adjusted operating margin was 7.3 per cent and, excluding the start-up costs related to Virolens, the adjusted run rate margin was 8.1 per cent. After the impact of adjusting items, including restructuring and acquisition and disposal costs, the Group's full year statutory operating profit was £19.3 million.

During the year we invested in our self-help programme to support margin improvement, and in inventory to support our high levels of growth, our increased customer order book and supply chain constraints on certain

Results for the year ended 31 December 2021

£million (unless otherwise stated)	Adjusted results[1] 2021	2020	Change	Change constant FX	Statutory results 2021	2020
Revenue	**476.2**	431.8	10%	14%	**476.2**	431.8
Operating profit	**34.8**	27.5	27%	31%	**19.3**	6.6
Operating profit margin	**7.3%**	6.4%	90bps	100bps	**4.1%**	1.5%
Profit before taxation	**31.5**	23.8	32%	36%	**16.0**	2.9
Earnings per share	**14.5p**	11.7p	24%	28%	**7.3p**	0.8p
Dividend per share	**5.6p**	4.7p			**5.6p**	4.7p
Return on invested capital	**9.1%**	7.7%				
Cash conversion	**65%**	130%				
Free cash flow[1]					**(1.3)**	14.4
Net debt[1]					**102.5**	83.8
Leverage[1]					**1.7x**	1.6x

1 Throughout the Annual Report we refer to a number of Alternative Performance Measures which have been adopted by the Directors to provide further information on underlying trends and the performance and position of the Group. Details of these APMs and a reconciliation to statutory measures can be found on pages 201 to 207.

component parts. Cash conversion of 65 per cent (2020: 130 per cent) reflected this investment and included a working capital outflow totalling £14.7 million. This investment was partially offset by realising £9.1 million of proceeds from property disposals. On a statutory basis, cash flow from operating activity was £14.3 million (2020: £28.2 million). There was a free cash outflow of £1.3 million (2020: £14.4 million inflow). Dividend payments totalled £11.4 million (2020: £ nil).

We ended the year with net debt of £102.5 million (2020: £83.9 million), including IFRS 16 lease liabilities of £22.6 million (2020: £15.9 million). We have a strong balance sheet, and this includes a defined benefit pension scheme fully funded on an actuarial and self-sufficiency basis. At 31 December 2021 leverage was 1.7 times (2020: 1.6 times), within the Board's target leverage range of 1-2 times.

Our return on invested capital improved to 9.1 per cent in 2021, increasing by 140 basis points due to the growth in adjusted operating profit.

Financial review

Revenue

Group revenue was £476.2 million (2020: £431.8 million). This included a £15.2 million contribution from acquisitions and adverse currency translation of £12.7 million. Group revenue was 14 per cent higher than the prior year at constant currency and 10 per cent higher on an organic basis. Sales volumes in key markets, with the notable exception of commercial aerospace, have rebounded and the strength of our order book, at an all-time high, and pipeline of new business opportunities gives us confidence that this momentum will continue.

Operating profit and margin

The Group's adjusted operating profit was £34.8 million (2020: £27.5 million) and statutory operating profit was £19.3m (2020: £6.6 million) after a charge for items excluded from adjusted operating profit of £15.5 million (2020: £20.9 million) including:

- Restructuring costs of £7.8 million (2020: £14.5 million) comprising £5.9 million relating to the restructure of the North America Resistors business, £1.5 million relating to the closure of our Lutterworth site, and £2.4 million relating to the other elements of our self-help programme. These costs were partially offset by a gain of £1.7 million from the disposal of freehold properties at Covina and Corpus Christi (2020: £1.2 million property gain). In addition to this there was a net gain of £0.3 million relating to pension projects.
- Acquisition and disposal costs totalled £7.7 million (2020: £6.4 million) comprising £2.6 million (2020: £3.2 million) of integration and acquisition costs relating primarily to the Torotel integration and the Ferranti acquisition, which completed early in 2022. Amortisation of intangible assets arising on business combinations was £5.1 million (2020: £4.2 million). In 2020 there was a £1.0 million credit due to the release of the warranty and claims provision relating to the Transportation business.

The adjusted operating margin of 7.3 per cent (2020: 6.4 per cent) includes the start-up costs to establish the Virolens product line. Excluding these costs, the adjusted run-rate operating margin was 8.1 per cent. This improvement reflects operational leverage on our sales growth and the benefits of our self-help programme and was delivered despite increases in input costs linked to supply chain constraints, which we are in the process of recovering through price increases.

Finance costs

The net finance cost was £3.3 million (2020: £3.7 million).

Tax

The Group's overall tax charge was £3.2 million (2020: £1.6 million), including a £3.0 million credit (2020: £2.7 million credit) on items excluded from adjusted profit. The adjusted tax charge was £6.2 million (2020: £4.3 million), resulting in an effective adjusted tax rate of 19.6 per cent (2020: 18.1 per cent).

Earnings per share

Basic earnings per share (EPS) was 7.3 pence (2020: 0.8 pence) reflecting the increase in operating profit and the reduction in adjusting items set out above. Adjusted EPS increased to 14.5 pence (2020: 11.7 pence), reflecting the improved adjusted operating profit in the period.

Cashflow

Adjusted operating cash inflow was £39.5 million (2020: £49.0 million inflow). Improved profitability was more than offset by a working capital outflow of £14.7 million (2020: £3.6 million inflow), including a £42.6 million investment in inventory to support the strong order book and to deal with supply chain constraints. Capital and development expenditure increased to £16.8 million (2020: £13.2 million) reflecting investment to support growth and as part of the self-help programme. This resulted in adjusted operating cash conversion of 65 per cent (2020: 130 per cent). On a statutory basis, cash flow from operating activity was £14.3 million (2020: £28.2 million).

There was a free cash outflow of £1.3 million (2020: inflow £14.4 million), net of £5.9 million of restructuring and acquisition related costs (2020: £8.1 million), relating to the self-help programme and acquisition costs associated with the Covina and Torotel acquisitions. Cash restructuring costs were net of £9.1 million of property disposal proceeds. Pension contribution payments in the year totalled £5.5 million (2020: £5.4 million).

Investments in acquisitions totalled £0.5 million (2020: £48.7 million) relating to deferred consideration on a prior year acquisition. The spend in 2020 reflected the acquisition of Covina, the acquisition of Torotel, Inc, including £3.0 million of debt acquired with Torotel, Inc and £3.8 million of debt like items, as well as £0.5 million of deferred consideration relating to a prior year acquisition. In 2020 there was £20.2 million of equity issuance, which primarily related to the Torotel acquisition placing. Dividend payments totalled £11.4 million (2020: £ nil).

Cash flow, net debt and leverage
The table below sets out Group cash flows and net debt movement.

At 31 December 2021 the Group's net debt was £102.5 million (31 December 2020: £83.9 million), including £22.6 million of lease liabilities (31 December 2020: £15.9 million).

Consistent with the Group's borrowing agreements, which exclude the impact of IFRS 16, Leases, leverage ratio was 1.7 times at 31 December 2021 (31 December 2020: 1.6 times). Net interest cover was 13.5 times (31 December 2020: 12.6 times). The Group's debt covenants state that the leverage ratio must not exceed 3.0 times and that interest cover must be more than 4.0 times.

Dividend
Given our strong trading performance in 2021 and the positive outlook for 2022 and beyond, the Board is proposing a final dividend of 3.8 pence per share. The total cash cost of this dividend will be approximately £6.7 million. This, when combined with the interim dividend of 1.8 pence per share gives an increased total dividend of 5.6 pence (2020: 4.7 pence per share). Payment of the dividend will be made on 20 May 2022, to shareholders on the register at 29 April 2022.

Outlook
We continue to enhance the quality of our businesses and are making tangible progress towards double-digit adjusted operating margins. We have started 2022 with a record order book, which gives us the confidence and the visibility to achieve our growth plans for the year whilst continuing to manage the ongoing cost and supply chain challenges in partnership with our customers.

As a result, we are confident that TT's momentum will continue, with the outlook for financial performance in 2022 in line with management expectations, although we are mindful of increased geopolitical uncertainty. With good customer wins, strength in our target markets, and the commercial aerospace recovery still to come, we believe the Group is in a strong position for the future.

Cash flow and net debt

£ million	**2021**	2020
Adjusted operating profit	**34.8**	27.5
Depreciation and amortisation	**16.1**	17.0
Impairment of intangibles	**–**	0.2
Net capital expenditure[1]	**(14.9)**	(9.9)
Capitalised development expenditure	**(1.9)**	(3.3)
Working capital	**(14.7)**	3.6
Other	**3.3**	0.7
Adjusted operating cash flow after capex.	**22.7**	35.8
Adjusted operating cash conversion	***65%***	*130%*
Net interest and tax	**(8.7)**	(3.8)
Lease payments	**(3.9)**	(4.1)
Restructuring, acquisition and disposal related costs[1,2]	**(5.9)**	(8.1)
Retirement benefit schemes	**(5.5)**	(5.4)
Free cash flow	**(1.3)**	14.4
Dividends	**(11.4)**	–
Lease payments	**3.9**	4.1
Equity issued/acquired	**1.4**	20.2
Acquisitions & disposals[2]	**(0.5)**	(45.7)
Other	**(0.5)**	(1.8)
Increase in net debt	**(8.4)**	(8.8)
Opening net debt	**(83.9)**	(69.1)
New, acquired, modified and surrendered leases	**(10.8)**	(2.6)
Borrowings acquired	**–**	(3.0)
FX and other	**0.6**	(0.4)
Closing net debt	**(102.5)**	(83.9)

1 In 2021 'Restructuring, acquisition and disposal related costs' comprises proceeds on surplus property disposals of £9.1 million.
2 In 2020 'Restructuring, acquisition and disposal related costs' exclude a £3.8 million payment for a debt-like item which crystallised upon acquisition of Torotel and which has been presented within 'acquisitions and disposals.' This £3.8 million is an acquisition related cost.

CFO REVIEW CONTINUED

POWER AND CONNECTIVITY

Overview

Revenue increased by £15.1 million to £140.2 million (2020: £125.1 million). There was a £15.2 million revenue contribution from Torotel which we acquired in November 2020 and there was an adverse currency effect of £3.4 million. Organic revenue was 3 per cent higher with growth in defence, healthcare and automation & electrification whilst aerospace volumes declined, particularly in Q1 2021, against Q1 2020 which was not impacted by COVID-19.

30%

of Group revenue

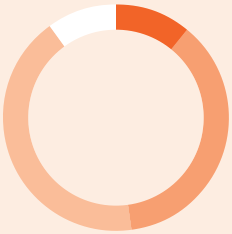
10

Primary locations

1,559

Employees

Revenue breakdown



Revenue by market (%)

- **11**% – Healthcare
- **37**% – Automation and electrification
- **42**% – Aerospace and defence
- **10**% – Distribution sales channel

Revenue by geography (%)

- **32**% – UK
- **42**% – North America
- **15**% – Rest of Europe
- **11**% – Asia and RoW

Financial highlights

	2021	2020	Change	Change constant fx
Revenue	**£140.2m**	£125.1m	12%	15%
Adjusted operating profit[1]	**£7.8m**	£10.3m	(24)%	(21)%
Adjusted operating profit margin[1]	**5.6%**	8.2%	(260)bps	(250)bps

1 Adjusting items are not allocated to divisions for reporting purposes. For further discussion of these items please refer to Note 6.

Adjusted operating profit reduced by £2.5 million to £7.8 million (2020: £10.3 million). Included within this was a profit contribution of £1.5 million from the Torotel acquisition. The adjusted operating margin was 5.6 per cent (2020: 8.2 per cent) which was impacted in part by a lag in the recovery of higher material and freight costs, given the longer cycle nature of the division. Run rate divisional margins were 8.3 per cent excluding the start-up costs incurred in relation to the Virolens project.

Operational excellence initiatives included the closure of the division's Lutterworth, UK site, and manufacturing has been transferred to Bedlington, UK. The closure consolidates the division's operations further within its existing operational footprint. We also initiated the footprint rationalisation at Covina, with the business being consolidated into the Torotel site at Kansas City, as one power business. The full benefits of these actions will be realised in 2023 and will support additional investment in R&D.

The Virolens production line was completed during the year and the product received its first regulatory approval from the MHRA in Great Britain. While we understand dialogue continues with other regulators there have been no further approvals.

There have been some notable contract awards during the year, including:

- Our engineering team in Minneapolis, Minnesota collaborated with Radwave Technologies, an innovative surgical navigation tracking technology company to develop smaller, more accurate sensor coils which support new procedures in structural heart and orthopaedic healthcare. This example is evidence of the success of our cross-selling efforts as our GMS business will also provide complete system manufacturing under an exclusive five-year contract. We also reached an agreement to become Radwave's exclusive provider of navigation sensors and early in 2022 further extended our partnership to the manufacturing of control unit and field generating antenna.
- In aerospace & defence, a cross selling opportunity that TT brought to the Torotel business generated over $2 million (over £1.5 million) in orders in 2021 for complex, ruggedised wire harness assemblies. We won through partnering with a major customer and investing in the capabilities needed to succeed in this market. We are now positioned to partner with other aerospace and defence customers to provide this product. With a second aerospace and defence prime, TT used its supply chain expertise to significantly reduce lead times and was the only supplier positioned to secure critical materials and meet programme requirements.
- In October, we were awarded a contract with a major defence prime, RBSL, for the main UK army vehicle programme for the next 10-20 years. We will provide complex high reliability power electronics assemblies to the Boxer vehicles. The multi-year contract worth over £5 million is centred around the development of two types of primary power assemblies and secures us a spot within the mechanised infantry vehicle supply chain. We will lead the design, production and delivery of the battery control units enabling increased efficiency of the vehicle power management system as well as the command display units providing signalling and communications functionality on every Boxer vehicle.

In January 2022 we were delighted to complete the £9 million acquisition of Ferranti Power and Control (P&C), based in Greater Manchester, which designs and manufactures mission-critical complex power and control sub-assemblies for blue chip customers in high-reliability and high-performance end markets, primarily aerospace and defence. One of the principal benefits of the acquisition is that it brings highly skilled employees who provide full-service capabilities from design, assembly, manufacturing, and testing including environmental stress screening and inspection through to service.

Ferranti P&C adds further technology capability, IP and scale to our Power business with valuable long-term customer relationships and programmes with leading global aerospace, defence and industrial OEMs operating in highly regulated markets with significant barriers to entry through necessary industry accreditations and customer approvals.

The acquisition is expected to be modestly earnings enhancing, to generate mid-teens operating margins and to generate a return on invested capital in excess of the Group's WACC in year one. We expect to generate cost synergies of circa £0.4 million by year three.

CFO REVIEW CONTINUED

GLOBAL MANUFACTURING SOLUTIONS

Overview

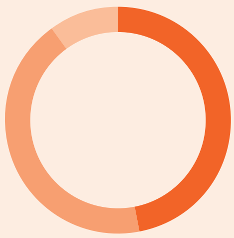
Revenue increased by £22.6 million to £220.1 million (2020: £197.5 million) including an adverse currency effect of £4.1 million, with organic revenue 14 per cent higher. The organic revenue performance reflects good growth from our existing customer base and a particularly strong performance in the Asia region, particularly from our healthcare and automation & electrification end markets.

46%
of Group revenue

6
Primary locations

1,590
Employees

Revenue breakdown



Revenue by market (%)

- **47**% – Healthcare
- **43**% – Automation and electrification
- **10**% – Aerospace and defence
- **0**% – Distribution sales channel

Revenue by geography (%)

- **21**% – UK
- **38**% – North America
- **13**% – Rest of Europe
- **28**% – Asia and RoW

Financial highlights

	2021	2020	Change	Change constant fx
Revenue	**£220.1m**	£197.5m	11%	14%
Adjusted operating profit[1]	**£18.3m**	£15.0m	22%	24%
Adjusted operating profit margin[1]	**8.3%**	7.6%	70bps	60bps

1 Adjusting items are not allocated to divisions for reporting purposes. For further discussion of these items please refer to Note 6.

This division has performed incredibly well in 2021, reflecting our robust platform and targeted move towards customers who value our partnership and who are winners in their own growth markets. Work on positioning this business as a partner to our customers to win long-term incremental business is reflected in our order book growth.

The addition of GMS capability to the Kuantan site in Malaysia, back in 2020, has added value through the expansion of our high-level assembly capabilities to a variety of key customers. The order book is such that the division is fully booked for 2022.

Adjusted operating profit increased by £3.3 million to £18.3 million (2020: £15.0 million). The increase reflects operational leverage on the organic growth delivered and benefits from our self-help programme, including factory efficiencies. The adjusted operating profit margin improved to 8.3 per cent (2020: 7.6 per cent).

During the year, in the face of increasing supply chain headwinds, we adapted software tools and data analytics to enhance visibility of parts availability and sourcing helping to mitigate the impact of cost increases and lead time extensions for our customers. Despite this intense focus, inventory levels at the year-end were impacted by increasing lead times on critical component parts.

There have been a number of significant new customer awards during 2021 which will impact future years, as follows:

- GMS won a contract with a world-leading life sciences customer for machines used in spectrometry elemental isotope analysis to understand the chemistry and composition of materials in healthcare and life sciences. We won the contract from an underperforming competitor based on our service and product quality. Demand from this customer continues to be driven by post pandemic growth in healthcare and life sciences technology markets
- We won a contract with a new customer, Azenta Life Sciences, based on our reputation with another medical prime. We are engaging on multiple services including value add and vertical integration. Azenta was looking for a manufacturing partner in Asia where a substantial amount of its life sciences revenue is realised, which could help mitigate global supply chain risks.
- A contract has been awarded with a long-standing customer to create a complete end-to-end supply chain solution for a next generation silicon carbon (SiC) inverter, a key component used in high performance electric vehicles. TT collaborated with this customer through the early design phase of the project and has been appointed the exclusive manufacturing partner for the SiC inverter.
- A new project with a renewable energy provider to provide solutions for voltage converters in offshore substations. This continues a ten-year collaboration to provide manufacturing solutions for multiple renewable energy projects.
- We are providing complex high-level assembly solutions for a customer's innovative micro-turbine generator technology that powers some of the largest mobile networks and TowerCos worldwide. TT is supporting this customer to provide cleaner, energy solutions that are transforming the off-grid telecoms power sector, providing clean, affordable and reliable power.

CFO REVIEW CONTINUED

SENSORS AND SPECIALIST COMPONENTS

Overview

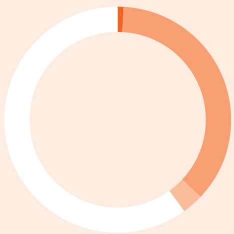
Revenue increased by £6.7 million to £115.9 million (2020: £109.2 million) net of an adverse currency effect of £5.2 million. Organic revenue was 11 per cent higher, with the division's exposure to the automation & electrification market the driver of increased demand.

24%
of Group revenue

5
Primary locations

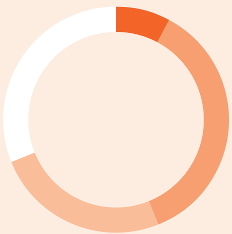
1,520
Employees

Revenue breakdown



Revenue by market (%)

- 1% – Healthcare
- 36% – Automation and electrification
- 3% – Aerospace and defence
- 60% – Distribution sales channel



Revenue by geography (%)

- 8% – UK
- 36% – North America
- 25% – Rest of Europe
- 31% – Asia and RoW

Financial highlights

	2021	2020	Change	Change constant fx
Revenue	**£115.9m**	£109.2m	6%	11%
Adjusted operating profit[1]	**£16.4m**	£9.4m	74%	82%
Adjusted operating profit margin[1]	**14.2%**	8.6%	560bps	550bps

1 Adjusting items are not allocated to divisions for reporting purposes. For further discussion of these items please refer to Note 6.

This business is in the sweet spot of enabling our customers to reach their sustainability goals with components for smart energy and city infrastructure and factory automation.

Despite usually having limited visibility, the order book in this division has increased significantly reflecting strong underlying demand but also, in part, customers committing orders further ahead to protect their supply chains and responding to lead time extensions.

Adjusted operating profit increased by £7.0 million to £16.4 million (2020: £9.4 million). Operating profit reflects the benefits of our self-help programme, some of which was achieved ahead of schedule, and the strong operational leverage on our revenue growth. We benefited from our agility in adapting our

pricing strategies including timely price increases to offset ongoing material and freight cost increases. The adjusted operating profit margin was up 560 bps to 14.2 per cent (2020: 8.6 per cent).

As part of the Group's ongoing self-help programme, the closures of the sites in Barbados, Carrollton and Corpus Christi, Texas were completed in the year and we moved to our new facility in Plano, Texas. We have invested in capacity and improved yields which are enabling volumes to be produced at higher rates and are focused on improving our customer experience.

There were a number of favourable developments during the year which will benefit the business, including:

- We won a contract for defibrillator resistors which involved a collaboration between our engineers in the UK with our sales capabilities in Asia. The win includes production as well as test equipment charges.
- We recently launched a revolutionary optical sensory array FlexSenseTM designed to optimise optical encoder applications for evolving automation and healthcare markets. This product meets customer requirements for customised, high-end optical encoder sensors which can be configured for higher resolution, faster response and smaller footprint. It also enables acceleration of time-to-market and manufacturing throughput for our customers.
- We have a proven track record for providing quality resistors for a technology and innovation customer. This customer awarded a contract for current sense and fusible resistors to ensure the safety of its battery pack for its industry-leading, high-reliability and high-specification products.

CFO REVIEW CONTINUED

Dividend policy and dividend

The Board has a progressive dividend policy, which primarily takes into account adjusted earnings cover, but also sees beyond this to take into account other factors such as the expected underlying growth of the business, its capital and other investment requirements and its pension obligations. The Group's balance sheet position and its ability to generate cash are also considered.

The Board considers these factors in the context of the Group's Principal risks, which are set out on pages 67 to 70, and the overall risk profile of the Group.

The Group's ability to pay a dividend is impacted by the distributable reserves available in the parent Company, which operates as a holding company, primarily deriving its net income from dividends paid by its subsidiary companies. At 31 December 2021, TT Electronics plc had £209.5 million of distributable reserves, sufficient to pay dividends for the foreseeable future. The parent Company Balance Sheet is set out on page 191.

Given the strong performance in 2021 and the positive outlook for 2022 and beyond, the Board is proposing a final dividend of 3.8 pence per share, which gives a total dividend of 5.6 pence, up 19% compared to prior year. Payment of the dividend will be made on 20 May 2022, to shareholders on the register at 29 April 2022.

Pensions

The Group has one significant defined benefit scheme in the UK and some much smaller defined benefit schemes in the US. All the Group's defined benefit schemes are closed to new members and to future accrual.

The total net accounting surplus under the Group's defined benefit pension schemes was £74.5 million (2020: £30.5 million). The main driver of this was a rise in corporate bond yields reducing the Scheme's benefit obligation and an increase in the fair value of assets due to investment performance. The surplus also increased due to company contributions paid of £5.5 million, as the contribution plan continued, targeting self-sufficiency and further de-risking.

During the year, the Group completed a Pension Increase Exchange (PIE) exercise where eligible current pensioner members were offered the option to exchange their future non-statutory pension increases for an additional amount of level pension. The effect of this exercise was to increase the net accounting surplus by £0.3 million after deducting work carried out during the year to cleanse the scheme data. These activities are part of the Group's ongoing effort to reduce risk and uncertainty, effectively manage the liabilities, and improve the scheme data as we look towards an ultimate buyout of the UK pension liabilities.

Net accounting pension surplus

The Group has developed a strategy to manage the financial risk associated with its defined benefit schemes as follows:

- Maintaining a long-term working partnership with the Trustee to ensure strong governance of risks within the TT Group scheme. The TT Group scheme is a long-term undertaking and is managed accordingly, in order to provide security to members' benefits and value for money to the Group.
- A prudent investment strategy is pursued by seeking risk-rewarded long term returns whilst removing the majority of liability mismatching unrewarded risks. As the scheme's funding position has improved, so the scheme's investment strategy has been gradually de-risked to reduce scheme volatility.
- The Group has in place financial hedging that aims to remove the majority of interest rate and inflation related risks. As the scheme funding has improved the level of hedging has been increased. We are now fully hedged on a self-sufficiency basis, which means that we are now over-hedged on an accounting basis. At the current level the approximate impact on the reported surplus accounting position of a 10bps fall in interest rates would be a circa £1 million improvement in the position (which would be otherwise be a circa £9 million deterioration if the hedge were not in place) thereby reducing volatility. Conversely, a 10bps rise in interest rates would result in a circa £1 million reduction in accounting surplus, all else being equal. This strategy has been in place for a number of years protecting the TT Group scheme's position since December 2013 when yields commenced a prolonged decline.
- The Group recognises that seeking rewarded risk returns in its investment strategy could lead to short term fluctuations in funding levels depending on market conditions. The Group considers that by maintaining a good relationship with the Trustee, it will be able to utilise flexibility in the funding regime to even out the impact of short-term market underperformance to enhance predictability of Group pension contributions. This creates a suitable balance between the needs of the TT Group scheme, the Group, and the Members.

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

£million	2021	2020
Fair value of assets	651.9	641.2
Liabilities	577.5	605.8
UK scheme (surplus)	78.4	35.4
Overseas schemes (deficit)	(3.9)	(4.9)
Total Group surplus	74.5	30.5

Following the triennial valuation of the TT Group scheme as at April 2019, an actuarial valuation of the US defined benefit schemes was carried out by independent qualified actuaries in 2021 using the projected unit credit method.

Further details of the Group's defined benefit schemes are in Note 21 on page 178 of the Consolidated Financial Statements.

Financial risk management and treasury policies

The Group's Treasury activities are managed centrally by the Group Treasury Function, which reports to the Chief Financial Officer. The Treasury Function operates within written policies and delegation levels that have been approved by the Board.

The Group's main financial risks relate to funding and liquidity, interest rate fluctuations and currency exposures. The overall policy objective is to use financial instruments to manage financial risks arising from underlying business activities and therefore the Group does not undertake speculative transactions for which there is no underlying financial exposure. The Group manages transactional foreign exchange positions by hedging a minimum of 75 per cent of expected net cash flow exposures for the next 12 months and 50 per cent of expected net cash flow exposures for the period from 12 to 24 months.

More details of the Group's Treasury operations are set out in Note 20 on page 169 of the Consolidated Financial Statements.

Funding and liquidity

The Group's operations are funded through a combination of retained profits, equity and borrowings. Borrowings are generally raised at Group-level from a group of relationship banks and lent to operating subsidiaries. The Group maintains sufficient available committed borrowings to meet any forecasted funding requirements.

Net debt and gearing

At 31 December 2021 the Group's net debt was £102.5 million (31 December 2020: £83.9 million), including £22.6 million of lease liabilities (31 December 2020: £15.9 million).

At 31 December 2021 the Group had available undrawn committed and uncommitted facilities of £272.4 million. The Group's borrowings are in the form of a multi-currency Revolving Credit Facility (RCF) and private placement fixed rate loan notes (PP). The RCF matures in November 2023, with no short-term re-financing risk for the Group. In August 2021, TT agreed a debut £75 million PP issue with three institutional investors. The funds were received in December 2021 and the issue is evenly split between 7 and 10 year maturities with an average interest rate of 2.9% and covenants in line with our bank facility. The private placement complements, at an attractive rate, the Group's existing bank revolving credit facility, diversifying our sources of debt funding and providing us with a stable, long-term financing structure.

The Group's leverage is usually expressed in terms of its net debt/adjusted EBITDA ratio. The Group's main financial covenants in its RCF and PP notes state that net debt must be below 3.0 times adjusted EBITDA, and adjusted EBITDA is required to cover interest charges, excluding interest on pension schemes, by at least 4.0 times.

Leverage ratio
The Group's year end leverage ratio of 1.7 times is within the Group's target range of 1-2 times. Under the Group's borrowing agreements, the figure for net debt used in the calculation of the net debt/adjusted EBITDA gearing ratio calculation is translated at an average foreign exchange rate, with IFRS 16 lease liabilities and other IFRS 16 impacts excluded. In addition, there are other adjustments including the exclusion of certain specified items from EBITDA.

On this basis, net debt/adjusted EBITDA was 1.7 times at 31 December 2021 (31 December 2020: 1.6 times). Interest cover at 31 December 2021 was 13.5 times (31 December 2020: 12.6 times).

TT's capital allocation policy is set within the framework of a target Group net debt/EBITDA gearing ratio that lies within a range of 1-2 times in current market conditions.

A further summary of the Group's borrowings and maturities are set out in Note 19 on page 168 of the Consolidated Financial Statements.

Foreign currency translation

The following are the average and closing rates of the foreign currencies that have the most impact on the translation into sterling of the Group's Income Statement and Balance Sheet:

£million	2021	2020
Income Statement	Average rate	
$/£	1.38	1.28
RMB/£	8.90	8.87
Balance Sheet	Closing Rate	
$/£	1.35	1.37
RMB/£	8.63	8.94

Foreign exchange translation exposure arises on the earnings of operating companies based in the US and China, with additional lesser exposures elsewhere in the world.

Interest rates

The Group monitors its exposure to interest rates to bring greater stability and certainty to its borrowing costs. The policy is to have between 25 per cent and 75 per cent of the Group's debt subject to a fixed interest rate.

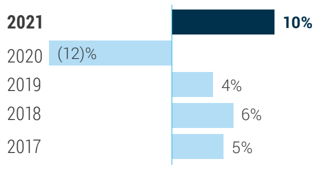
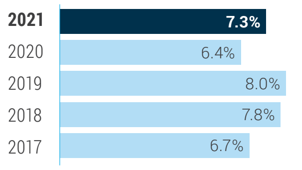
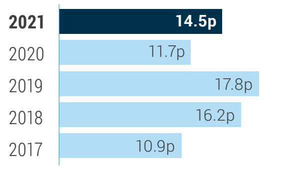
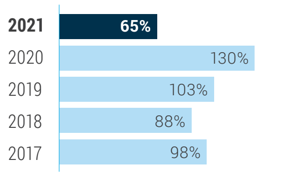
Going concern

See page 71 for the Going concern statement

HOW WE ARE PERFORMING

OUR KPIs

Financial

KPI description and why it is important	Medium-term target	Five-year performance chart	2021 progress
Organic revenue growth (%) The percentage change in revenue from continuing operations in the current year compared to the prior year, excluding the effects of currency movements, divestments and acquisitions. This measures the like-for-like growth or decline of the business. Sustainable organic revenue growth is an indicator of value creation. It reflects a combination of conditions in our markets and our success in gaining market share from serving our customers better.	**3-5% organic revenue growth annually over the medium term**	**10.0%** **2020:** (12)%  	Organic revenue was 10.0% higher reflecting the post-COVID recovery and good growth in our focus end markets.
Adjusted operating profit margin (%) Adjusted operating profit as a percentage of revenue. Adjusted operating profit margin is an indicator of our ability over the longer term to extract fair value from our products and services, driven by a mixture of increasing revenue and an optimised cost base.	**Double-digit margin by 2023**	**7.3%** **2020:** 6.4%  	Adjusted operating margin increased 90 bps to 7.3% reflecting operational leverage on good top line growth and the benefits of our self-help programme. Run rate margin of 8.1%, excluding Virolens costs.
Adjusted earnings per share (pence) The profit for the year attributable to shareholders excluding items not included within adjusted operating profit divided by the weighted average number of shares in issue during the year. Adjusted EPS summarises the overall financial performance of the Group, including revenue growth, operating margin, the cost of debt finance, and the rate of underlying taxation.	**Double-digit adjusted EPS growth annually at constant currency over the medium term**	**14.5p** **2020:** 11.7p  	Adjusted EPS was 14.5 pence, primarily reflecting the higher adjusted operating profit in the period.
Cash conversion (%) Adjusted operating cash flow including capital expenditure, divided by adjusted operating profit. Cash conversion measures how effectively profit is converted into cash and, within this, reflects the management of working capital and capital expenditure. A high level of cash conversion aids investment in the business, enables the Group to deliver increased returns for shareholders, and supports a strong balance sheet.	**90%+ cash conversion annually over the medium term**	**65%** **2020:** 130%  	Cash conversion reduced to 65% as a result of the Group's investment in inventory to support the strong order book and to deal with supply chain constraints. Capital and development expenditure also increased to support growth and as part of the self-help programme.

Our KPIs include a number of Alternative Performance Measures (APMs) which have been adopted by the Directors to provide further information on underlying trends and the performance and position of the Group. Details of these APMs and a reconciliation to statutory measures can be found on pages 201 to 207.

Financial

KPI description and why it is important

Return on invested capital
Adjusted operating profit for the year divided by average invested capital for the year. Average invested capital excludes pensions, provisions, tax balances, derivative financial assets and liabilities, cash and borrowings. It is calculated at average rates taking into account monthly balances. Return on invested capital is a measure of how efficiently the Group is utilising its assets, relative to profitability, in generating shareholder returns.

Medium-term target

Exceed the cost of holding assets with year-on-year increases

Five-year performance chart

9.1% **2020:** 7.7%

2021	**9.1%**
2020	7.7%
2019	10.8%
2018*	11.5%
2017*	10.6%

* Excluding IFRS 16 impacts.

2021 progress

ROIC increased to 9.1% due to the volume-driven profit increase.

Non-financial

KPI description and why it is important / Medium-term target / Five-year performance chart / 2021 progress

R&D investment as a % of sales
R&D cash investment as a percentage of revenue. This metric excludes GMS which is a manufacturing services business and has no R&D. A consistent and sustainable level of R&D investment enables us to introduce new products that increase our revenue and deliver on our purpose to solve technology challenges for a sustainable world.

Medium-term target: **Maintain R&D investment at around 5 per cent of revenue annually over the medium term**

4.5% **2020:** 4.8%

2021	**4.5%**
2020	4.8%
2019	5.1%
2018	5.1%
2017	4.6%

We have continued to invest in line with our target of 5% of product sales. Our total R&D investment over seven years is £74 million.

Safety performance (number of three day lost-time incidents)
The number of workplace health and safety incidents that resulted in employees, contractors or visitors needing to be off work for three days or more. The number of incidents measures how well we are executing on our commitment to raise safety standards globally and protect our people on our journey to zero harm.

Medium-term target: **Year-on-year reduction in incidents, ultimately leading to zero harm**

5 **2020:** 5

2021	**5**
2020	5
2019	4
2018	17
2017	7

We had five three day lost-time incidents in 2021, in line with the previous year. We continue to focus on building a strong safety culture across the Group which has included the recent introduction of 15 global minimum standards based on ISO 45001 & ISO 14001 thinking.

Employee engagement score
Results from a Best Companies Ltd third-party survey which gathers anonymous employee feedback and scores against eight success factors. Having engaged employees is crucial to attracting and maintaining the talent we need to execute our strategy. We have changed to report the more accurate total index score this year.

Medium-term target: **Survey-on-survey increase in the Group's engagement score over the medium term**

718.5 **2020:** 694.8

2021	**718.5**
2020	694.8
2019*	Interim pulse surveys
2018	678.8
2017	656.0

* No employee engagement survey was undertaken in 2019

Our Best Companies Index engagement score increased again in 2021 to 718.5 in line with the two star "outstanding companies to work for" Best Companies Ltd benchmark. More than 80% of our employees participated in the 2021 survey.

Scope 1 & 2 emissions
Total amount of carbon dioxide equivalent tonnes (tCO_2e) of Scope 1 & 2 emissions from operations. Details of the calculation method are set out on page 58. Reducing our Scope 1 & 2 emissions is a critical part of reducing our environmental footprint.

Medium-term target: **Annual reductions vs our 2019 baseline**
50% reduction by 2023 vs 2019
Net Zero by 2035

41% **reduction since 2019**

2021	**15,740**
2020	20,875
2019	26,657

Data available from 2019 only.

We delivered a further decrease in Scope 1 & 2 emissions in 2021 driven by the transition of our UK sites to renewable energy tariffs, site-specific energy reduction activities and the closure of some sites.

ENGAGING WITH OUR

STAKEHOLDERS

Engagement with our stakeholders is key to the long-term success of our business. We use the knowledge and feedback gained from our stakeholders to push our business forward and respond to key requirements and challenges in the industries in which we operate.

The Board fully understands its role in this process and regularly reviews the Group's key stakeholders and the impacts our activities have on these groups. The Board encourages open and purposeful engagement so that they can use clear and honest feedback to assist in their decision-making processes. The nature of Board meetings allows information about our stakeholders to flow from the workforce, through commercial teams and senior management to the Board and back down the organisational structure. The Board also actively seeks feedback from external advisers to help form its strategic decisions.

This section shows how the Board engages with stakeholders. More information on the Board's approach to S172 can be found on page 62, which sets out as an example decisions taken by the Board in the context of an M&A integration process and how consideration of stakeholder views and needs influenced these decisions.

Stakeholder	Our activities that affect them
CUSTOMERS AND SUPPLIERS	– R&D – Products, including those supporting environmental sustainability – Operations and production pipeline – Safety, environmental quality control and reliability – Legal and regulatory compliance – Payment practices – Responsible business practices
EMPLOYEES	– Culture and purpose – TT Way values and conducting business with integrity – Safety and wellbeing – Training and development – Group employment policies – Engagement activities – ED&I – Environmental sustainability
INVESTORS	– Financial performance – Leadership – Governance and transparency – Sustainability – Reputation – Communication
SOCIETY	– Products that solve technology challenges for a sustainable world – Responsible business practices – Environmental practices and sustainability – Employment training and apprenticeships – ED&I focus – Local supply chains – Supporting local communities

How we engage at Board level	How we engage across the Group	How we delivered on feedback this year
– CEO and Board regularly receive reports from divisions and internal Councils on key customer and supplier initiatives. – The Board reviews and approves payment practices. – The Board reviews and approves responsible business practices and targets.	– Day-to-day contact on supply chain, products and service. – R&D partnerships. – Collaboration across divisions to meet customer needs including through our Business Development and Supply Chain Councils. – Voice of the Customer formal feedback. – Supplier assessments.	– Continued focus on cleaner, smarter and healthier solutions. – New product launches. – New contract wins including Radwave (see page 13). – Expansion of Voice of the Customer programme (see page 28). – Review of technology roadmap.
– Oversight of Group culture. – HSE updates at each Board meeting. – Non-executive Director, CEO and CFO site visits. – CEO and Senior Independent Director (SID) are members of the People, Social, Environmental and Ethics (PSEE) Committee. – Oversight of ED&I roadmap. – Review of employee engagement survey findings. – Approval of environmental sustainability targets. **Read more on page 83**	– Regular communication activities. – Employee engagement survey. – Site employee forums and Town Halls with ELT members. – Be Inspired recognition scheme. – Training and development activities aligned to business and employee needs. – ED&I Councils at many sites. – Career conversations and personal performance development plans. **Read more on pages 40 and 52**	– CFO and Chief People Officer visits to new sites at Plano and Kansas City. – Actions following 2020 and 2021 engagement surveys. – Leadership development workshops. – Driving new ED&I strategy at Group and site level. – Mindfulness and wellbeing activities. – Investment in sales and business development capability. – Ambitious environmental sustainability targets.
– Regular report to the Board on investor views including around environmental sustainability. – Chairman and SID availability to shareholders. – Remuneration consultation activities. – Results, Annual Report and AGM. **Read more on page 86**	– Appropriate governance policies. – Alignment of business with Group strategy. – Engaging employees with Group strategy. – Collection of data supporting ESG strategy.	– Simplified and consistent messaging. – Ambitious environmental sustainability targets. – Focus on how our technology enables customers to make products that meet sustainability goals. – Continued consideration of findings of investor perception study.
– Oversight of Group strategy including ESG strategy and performance. – The Board reviews and approves responsible business practices and targets. – CEO and SID are members of the PSEE Committee.	– Legal and regulatory compliance. – Responsible business practices including environmental practices and approach to modern slavery. – STEM education activities in local communities. – Charitable initiatives in local communities. **Read more on pages 49 and 61**	– Ambitious environmental sustainability targets. – Continued focus on cleaner, smarter and healthier solutions. – New product launches that support efficiency and sustainability. – Driving new ED&I strategy at Group and site level – InTTernship and graduate programme and apprentices.

OUR PEOPLE, ENVIRONMENT AND COMMUNITIES

A POSITIVE IMPACT

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

We have made significant progress on environment, social and governance (ESG) and sustainability matters in recent years as the Group has been transformed and these considerations have been placed at the heart of strategic and day-to-day decision-making at all levels of the organisation. This way of operating reduces risk and provides significant opportunities to develop our business model.

Our activities in these areas are critical to our stakeholders, particularly our customers and our employees. We want our teams to be proud of working for a business that behaves ethically and seeks to continuously improve performance.

Read more about governance in the Governance and Directors' report from page 74

Our purpose

We solve technology challenges for a sustainable world

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

See page 28 for our strategic priorities

Alignment with the UN Sustainable Development Goals

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

UN Sustainable Development Goals	Our contribution
3 GOOD HEALTH AND WELL-BEING	– Our products help to diagnose and treat disease earlier, contributing to better life outcomes for patients. – We are committed to the safety, health and wellbeing of our employees. – We contribute to the wellbeing of our local communities through our community activities.
5 GENDER EQUALITY	– We are committed to equal opportunities for all persons. We have 53% women in our organisation, and we prioritise the recruitment and development of female leaders. – We are actively working on ED&I and education initiatives to attract more women into our sector and support women to progress in their careers.
7 AFFORDABLE AND CLEAN ENERGY	– Our products are enabling customers to accelerate cleaner energy technologies including electric vehicles, offshore wind and micro turbines. – We have moved or we are moving to renewable electricity tariffs at all sites able to access them and we are scoping options, including onsite renewable energy systems, for sites that cannot.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	– We are a global employer of talented design, engineering and manufacturing experts. – We are passionate about encouraging young people to consider STEM careers and, in turn, make their own contribution to industry and innovation in the future. – Our products are enabling our customers to operate more efficiently and to develop smart infrastructure that is changing the way we live.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	– We conduct business with integrity, transparency, and professionalism. – We are driven by the concept of zero harm in terms of the safety of our people and this extends to our approach to managing our impact on the environment. – We are reducing our consumption of single-use plastics and waste sent to landfill. – We develop, design, engineer and manufacture our products to use raw materials and other resource inputs in the most efficient way, including using recycled materials.
13 CLIMATE ACTION	– We are targeting Net Zero for Scope 1 & 2 emissions by 2035. – We are focused on moving to renewable electricity (our biggest driver of emissions) at all sites as soon as possible and investing in projects that will contribute to meaningful reductions in usage and self generation. – We are beginning to measure and target reductions in our most significant indirect emissions (Scope 3). – Our products are enabling customers to meet their own climate goals.

Our products

TT technologies address key sustainability megatrends in our target markets and bring environmental and social benefits to society. Our components and, ultimately, products address resource scarcity, improve energy efficiency, support renewables and drive productivity, connectivity and health through their use in customer applications.

Cleaner

- Products supporting renewable energy generation and cleaner, more efficient homes and industrial processes
- Advanced electronics for aerospace applications that enable safer, lighter and more environmentally friendly aircraft
- Solutions supporting vehicle electrification, fuel economy and sustainable transport

Smarter

- Electronics for sophisticated automation and connectivity applications in homes, businesses and infrastructure
- Solutions for smart metering technology and smart grids
- Industrial robotics and sensors that improve manufacturing processes

Healthier

- High-reliability solutions for diagnostic, surgical and direct patient care including surgical navigation and implantable devices
- Electronics for laboratory automation that support data reliability, accuracy and time-efficient procedures

Our cleaner, smarter, healthier focus is a key differentiator of our customer offer and drives our approach not only to R&D but to the way we develop, design, engineer and manufacture our products and use raw materials and other resource inputs in the most efficient way.

Our culture – the way we do business

Our culture is critically important; it makes TT a great place to work and a great company to work with, enabling us to attract and retain talented people and build strong partnerships with our customers.

Our behaviour is shaped by our TT Way values which guide how, from the top down, we work with each other and our stakeholders. We hold ourselves to high ethical and business standards, conducting business with integrity, transparency and professionalism and building relationships based on trust. This is supported by our internal focus on performance and expertise to drive innovation, operate more efficiently, and provide excellent service to customers.

We are also driven by the concept of zero harm in our safety culture and this extends to our approach to environmental sustainability matters where our teams are driving an ambitious agenda to reduce our environmental footprint.

Finally, we promote a work environment where people can be themselves, do their best work every day, and achieve their ambitions. We treat our employees with care and respect and are committed to equality, diversity and inclusivity.

Our TT Way values

- We do the right thing
- We bring out the best in each other
- We achieve more together
- We champion expertise
- We get the job done…well

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

Read more on the Board's oversight of culture matters on page 83

Ethics

The fundamental principles of fairness, honesty and common sense lie at the heart of our corporate standards. We have one ethical standard worldwide which seeks to create an environment where our business can flourish within an appropriate compliance and risk management framework.

Our Statement of Values and Business Ethics Code sets out these standards and covers a wide range of ethical matters including the working environment, standards of behaviour, avoiding conflicts of interest, hospitality and entertainment, bribery, intellectual property protection and fair competition.

We do not tolerate fraud, corrupt practices or behaviour not in line with our standards and have in place effective systems and processes to detect and deal with contraventions of the Business Ethics Code.

Any concerns relating to matters covered by the Business Ethics Code and behaviour more generally can be reported, either to management or by using our anonymous, multi-lingual whistleblower reporting facility on our ethics and integrity portal. Reports are investigated in detail and any significant concerns are reported to the Audit Committee.

Day-to-day oversight of ethical matters is undertaken by our People, Social, Environmental and Ethics (PSEE) Committee, which is chaired by our CEO, Richard Tyson and includes, as members, TT's SID, Jack Boyer, our Chief People Officer, Sarah Hamilton-Hanna and our Group General Counsel, Lynton Boardman. For the purposes of the UK Corporate Governance Code, Jack Boyer is the designated NED for engagement with the workforce. See page 85 for further details. An Ethics Committee made up of the TT Executive Leadership Team can also be convened on an as-needed basis.

Mandatory ethics training is provided for relevant employees on an annual basis. This covers different aspects of ethics including anti-bribery and corruption, IT and cyber security, export controls and information management.

Regulatory requirements are different around the world, so we have a core structure which Group businesses comply with, beyond which they are empowered to tailor their approach to local needs.

The nature of our business and the markets we work in means that legal and regulatory compliance is a principal risk for TT.

Read more on page 67

Supply chain

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

Our Corporate and Social Responsibilities – Supplier Expectations policy sets out our required standard with regard to supplier social and environmental practices, including modern slavery and the need for environmental improvement plans. From this year, the policy has been included in supplier purchase orders. Our policy is available on the TT website.

We carry out regular assessments of our suppliers to ensure compliance with our requirements and we will not do business with suppliers that violate them.

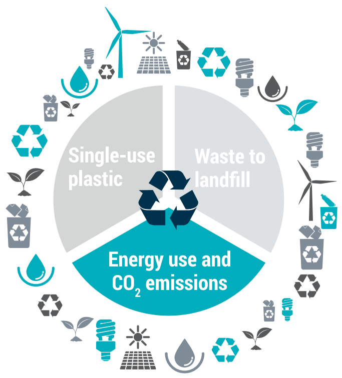
Read more about our approach to human rights and modern slavery on page 61

Reducing our environmental footprint

We believe that business has a significant role to play in addressing environmental issues, including climate change.

Over and above our focus on cleaner, smarter and healthier products, we have an ambitious agenda to reduce our environmental footprint and carbon emissions.

We are primarily targeting the areas where we have the greatest environmental impact, principally energy use in our operations, with an additional focus on reducing single-use plastics and waste to landfill. Energy use, in particular electricity use, is the largest contributor to our Scope 1 & 2 emissions and we are tackling this with projects to reduce use, switching to renewable tariffs where we are able to, and to onsite renewable sources where we do not have access to these tariffs.



We have an environmental sustainability and energy management strategy to direct and manage our progress and each of our sites conducts a detailed annual environmental review to identify its sustainability improvement plan for the year ahead. Environmental risks arising from these reviews are added to site operational risk registers.

We have implemented a global reporting tool at all sites to track resource use and all sites are required to submit data every month. The tool is aligned with the Greenhouse Gas (GHG) Protocol Corporate Standard and with the Streamlined Energy and Carbon Reporting (SECR) guidelines and provides data on the sources of our emissions which assists planning and enables greater transparency in our disclosures.

Find our environmental sustainability data on page 58

To deepen knowledge around the Group we became corporate partners of the IEMA (Institute of Environmental Management & Assessment), the professional body for UK sustainability specialists, in 2021. We intend to use IEMA resources to develop a green skills training programme that will be deployed across the Group in future years.

Our VP, Group HSE, Karen White holds Chartered Environmentalist (CEnv) accreditation with the Society of the Environment and is a full member of the IEMA. In 2021, she was invited to join the IEMA's Assessment Coaching panel as a full Assessment Coach to mentor other sustainability professionals.

Group environmental targets

We are moving at pace to reduce our carbon emissions. In the last two years we have reduced our overall Scope 1 & 2 emissions by 41% and we have developed a plan targeting a 50% reduction by 2023 against our 2019 baseline and Net Zero for Scope 1 & 2 emissions by 2035, at the latest.

To demonstrate our commitment, Scope 1 & 2 emissions were added to our Group KPIs in 2020 and they are aligned with executive remuneration objectives and flowed through the organisation.

All sites that are able to purchase electricity on renewable tariffs are now either doing so or a switch is planned in the future; further progress will therefore be driven by: energy reduction projects, including investment in more efficient infrastructure and processes; tracking and transitioning the use of other energy types; and undertaking of feasibility studies for possible solar projects.

To continue to improve and ensure transparency in our disclosures and progress in 2022 we will undertake a formal internal audit of our data and will begin collecting data on other greenhouse gases.

Scope 3 indirect emissions

We recognise that indirect emissions from our business activities also contribute to our environmental footprint. During 2021 we have assessed the significance of Scope 3 categories and established a methodology for data capture. We will expand this work in 2022 to consider nine of the most significant categories for TT and define a potential roadmap to Net Zero for some of them. We will partner with CDP on the supply chain element of these emissions. CDP is an internationally recognised organisation, working specifically for transparent carbon disclosure, with a strong specialism in supply chain.

Scope 1 & 2 emissions

Net Zero by

2035

Reduction since 2019

41%

50%

reduction targeted by 2023 vs 2019

Figures are for total Scope 1 & 2 emissions and not normalised to revenue

Single-use plastics and waste to landfill

While we have not yet implemented formal targets to reduce single-use plastics and waste to landfill, these two areas are an important part of our local efforts and reporting. We are currently developing robust verification methods for this data, introducing additional guidelines for reporting, and ensuring that all sites are participating in our reporting and reduction efforts. Our UK sites have been leading the way and we are using their knowledge to drive cultural change elsewhere.

Read more in the environment section starting on page 58

Governance and risk management

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

See our governance structure on page 75

Environmental governance
Oversight of and decision-making on our environmental strategy and performance is provided by the PSEE Committee and both the Committee Chair and the Non-executive Director representative on the Committee report to the Board on these matters. The Committee is advised by our Sustainability Council which comprises a mix of senior corporate managers and representatives from each division and provides on-the-ground insight and specialist advice as well as enabling the sharing of best practice and ideas across the Group. We also appointed a Group Sustainability Director in 2021.

Responsibility for local planning and performance lies with our site managers who work with our site environmental champions and employee green teams to formulate and deliver projects and engage employees with our local and global agendas.

Risk management
Climate and environmental risks are considered as part of our overall risk management processes. We identify environmental risks at site level as part of our site operational risk assessments. These risk assessments are reviewed and consolidated at divisional and then Group level and significant identified risks are placed on the Group risk register. The Group register is reviewed by the Risk Committee and the Board on a regular basis.

Sustainability, climate change and the environment is considered to be a principal risk for the Group in terms of reputation in the event that we fail to appropriately manage the environmental impact of our operations and our products, and relationships with our stakeholders deteriorate as a result.

See page 67 for our principal risks and mitigating actions

Climate risk and opportunities
In addition to our formal risk management process, in 2021 the Board considered a Group climate risk and opportunities assessment informed by bottom-up assessments made at a site and divisional level.

The assessment looked at both physical (climatic impact of higher average temperatures on our physical operations) and transition (changes in technology, markets, policy, regulation, and consumer sentiment resulting from the transition to a low-carbon economy) risks to the TT business model.

Each identified risk was reviewed under three headings: likelihood; impact; and materiality (see table below). Materiality will be assessed further and in more depth in 2022 through a detailed scenario analysis, looking at short-, medium- and long-term time frames and alternative temperature scenarios.

The assessment also considered how the Group was approaching opportunities both in its current markets and the opportunity to expand into the broader sustainable products marketplace. The Board also reviewed opportunities to reduce the Group's footprint under the headings resource efficiency and energy sourcing, and considered the resilience of the Group's overall position given its geographic and market spread.

Based on this work we consider physical risk from climate change to be financially immaterial for the Group at this stage given our activities and footprint and that risks arising from the transition to a low-carbon economy can and are being appropriately mitigated.

As described throughout this report, our business model, key capabilities and cleaner, smarter, healthier focus position the Group to benefit from the opportunities presented by the global transition to a low-carbon economy.

Task Force on Climate-related Financial Disclosures (TCFD)
We fully support the need for businesses to be transparent on climate and environmental matters as a driver of change. We set out how our disclosures comply with the TCFD recommendations on page 59.

Climate risk assessment

Risk (physical or transition)	Assessment – likelihood	Assessment – impact	Materiality
Acute (P)	Low	Medium	Low
Chronic (P)	Low	Medium	Low
Policy and legal (T)	Low	High	Short-term Low; potentially increasing over time as legislation increases
Technology (T)	Low	Medium	Low + considered an opportunity
Market (T)	Medium	High	Medium
Reputation (T)	Medium	High	Short-term Low/ Medium, likely increasing over time + considered an opportunity

External recognition

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

We received a rating of AA in the 2022 MSCI ESG Ratings assessment, placing TT in the leading companies in its sector group.

MSCI ESG RATINGS AA

CCC	B	BB	BBB	A	AA	AAA

We also participate in CDP's annual climate change survey. We received a C (Awareness level) rating in 2021 for our 2020 data submission.

OUR PEOPLE

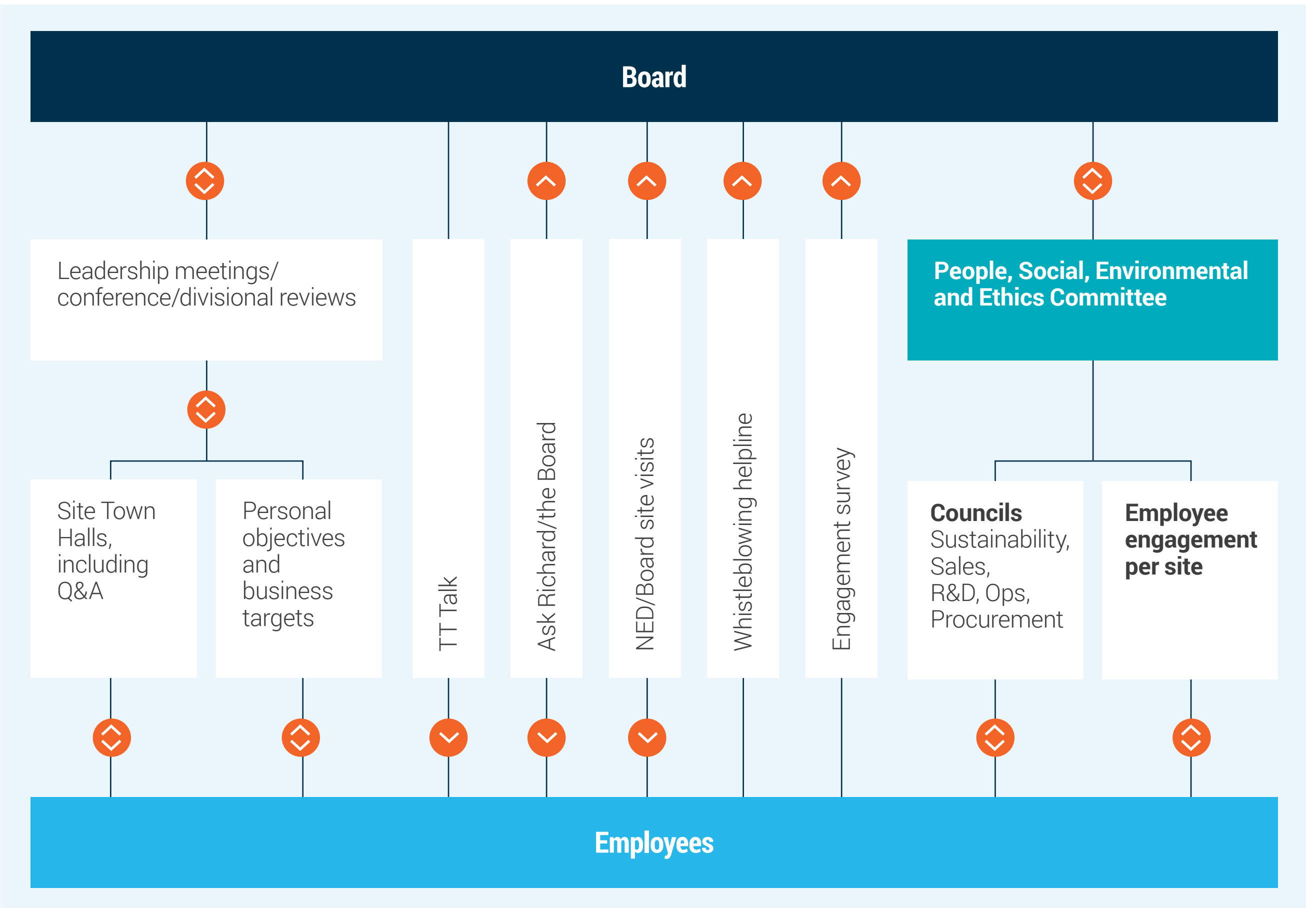
SAFE AND EMPOWERED

Our people can do remarkable things. Their talent and commitment to our business is a critical driver of TT's success. We strive to keep them healthy and safe, give them a sense of belonging and pride in our company, and empower them to think big.

As a vital resource, it is important that the employee voice is heard at the highest levels of the organisation. The results of our regular employee engagement survey are reviewed by the Board so that findings can be acted upon and TT's SID, Jack Boyer, participates directly in people matters through his membership of the PSEE Committee. These strong links and others described in the diagram below ensure that we appropriately address the needs of our most important stakeholders, and our teams are fully engaged with our business goals.

'Our people and our culture are our competitive advantage, and the way we deliver is as important as what we deliver. We are passionate about supporting every one of our 4,700 employees, and empowering them to make a difference every day.'

Sarah Hamilton-Hanna,
Chief People Officer



Safety and wellbeing

The safety and wellbeing of our teams is a core value for everyone at TT and we have in place tools and support systems that underpin both physical and mental health in our pursuit of zero harm.

Safety performance is a Group KPI and has improved significantly over the last six years. Local safety performance drives a proportion of management discretionary incentive payments and introducing our safety practices is a key activity when we acquire new sites.

We continue to observe COVID-safe practices at all of our sites. These have been constantly reviewed as the pandemic has evolved and local guidance has changed, and it is recognised that wellbeing activities and mental health support are vital after two years of restrictions and uncertainty.

We are really proud that our employees have worked together to keep themselves, their colleagues and their communities safe during the many challenges of the COVID-19 pandemic, whilst also delivering for our customers. We were delighted that 16 of our HSE specialists based in the UK, USA and China were recognised by The Royal Society for the Prevention of Accidents as COVID workplace champions for keeping clients, colleagues and communities safe. This recognition celebrates the contribution of all of our 4,700 employees.

During 2021, we had no site closures caused by cluster cases of employees with COVID-19.

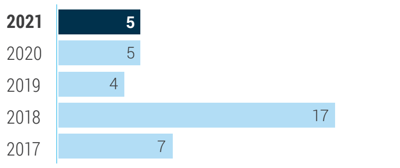
Our site HSE (Health, Safety, Environment) professionals report to our site general managers with a dotted line to our VP, Group HSE who leads progressive HSE programmes and acts as support for the whole business. We have global HSE standards and toolkits and use annual HSE improvement plans to direct progress at each site.

Within our mature safety framework, we are now primarily focused on safety leading indicators and prevention such as hazard identification, reporting near misses and behavioural based training.

To support our efforts, we have developed an analytical safety reporting tool that provides data on causation and incorporates an investigation tool that enables sites to mitigate issues quickly and, at Group level, guides the development of resources including training and communication materials. Our HSE dashboards are used in a Board report every month.

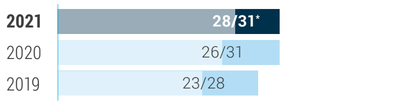
Total number of three day lost-time incidents

5 **2020:** 5



Number of sites achieving zero harm (no three day lost-time incidents) during the year

28/31* **2020:** 26/31



* Includes sites that were closed during the year.

Site regulatory compliance audits are performed by an external third party every three years.

External certification was maintained for 11 sites to ISO 14001 and six to ISO 45001. We also introduced 15 global minimum standards based on ISO 45001 and ISO 14001 thinking and will be internally auditing against these standards.

Safety performance
Safety performance is quantified as the number of occupational injuries resulting in three or more days' absence for an employee, contractor or site visitor.

This benchmark is applied to all TT locations worldwide and is more stringent than the Lost Time Incident (LTI) requirement for UK reporting which is seven days absence.

Wellbeing
Looking after our employees' physical and mental health is both the right thing to do and enables team members to do their best work every day. Engagement with our purpose and the concept of meaningful work is important for wellbeing, as is providing resources and support for employees who may be struggling.

At TT we do both and we measure how employees feel about this as part of our engagement survey. Specific initiatives are led by our sites and include mental health first aiders; a wellness action plan tool that managers and employees can use to drive adjustments for people to be well at work; mindfulness materials and seminars; vaccination campaigns; occupational and general health drop ins; and onsite breast and cervical cancer screening.

Our Juarez, Mexico site is very proud to be part of a government-backed campaign to eradicate gender-based violence in the workplace. The agreement is part of the 'Orange the World' campaign to eliminate violence against women and improve the quality of life of women and their children in the country. The arrangement will provide advice, education and support to our employees.

Employee engagement

We truly believe that creating environments where everyone is engaged and gets to be their best and do their best every day is key to the culture and success of TT Electronics.

Engagement creates a positive working environment, pride in the organisation, clarity on the opportunity for personal and career growth, and an understanding of individual contribution to the success of the whole. These objectives are articulated in our TT Way values.

We are pleased to have achieved strong levels of engagement, as demonstrated by the results of our most recent employee engagement survey in October 2021 in which more than 80% of employees participated.

The survey measures how our employees feel about working for TT, using a scale of 1 (low) to 7 (high) against eight factors determined by our survey partner, Best Companies Ltd.

Eight factors of engagement:

My manager	Leadership
My company	Personal growth
My team	Wellbeing
Fair deal	Giving something back

Our engagement results increased again year-on-year as a result of work at all of our sites to respond to employee feedback and continue to make TT a great place to work for everyone. We are pleased to score in line with the two star "outstanding companies to work for" Best Companies Ltd benchmark, with more than 80% of employees participating in the survey.

Results of the survey drive Group HR planning and local planning in the form of targeted action plans created by line managers in response to their results. Engagement scores also drive a proportion of management discretionary incentive payments.

In addition to the Group-wide survey which is undertaken every 12-18 months we use pulse surveys for latest feedback and an indication of progress.

Communication

As described in the diagram on page 52 we communicate frequently and openly with employees using a range of methods. These include weekly email updates, a quarterly newsletter celebrating success around the Group translated into all our global languages, and twice-yearly Town Halls with members of the Executive Leadership Team at our sites.

In November 2021 when travel restrictions were relaxed, Chief Financial Officer, Mark Hoad and Chief People Officer, Sarah Hamilton-Hanna were delighted to be able to visit two of our newest US sites – the new facility in Plano and recently acquired Torotel, Kansas City – to meet our teams in person and answer questions.

Development and careers

We continue to invest in the training and development of our people, equipping them with the skills to do their jobs well and further their careers with TT. Investing in our talent pipeline and nurturing young talent enables us to "grow our own" leaders and innovators and drive expertise and passion across all disciplines. A key recent area of investment has been in sales and business development capability.

Our line managers hold regular career conversations with direct reports and create personal performance development plans that align with wider site/division/Group objectives. We use a five-point performance scale to guide performance conversations and give clarity to employees.

During 2021 we continued to hold leadership development workshops and find new talent through our apprenticeship and intern programmes. In the UK we have apprentices in engineering, maintenance, operations, finance and business administration. Our US Summer 2021 InTTernship programme led to the recruitment of six graduate engineers.

At the beginning of 2022 we launched a UK graduate programme which will give participant trainees the opportunity to work across three of our sites – Bedlington, Hartlepool and Cardiff – and gain a range of experience.

Growing our own talent

TT's intern, apprentice and graduate programmes enable us to find and nurture young talent to provide the critical skills our business needs.

Our Summer InTTernship programme for US graduates went from strength to strength in 2021 when we hired 14 students in roles covering a range of disciplines including HR, lean engineering, manufacturing engineering, design engineering and supply chain. At the end of the Summer, we extended job offers to seven of the interns and we were delighted to have six join us in permanent roles at our sites in Minneapolis, Kansas City and Covina.

We are now actively recruiting for 18 intern positions in 2022 and the programme has been extended to roles in marketing and finance as well as operational positions. Our marketing teams have been very involved in promoting the programme including through an internship page on the TT website and resources on LinkedIn. Students that accept the offer will also enjoy a special TT swag bag delivered to them at college.

Equality, diversity and inclusion

We have discovered a real passion for ED&I matters in recent years as a driver of employee engagement and talent acquisition and retention.

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

Our ED&I strategy is led by a special committee and divisional working groups and we now have ED&I Councils at many sites. Our new ED&I policy and roadmap which sets out our approach to ED&I and expected behaviour has been circulated to employees and we report progress through our usual communication channels.

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

Recent areas of progress include more inclusive hiring practices using balanced shortlists and diverse panels; ensuring no bias in job descriptions; a new flexible working policy; and the introduction of an enhanced maternity leave policy. We have also created a gender transition guide for managers to help them support employees who are transitioning and ensure they feel supported and safe in the workplace. We also held workshops in micro-aggressions, allyship and inclusive language at some of our sites.

Our sites are encouraged to hold ED&I events appropriate for their locations. 2021 saw an active Pride Month at many sites, recognition of International Day of Persons with Disabilities, and the celebration of Black History Month, which included a very popular and humbling creative poetry competition in the US. Many of our sites held celebrations for International Women's Day in March.

ED&I training will be rolled out to all employees in 2022 and we will build on our progress with practical activities such as Inclusive Leadership workshops for managers as well as exploring how we might best implement and measure progress against ED&I-related KPIs.

Gender diversity
We are pleased to have two female Board members and one female member on our ELT team of five and, in total, we have more female than male employees. We are keen to see more women in leadership roles and, to this end, have recently launched a Leadership Programme for women, which includes joint workshops with senior male leaders as well as mentoring and advocacy. Our Women's Business Forum, launched in 2019, continues to support female leaders in the business.

Gender diversity at 31 December 2021

Employees – full-time equivalents	Male	Female
Board of Directors	4	2
Executive Leadership Team (ELT)	4	1
Senior managers (ex-ELT)*	71	14
All employees:		
UK and Europe	758	390
USA	389	312
Mexico and Caribbean	505	672
Asia	564	1,147
Total	2,216	2,521

Our UK Gender Pay Gap report is published annually on the TT website.

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

Reward and recognition

Being fairly rewarded and having contributions recognised is very important to our employees.

Our Be Inspired recognition scheme recognises teams and individuals who demonstrate our TT Way values with monthly, quarterly and annual awards. Participation in the awards is high, driven by the desire of our teams to recognise their colleagues. Our awards attracted nearly 2,300 nominations in 2021, with each winner receiving a sum of money and a site celebration.

Siti Nur Fadzrin Binti Ramli, Production Design Engineer, Power Solutions, Kuantan, Malaysia was recognised in our Be Inspired scheme for playing a big part in the site winning a transformer manufacturing contract with a new customer.

Over and above salary we ensure that all employees are able to participate in site specific pay-for-performance schemes, be it site profit share schemes or annual incentive schemes and we have a Group SAYE scheme for UK employees. Metrics for performance-based schemes are usually based around profit and customer service.

Footprint reduction
Our formal self-help footprint and fixed cost reduction programme will be completed in 2022. Regrettably the programme meant the loss of some employees as sites were closed and activities transferred. Whilst closing sites is difficult for those impacted and their communities, we are proud of the support we have offered to ensure our employees could continue their careers elsewhere. The "Life after Lutterworth" programme of employee support and assistance during a site closure has become a blueprint for us to use across the Group.

ENVIRONMENT AND COMMUNITIES

AMBITIOUS TARGETS

Understanding and managing the impact of our business operations on the environment and our local communities is an important part of the way we do business. We are making excellent headway with our ambitious commitment to achieving Net Zero Scope 1 & 2 emissions by 2035 and are achieving good momentum in our other environmental focus areas.

Having been a local employer for many years at many of our sites, our teams are keen supporters of creating social value in their communities and encouraging more people into STEM education and careers.

During 2021 we developed a roadmap to achieve Net Zero Scope 1 & 2 emissions by 2035. Reducing emissions from 2022 will require investment in a range of project types or a change in local government approaches to provide renewables in Mexico, China and Malaysia. We will be launching a new Sustainability policy in 2022.

Our self-help footprint reduction programme is also making a contribution to reducing overall energy use and emissions.

Safe operation of our sites
Safely operating our sites to mitigate potential environmental risk is embedded into our processes. Risk assessments are undertaken as part of the normal course of business and we have clear processes for the control of potentially hazardous substances, including safe storage, handling, use and disposal. Many of our sites have ISO 14001 accreditation for environmental management. This is independently assessed on a regular basis as well as through internal environmental audits. We comply with all global environmental legislation and, where required, have the appropriate permit controls in place. All sites also have environmental emergency containment plans to deal with incidents should they occur.

Environment

We are focused on change and investment projects in the areas which will have the most material impact on our environmental footprint. For this reason, we are prioritising the following areas:

The safe operation of our sites to ensure no environmental damage from leaks, hazardous materials etc.

Reducing energy use (primarily electricity, the largest component of our energy use) through more efficient operating processes, equipment and infrastructure.

Switching to clean and lower or zero carbon external electricity sources.

Investing in alternative renewable electricity solutions where renewable tariffs are not possible.

Finding solutions for other energy types, e.g. gas heating.

Reducing significant indirect emissions (Scope 3).

Reducing use of single-use plastics.

Reducing waste to landfill.

Renewable electricity
We have now switched 11 manufacturing sites to renewable electricity. Our sites in Mexico, China and Malaysia do not have access to these tariffs and will require investment in alternative solutions. In 2022 we will undertake feasibility studies for onsite solar projects.

Site environmental action plans
During 2021, each of our sites was tasked with preparing a detailed list of potential projects with deliverables aligned with our Group environmental strategy. These were reviewed centrally, and 12 key themes emerged:

Our key themes

Lighting
Further roll-out of LED lighting

EV charging
EV charging for company and employee cars

Waste electricity
Eliminating wasted electricity, e.g. stopping air leaks

Shift patterns
Managing shift patterns

New machines
Replacing inefficient legacy equipment

Recycling
Increasing recycling

Building space
Reorganising space to save heating/lighting

Employee incentives
Employee incentives

Gas boilers/heaters
Solutions to replace gas heating systems

Sub-metering

Packaging
Eliminating single use plastic packaging and increasing recyclable/reusable packaging

Compressors
Replacement of compressors

Sites have gone on to create action plans to achieve many of their proposed projects, with knowledge on the various themes being shared across the Group via the Sustainability Council. Themes that will benefit from a Group approach, for example sub-metering, are being turned into workstreams for further development.

Completed site carbon reduction projects include:

Building space
Suzhou, China – a new ceiling in the site's Integration II workshop will reduce energy use by around 10% due to a reduction in lighting, heating, ventilation and air conditioning requirements.

Waste electricity
Juárez, Mexico – compressed air leaks are the largest source of waste in multi-compressor systems and can account for up to 30% of an installed air compressor's energy consumption. The site is now using a special ultrasonic camera to detect these air leaks which will reduce the site's energy bills.

EV charging
Sheffield, UK – a new vehicle charging point has been installed for use by employees changing to electric vehicles.

2021 reduction in Scope 1 & 2 emissions

	vs 2020	vs 2019
2021 reduction in Scope 1 & 2 emissions tCO_2e	25%	41%
Intensity ratio tCO_2e/£m revenue	32%	41%

The primary drivers of our Scope 1 & 2 emissions reductions in 2021 were:

- the move to green electricity tariffs at all but one of our UK sites in October 2020;
- local site energy saving projects and capital investment in energy efficiency including lighting and controls and installation of new heating/cooling systems; and
- the closure of four sites during the year.

Our US sites switched to green electricity tariffs in 2021 and this will drive reductions in 2022.

Scope 3 emissions
During 2021 we undertook an assessment of 15 Scope 3 (indirect emissions) categories to identify those that were relevant and most significant for TT. We are now putting in place systems and processes to collect data on the four most significant categories to establish baselines on which to base future reduction targets, including a plan to reach Net Zero. These categories are:

- Purchased goods and services (category 1)
- Upstream transportation and distribution (category 4)
- Downstream transportation and distribution (category 9)
- Waste generated in operations (category 5)

Further consideration will be given in 2022 to five more categories: capital goods (category 2), business travel (category 6), employee commuting (category 7), use of sold products (category 11), and end of life treatment of sold products (category 12).

Work on our Scope 3 emissions will see us engaging with a range of stakeholders including suppliers, customers, external specialists and a third-party assessor to validate the data. As noted above, we have already agreed to partner with CDP on the supply chain element of these emissions.

Waste to landfill

We are also reducing our waste to landfill by reducing overall waste and increasing the amount we recycle. The majority of sites are now segregating their waste streams to increase the amount of waste that can be recycled, including cardboard, paper, metal, hazardous waste, wood and plastic. More than 59% of waste from the 16 sites that are tracking data was recycled in 2021. Our intention is to reduce like-for-like weight annually. We are delighted that three of our manufacturing sites are already sending zero waste to landfill.

Single-use plastics

We are reducing our reliance on single-use plastics and replacing them with more sustainable products. The majority of single-use plastics in our business are used in packaging products for shipment to customers and, working with customers, sites are switching to recyclable bubble wrap, pallet wrap and other packaging materials. We do not purchase single-use plastic bottles at any of our sites.

In 2020 we began sharing best practice around the Group and key sites began reporting the quantity of single-use plastics purchased, with the intention of reducing like-for-like weight annually. On a like-for-like site comparison we saw a 16% fall in the weight of single-use plastics purchased in 2021 vs 2020. We are now focused on ensuring that all sites are reporting this data going forward.

Water

While water use is not a key driver of our environmental footprint, we recognise that water is a precious global resource and should be managed as such. We therefore monitor our water use and seek to minimise it wherever possible, as well as directing wastewater to useful activities such as irrigation.

	2021	2020
Total water use m^3	104,024	130,760

Energy use and Scope 1 & 2 emissions reporting

We have adopted the UK Government GHG emission conversion factors by relevant year for our centralised emission factor calculation for GHG equivalent carbon dioxide. Other greenhouse gases emitted as a result of manufacturing processes are not included within these figures as they are a negligible proportion of overall emissions, but we intend to measure these as we move forward. We are using an operational control boundary for direct GHG emissions. We have adopted a cross-sector calculation method in line with the GHG Protocol Corporate Standard.

For Scope 1 emissions, we include our total owned and leased vehicle direct emission impact. Our carbon emission factors for grid electricity are calculated according to the "market-based method".

We have improved the precision of our 2019-21 Scope 1 & 2 carbon emissions data by using regional emissions factors rather than an emissions factor for the UK. This has led to a change in the data disclosed in 2019 and 2020.

	2021 tCO_2e	2020 tCO_2e	2019 tCO_2e
Scope 1 Emissions from activities which the Group owns or controls, including the combustion of fuel and operation of facilities	*Previously*	*1,259*	*770*
	955	1,259	1,479
Scope 2 Emissions from the purchase of electricity, heat, steam and cooling for own use	*Previously*	*11,259*	*14,935*
	14,785	19,616	25,178
Total gross Scope 1 & 2 emissions	15,740	20,875	26,657
Revenue £m	476.2	431.8	478.2
Intensity ratio: gross Scope 1 & 2 tCO_2e/£m revenue	33.1	48.3	55.7

Acquisitions are currently included in emissions data from the January after the acquisition is completed. Our global reporting tool has enabled us to improve the consistency and reliability of our data as we move forward and, from 2022, we will report emissions data for acquisitions from the point of acquisition.

2021 energy use and Scope 1 & 2 emissions by source and by geography

Geographic region	United Kingdom	Rest of Europe	North America	Asia	Rest of World	Total
Natural gas (MWh)	2,518	–	1,592	–	–	**4,110**
Fuel in company owned/ leased vehicles (MWh)	412	1	35	370	–	**818**
Electricity (non-renewable) (MWh)	236	–	22,039	10,798	5	**33,078**
Electricity (renewable) (MWh)	13,083	15	5,640	–	–	**18,738**
Total energy (MWh)	**16,249**	**16**	**29,306**	**11,168**	**5**	**56,744**
Total Scope 1 emissions (tonnes CO_2e)	564	–	300	90	–	**955**
Total Scope 2 emissions (tonnes CO_2e)	50	–	8,932	5,802	1	**14,785**
Total Scope 1 & 2 emissions (tonnes CO_2e)	**614**	**–**	**9,232**	**5,892**	**1**	**15,740**
Revenue (£million)	100.2	78.6	182.7	113.3	1.4	**476.2**
Intensity ratio: Scope 1 & 2 tCO_2e/£m revenue	**6.1**	**–**	**50.5**	**52.0**	**0.9**	**33.1**

In 2021 the UK was responsible for 28.6% of Group energy use and 3.9% of Scope 1 & 2 emissions.

Task Force on Climate-Related Financial Disclosures

TT currently considers climate-related risk to be financially immaterial in the context of the Company's overall financial statements.

TT has complied with the requirements of LR 9.8.6R by including climate-related financial disclosures consistent with the TCFD recommendations and recommended disclosures, except for in relation to the recommendation to describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. A full scenario analysis has not yet been undertaken.

These disclosures are summarised with directions to the relevant content in this Annual Report in the table below.

Additional climate risk scenario analysis is planned to be undertaken during 2022. Should this prompt additional climate-related disclosures, these will be made in the Company's 2022 Annual Report.

	Recommendation	2021 status	Further action in 2022
Governance Disclose the organisation's governance around climate-related risks and opportunities.	a. Describe the Board's oversight of climate-related risks and opportunities. b. Describe management's role in assessing and managing climate-related risks and opportunities.	• Climate and other ESG-related matters including strategy, compliance, risk and internal controls are governed as part of our overall governance and risk management frameworks, ultimately overseen by the Board. **See our governance structure on page 75** **See our risk management process on page 64** • An update on key environmental (including sustainability) metrics is provided at each Board meeting and in-depth reviews are undertaken on at least an annual basis. • Oversight of and decision-making on our environmental strategy, including addressing risk and identifying Group opportunities is provided by our People, Social, Environmental and Ethics (PSEE) Committee which is chaired by our CEO. The Committee is advised by our Sustainability Council. **See page 51 for detail on the PSEE Committee and Sustainability Council** • Opportunities relating to climate change are identified as part of our usual strategic planning processes and are reviewed by the Board. • In 2021, in addition to our usual risk management processes, the Board considered a Group climate risk and opportunities assessment. **See page 51**	The Group's governance framework for climate-related risk will continue to operate as described.
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	a. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term. b. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning. c. Describe the resilience of the organisation's strategy. Taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	• Sustainability, climate change and the environment is considered to be a principal risk for the Group in reputation terms in the event that we fail to appropriately manage the environmental impact of our operations and our products and relationships with our stakeholders deteriorate as a result. • The Group has taken a range of short- and long-term actions to mitigate this risk. **See our people, environment and communities from page 46** **See Principal risks and uncertainties on page 67** • We consider our strategy to be resilient. The Group's purpose is to solve technology challenges for a sustainable world. Our business model, key capabilities and cleaner, smarter, healthier focus position the Group to benefit from the opportunities presented by the global transition to a low-carbon economy. **See Our business model on page 14** **See Our markets on page 16** • Integrating ESG and sustainability matters into decision-making and business practices is also one of our four strategic priorities. This includes managing the Group's impact on the environment. **See Our strategy on page 28** • Our 2021 Group climate risk and opportunities assessment considered how the Group was approaching opportunities both in its current markets and the opportunity to expand into the broader sustainable products marketplace. **See Climate risk and opportunities on page 51**	• ESG and sustainability matters will continue to be an important part of the Group's business model and strategy, which includes a focus on capturing the opportunities from the transition to a low-carbon economy. • Our upcoming 2022 annual strategic planning process will consider climate-related impacts on each of our divisional strategies, which will then be incorporated into our existing risk assessment process. **See our risk management process on page 64**

	Recommendation	2021 status	Further action in 2022
Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks.	a. Describe the organisation's processes for identifying and assessing climate-related risks. b. Describe the organisation's processes for managing climate-related risks. c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	• Climate-related risks are identified, assessed and managed as part of our overall governance and risk management frameworks. **See our risk management process on page 64** **See Principal risks and uncertainties on page 67** • Our 2021 Group climate risk and opportunities assessment was informed by bottom-up assessments made at a site and divisional level. The assessment looked at both physical and transitional risks to the Group's business model and considered likelihood, impact and materiality. **See Climate risk and opportunities on page 51**	• Climate-related risks will continue to be identified, assessed, and managed as part of the Group's overall governance and risk management frameworks. • The materiality of the physical and transition risks identified in the 2021 Group climate risk and opportunities assessment will be assessed further and in more depth through a detailed scenario analysis, looking at short-, medium- and long-term time frames and alternative temperature scenarios. • Should this prompt additional climate-related disclosures, these will be made in the Company's 2022 Annual Report.
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where the information is material.	a. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management processes. b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and the related risks. c. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	• The Group does not use specific metrics in relation to climate-related risk over and above our standard metrics used for risk management and business planning purposes. • The Group's principal risks are identified as those that may have an impact on achievement of the Group's strategic objectives within the next six to twelve months. **See our risk management process on page 64** • The 2021 Group climate risk and opportunities assessment considered physical and transitional risks on the basis of likelihood, impact and materiality in the medium term. **See Climate risk and opportunities on page 51** • Scope 1 & 2 GHG emissions are disclosed. GHG emissions have been a KPI since 2020. **See Energy use and Scope 1 & 2 emissions reporting on page 58** • In 2021 the Group set a target to achieve Net Zero Scope 1 & 2 emissions by 2035 and will invest appropriately to achieve it. • A short-term target has been set for 2023. • Each of our sites has prepared an environmental action plan with deliverables aligned with the Group's overall environmental strategy. **See Our people, environment and communities from page 46** **See Site environmental action plans on page 57** • In 2021 the Group undertook an assessment of 15 Scope 3 emissions categories to identify which were the most relevant and significant. **See Scope 3 emissions on page 57**	• To ensure transparency in our disclosures and progress in 2022 we will undertake a formal internal audit of our Scope 1 & 2 data collection priorities and controls and will begin collecting data on other greenhouse gases. • We will formalise our anticipated roadmap to Net Zero Scope 1 & 2 emissions by 2035. • We will put in place systems and processes to collect data on our assessment of our four most significant categories of Scope 3 emissions to establish baselines on which to base future reduction targets, including a plan to reach Net Zero. • Consideration will be given to metrics and targets for a further five Scope 3 categories. **See Scope 3 emissions on page 57**

Communities

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

STEM skills
STEM skills are in high demand, and this will only grow in the future. Our teams of engineering, technology and manufacturing experts are passionate advocates for the development of STEM skills and engaging with the next generation of potential talent.

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

In line with our internal focus on ED&I we are particularly keen to encourage more women and under-represented groups to take up STEM subjects and careers.

What we did

In October 2021 five Minneapolis colleagues took time out to deliver presentations to around 160 STEM students at a local secondary school. As well as an overview of our business they discussed engineering careers and shared advice on what the students should work on to best prepare themselves for the future.

Number of STEM students participating

160

Volunteering and charitable giving
Each site chooses a local charity to support through the year and our "Hours for giving" programme enables employees to take five hours paid leave per year to support local causes. In 2021 nearly 3,000 hours were taken under the programme.

It is TT's policy not to make political donations.

What we did

At the beginning of 2021 Bedlington accounts team member Doreen Blunt, volunteered to support the UK COVID-19 vaccination programme by assisting 70- and 80-year-old patients unable to register for their vaccine online. Doreen ensured the patients knew the process and could access vaccinations as soon as they became available.

In May, members of our Suzhou, China team took part in a charity walk and raised RMB 17,000 (£2,040) for Suzhou Little Red Cap, a local children's home.

RMB raised

17k

In July, Juarez, Mexico, Quality Engineer Benjamin de la Rosa, collected and donated 126 bikes to children from the Tarahumara Indigenous community to enable them to cycle to school instead of walking several kilometres. Before donating the bikes, Benjamin and the team repaired them to ensure they were all in good working order.

Bikes repaired and donated

126

In October 2021 a team from our Sheffield, UK, site took part in the Great British Beach Clean, spending two hours collecting litter from a local beach and the surrounding area.

Human rights
Upholding human rights is the responsibility of everyone at TT and, as part of our ethics framework, human rights are treated as an equal priority to other business issues. Our Human Rights Code is taken from the industry standard (Responsible Business Alliance Code of Conduct) and covers expected standards for the treatment of all workers associated with TT. The Code is supported by our Modern Slavery Policy (see below).

Modern slavery
We procure from a wide network of suppliers and distributors through global supply chains. It is recognised that the rights of individual workers can, potentially, be violated within these supply chains and other partnerships.

Our Corporate and Social Responsibilities – Supplier Expectations policy sets out our required standard of suppliers and includes modern slavery. We also have a Modern Slavery Policy which is available on our website and applies to all persons working for TT and its subsidiaries or acting on its behalf in any capacity.

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

We also publish a Modern Slavery Statement annually, which is available on our website.

SECTION 172 STATEMENT

Under Section 172 of the Companies Act 2006, Directors are required to promote the success of the Company for the benefit of our shareholders, whilst having regard to the factors set out in Section 172 including the interests of our other stakeholders. The Board has identified who its key stakeholders are and has considered how it engages with these groups (see pages 44 to 45). Throughout the year, the Board considered how stakeholders are affected by key decisions.

The principal decisions taken by the Board in 2021 centred around: (i) M&A/integration, (ii) Site rationalisation, (iii) US Private Placement transaction; (iv) managing TT's response to the COVID-19 pandemic, including supply chain challenges; (v) delivering 2021 growth; (vi) further refinement of the Strategic Growth Plan, (vii) development of an enhanced equity/IR story; (viii) creating a new organisational design structure; (ix) strong sustainability/ESG focus; (x) enhancing TT's ED&I position; and (xi) pension risk mitigation.

The following example shows how the Board considered and engaged with stakeholders during the integration of Torotel, Inc (Torotel) into the Group.

Workstream 1: Rapid integration of Torotel into the Group

A. Why?

- To support delivery of the business case timeline.
- To ensure the retention of key talent/engineering capability within the Group.
- To ensure that Torotel staff immediately became part of the TT family.
- To maximise/accelerate cross-business sales and technology transfer opportunities.
- To mitigate any loss of value from Torotel as a newly acquired entity following the COVID-19 outbreak.
- To ensure the long-term success of the acquired business.

B. Stakeholders involved: employees

- Senior Torotel employees became an integral part of the TT integration team from the outset.
- Key engagement and culture-based activities were planned pre-closing; TT Electronics Group policies (HR, compliance, ethics etc.) were rolled out within 30 days of closing.
- TT's main communication platforms were made available to Torotel staff within the same timescale, including TT Talk (the weekly pan-TT news platform), BE TT (the behaviours and training portal) and BE Inspired (TT's rewards and recognition system) to promote cultural engagement.
- Members of the ELT visited the Torotel site in November 2021, once COVID-19 travel restrictions to the US had been lifted, which included a Town Hall session with staff.

C. Board decisions taken as a result

- A dedicated senior project manager was appointed to lead the integration programme. Following completion of the project they were appointed as TT North American Operations Director, to promote lessons learned across TT's three divisions.
- A multi-disciplinary TT/Torotel project integration team was established to monitor progress on key activities (financial, HR, IT, legal/compliance etc.) against aggressive timelines, with specific priority actions reviewed on a weekly basis.
- A twice-monthly acquisition review exercise was conducted involving the CEO, CFO, EVP Corporate Development and key divisional personnel for the Power and Connectivity division, including the integration project lead, using a standard integration reporting pack.
- A feedback loop was established to the ELT on a monthly basis, and Board at each scheduled meeting, to allow monitoring of key initiatives, including HR.

D. Outcomes

- The formal integration programme was successfully completed within a three-month period, with certain activities targeted for expedited implementation post-closing.
- Employee Terms & Conditions were amended, where required, to align with TT remuneration structures.
- Signage at Torotel facilities was changed to include the TT Electronics logo on Day 1 of operations post-acquisition to help drive cultural change.

Section 172 Statement

Workstream 2: Customer/supplier/site footprint focus

A. Why?
- To ensure the retention of the Torotel customer and supplier base post-acquisition.
- To promote the cross-selling of Torotel technologies into TT's existing customer base.
- To promote the cross-selling of TT technologies into Torotel's existing customer base.
- To optimise the customer cost profile and technological reach across the combined businesses.
- To ensure the long-term success of the acquired business.

B. Stakeholders involved: customers/suppliers
- Priority customers/suppliers were identified from the due diligence process conducted pre-acquisition.
- Early engagement with customers/suppliers became a key part of the integration plan in order to reinforce TT's customer commitment, understand the operational dynamics at Torotel, and identify cross-selling opportunities.
- Immediate and longer-term supplier cost savings opportunities were identified from the initial due diligence exercise.

C. Board decisions taken as a result
- The Board reviewed a technology roadmap for TT's power solutions capabilities in January 2021 and prioritised key capability areas, including electromagnetic expertise acquired with Torotel.
- In H1 2021, the Board identified opportunities to combine the facilities and operations of the two acquisitions completed in 2020 (i.e. Torotel and the power supply business located in Covina, California) and authorised the sale process for the Covina site.
- The Board subsequently authorised the transfer of TT's Covina operations to Torotel's Kansas facility to promote the long-term success of the business, which involved close consultation with both Torotel and Covina employees.

D. Outcomes
- Torotel was able to secure a significant new contract win in 2021 in the harness assembly space, which aligned with the acquisition case and technology roadmap for the combined businesses and TT's desire to create a new centre of excellence for this technology application in Kansas.
- Torotel was able to leverage improved supplier terms, previously only available to TT, including reduced freight costs.
- The Covina facility was sold at a price of $8.55 million in June 2021, which included a leaseback arrangement allowing continued occupation at the site until June 2022. These sale proceeds have been reinvested in future growth opportunities.
- A detailed project plan has been developed for the transfer of operations from Covina into Kansas to provide a dedicated, single site solution in the US for customers operating in the power solutions domain. The transfer process to Kansas remains on track to conclude by the end of H1 2022, which is focused on increased investment at the facility and the creation of enhanced opportunities for employees.

Workstream 3: Compliance/IR focus

A. Why?
- To ensure that regulatory issues did not become an impediment to the rapid integration of Torotel into the wider Group post-acquisition.
- To ensure the investor/analyst community understood the benefits delivered from the Torotel acquisition and the progress made in delivering the business case following the 2020 equity raise.
- To ensure an effective framework for regulatory compliance is in place.
- To maintain high standards of business conduct.

B. Stakeholders involved: shareholders/ regulators
- US regulators, such as the Securities and Exchange Commission (SEC), which was the governing regulatory body for Torotel pre-acquisition and Directorate of Defense Trade Controls (DDTC).
- Institutional investors and analysts have been regularly updated on the progress made in the Torotel integration programme as part of the twice-yearly reporting round and one-on-one IR sessions throughout 2021.

C. Board decisions taken as a result
- The Board prioritised early engagement with US regulators to ensure that regulatory factors did not become a gating item in the Torotel integration plan.
- As part of the heightened focus on the TT IR strategy in 2021, the Board prioritised the positioning of TT's power solutions capabilities with investors, including the benefits derived from the Torotel acquisition.

D. Outcomes
- Key regulatory workstream items, including the deregistration of Torotel as an SEC-listed company and bringing Torotel into the TT export controls group, through engagement with the DDTC, were rapidly concluded.
- The successful delivery of the Torotel acquisition and the rapid delivery of the business case/ synergies gave the Executive Leadership Team credibility to pursue further M&A opportunities.
- The transaction provides the ability to showcase the acquired business from an IR perspective and reinforces cross-selling opportunities with other parts of the Group.
- The acquisition supports profit enhancement towards the Group target of 10%+ operating margin levels.

RISK MANAGEMENT

FOR THE SUCCESSFUL DELIVERY OF OUR STRATEGY

Risk management

The Board of Directors is responsible for risk management and internal controls, supported by the Audit Committee and informed by the executive Risk Committee. The Board defines risk appetite and monitors the management of significant risks to ensure that the nature and extent of significant risks taken by the Group are aligned with overall goals and strategic objectives.

The Risk Committee supports the Board and the Audit Committee in monitoring the exposure through regular reviews, including reviewing the effectiveness of risk management processes and controls. The Internal Audit function is operated under a directed outsource arrangement to enhance the levels of resource and expertise available to the Group in specific areas, with its activities under the direction of the Executive Leadership Team (ELT) and the Audit Committee. The Internal Audit function assists the Risk Committee by advising management on improvements to the overall risk management framework, facilitating the risk review process and providing independent experience and input to the process.

Risk management processes and internal control procedures are established within business practices across all levels of the organisation. Risk identification, assessment and mitigation 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. The Board acknowledges and recognises that in the normal course of business the Group is exposed to risk and that it is willing to accept a level of risk in managing the business to achieve its strategic priorities.

Risk appetite is not static and, as part of its risk management processes, the Board regularly considers its risk appetite in terms of the tolerance it is willing to accept in relation to each principal risk based on key risk indicators to ensure it continues to be aligned with the Group's goals and strategy.

During the course of the year risk appetite has been considered using a review of the overall Group risk heatmap, with deep dives into specific risks and topic areas. Each risk is considered as to whether or not it currently falls within the Group's appetite for that risk.

As part of the year-end risk assessment with the Board, it was confirmed that all of the principal risk areas continue to be within Board and Executive management's appetite for that risk.

Our risk management framework

Corporate level steering
Top-down oversight; set risk appetite; monitor significant risks; alignment with strategic objectives at corporate level

Board of Directors
Primary responsibility for risk oversight; setting strategic objectives; and defining risk appetite

Audit Committee
Oversees risk management and internal control processes

Risk Committee
Provides framework for managing risks; regular reviews of principal risks; and risk management processes

Risk and Assurance function

Divisional level steering and reporting
Risk identification assessment and implementation of risk management action plans and actions

Business units/site level steering and reporting
Implement and embed risk management at operational level

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

Risk profile

At the direction of the Board, Executive management has performed a robust assessment of the principal risks facing the Group, taking into account those that would threaten the business model, future performance, solvency or liquidity, as well as the Group's strategic objectives. This process includes a bottom-up analysis of key risks at a divisional level. All principal risks identified by this process may have an impact on the Group's strategic objectives within the next six to twelve months.

Executive management and the Risk Committee perform further analysis to prioritise these risks, with a focus on those principal elements posing the highest current risk to the achievement of the Group's objectives or the ongoing viability of the business.

Risks assessed as higher priority are consolidated into a Group risk register. Risks included on the register are monitored closely by the Board in terms of both prioritisation and mitigation strategies. It is recognised that, whilst these "top risks" represent a significant proportion of the Group's risk profile, Executive management and the Risk Committee continue to monitor the entire universe of potential risks to identify new or emerging threats as well as changes in risk exposure.

The assessment of principal risks during the year has identified that, while there have been some significant changes in the external environment, the Group has remained robust and resilient with mitigating activities undertaken. This is reflected in the table of principal risks.

The Group has long been conscious of the ESG agenda which has been reported to the Board through our People, Social, Environmental and Ethics Committee (PSEE) which is attended by the Senior Independent Director. There continues to be a risk that a negative perception of our ESG profile could impact on our ability to attract new talent to the business, build relationships with our customers, positively impact the communities in which we operate, and attract investment from potential shareholders. The risks in relation to these areas are captured in two principal risks, "sustainability, climate change and the environment" and "health and safety".

We have set out our approach and our progress in these areas in the Our people, environment and communities section of this report from page 46.

The Board monitors the Company's internal control systems and has reviewed their effectiveness in 2021. The review process considered all material controls including, (i) the information relating to the general controls environment as outlined in the Internal Audit reports submitted to the Audit Committee at each meeting (which includes a detailed annual review exercise); (ii) financial controls; (iii) compliance controls; (iv) the key outputs of the controls framework programme; and (v) management actions in relation to internal and external audit findings. The Board found that the Group operates a sound system of internal control and did not recommend any specific actions.

Macroeconomic environment and supply chain

While there is an acknowledgement of continued uncertainty around geopolitical and macroeconomic risk during 2021 and into 2022, the Group continues to take appropriate mitigating actions to address this. The ongoing focus on strategic direction and market has significantly improved the Group's overall resilience to these external factors.

The Group has experienced a number of challenges in relation to supply chain lead times, component shortages and costs, and mitigating this has been a significant focus for all divisions in 2021. A robust process and controls environment, alongside forward-looking indicators and supply chain tools, has supported this process. The Group has also taken strategic decisions to purchase additional materials, building inventory in certain key areas to enable delivery against a strong customer order book.

Impact of COVID-19

The COVID-19 outbreak continued to impact every site across the world during the course of 2021. However, because of the action taken by the Group, the overall impact at a site level has continued to be minimised. A set of COVID-secure working practices is in place at each site and TT has been designated a critical supplier by customers and governments in each territory in which the Group operates. The duration and impact of COVID-19 on the business continues to be uncertain, however the Group is well equipped to deal with this going into 2022.

Viability statement and prospects

In accordance with the UK Corporate Governance Code, the Directors have assessed the viability and long-term prospects of the Group over the period to December 2024, taking into account the Group's current position and the potential impact of the principal risks and uncertainties set out on pages 67 to 70 of the Strategic report. Based on this assessment, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period to December 2024.

TT operates in markets with structural growth dynamics. We engineer and manufacture power, sensing and connectivity solutions to address our customers' challenges in the healthcare, aerospace & defence, and automation & electrification markets. These benefit from the trends for improved healthcare, for increased aircraft fuel efficiency and safety, and demand for sustainable solutions to improve energy efficiency. By positioning ourselves in the right markets, by creating differentiated capabilities through our R&D investment, and by attracting and developing the right talent we have a strategy to create sustainable value over the long term.

The Directors have taken the view that it is reasonable to assume (based on indications of interest received from the Group's existing relationship banks and the wider banking and debt financing community alongside our ability to obtain a private placement post-COVID at a competitive rate) that the Group will be able to refinance its existing facility agreements on materially equivalent terms in advance of the maturity date of November 2023.

The Group's refinancing risk has been reduced by diversifying our sources of debt financing. In December 2021 the Group accessed £75 million of long-term private placement debt.

While the Directors have no reason to believe the Group will not be viable over a longer period, the period over which the Directors considers it possible to form a reasonable expectation as to the Group's longer-term viability, is the three-year period to 31 December 2024. This is encapsulated in the five-year period business plan prepared annually and reviewed by the Board and aligns with the business cycle including product development and order intake trends. The Directors believe that this presents investors and other key stakeholders with a reasonable degree of confidence while still providing a longer-term perspective.

In making this statement, the Directors have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, the underlying mitigation planning, the assessment of future performance, solvency and liquidity, and the Group's internal controls environment. The Group's modelling assumes a full recovery from the impact of the pandemic during the course of the viability review period.

In performing the assessment, the Directors have further stress-tested the Group's financial projections for the period covered by the viability statement, testing it for "business as usual" risks (such as profit growth and working capital variances), the combined impact of severe but plausible events, as well as a "reverse" stress test to understand the conditions which could jeopardise the future viability of the Group. This work included assessing against financial covenants and facility headroom.

This severe but plausible events stress testing included consideration of the potential impact of the Group's principal risks and uncertainties outlined on pages 67 to 70. This stress testing specifically included the impact of the following principal risks: general revenue reductions; contractual risks; people and capability; supplier resilience; and health and safety. Principal risks which were not specifically modelled were either considered not likely to have an impact within the viability period or their financial effect was covered within the overall downside economic risks implicit within the stress testing.

The Group's wide geographical and sector diversification helps minimise the risk of serious business interruption or catastrophic reputational damage. Furthermore, the business model is structured so that the Group is not overly reliant on any single customer, market or geography.

While this review does not consider all of the risks that the Group may face, the Directors consider that this stress testing-based assessment of the Group's prospects is reasonable in the circumstances of the inherent uncertainty involved.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk description	Potential impact	Mitigating action	Change in the year
General			
General revenue reduction Reduction in demand and orders due to economic downturn, geopolitical instability or disruption to operations (pandemic or other business interruption event)	• Decelerating sales growth affecting operating profit	• Monitor the wider economic conditions of our markets • Timely financial reporting to monitor performance and provide a basis for corrective action when required • Ongoing optimisation of our cost base and strategic moves creating a more resilient portfolio • Business continuity and crisis management planning • Management structures in place to enable a rapid response to changing circumstances	Reduced risk – whilst there remains some market volatility (particularly around the supply chain) and COVID-19 continues to create some uncertainty, the business has performed well in the year, showing good growth and starting 2022 with a strong order book in place.
Commercial			
Contractual risks Potential liabilities from defects in performance-critical products that often operate in extreme environments	• Reputational impact • Deterioration in customer relationships • Liability claims • Reduction in revenue, profitability and cash generation	• Quality control procedures and systems in place and appropriate levels of insurance carried for key risk • Group guidelines on acceptable levels of contractual liability are reinforced • Continuing to enhance and deepen expertise in contract management across the Group	No change

Risk description	Potential impact	Mitigating action	Change in the year
Commercial			
Research and development Delay in new product development which is intended to support revenue growth	• Increased cost in product development • Delay in achieving projected revenue • Inability to meet the latest requirements due to a step change in technology	• Close collaboration with key customers • Active monitoring of costs and milestones • Target R&D more effectively • Implementation of standard project management disciplines	No change
Operational			
People and capability Ability to attract and retain high-quality and capable people	• Loss of key personnel • Potential business disruption • Breakdown of communication and misalignment	• Remuneration structure designed to support retention • Succession planning processes embedded within the businesses • Campaigns to increase performance and development of communication between managers and employees to ensure alignment to objectives • Using a feedback loop utilising surveys to encourage regular objectives and performance discussions. See Our people on page 52	Increased risk – the robust employment market has meant recruitment and retention can be challenging in certain parts of the business, combined with the impact of wage inflation.
Supplier resilience Potential failure of critical suppliers; product delivery delays; inability to meet customer commitments	• Reduction in revenue, profitability and cash generation	• Regular review of key supplier financial health and product quality • Monitoring of relevant commodity and precious metals pricing • Review of spend patterns to identify opportunities • Inventory build on key components where considered necessary to mitigate some of the supply chain risk	Increased risk – the supply chain environment continues to be challenging, with the impact of COVID-19 on suppliers, combined with extended delivery times and key component shortages.

Operational

Risk description	Potential impact	Mitigating action	Change in the year
IT systems and information IT security breaches or disruption, unauthorised access or mistaken disclosure of information	• Reputational impact, business disruption and potential deterioration in customer relationships	• Regular analysis of cyber security and data management • IT strategy reviewed by management and the Board • Information security policies updated recently • Investment through recruitment of additional IT security and enterprise resource planning (ERP) specialists • Processes and tools put in place to support cyber security certifications	Increased risk – whilst investment and improvements continue to be made in this area, the net risk profile has been increased to better reflect the increasing external cyber threat.
M&A and integration Realisation of financial benefit of acquisitions	• Failure to realise the expected benefits of an acquisition or post-acquisition performance of the acquired business not meeting the expected financial performance at the time acquisition terms were agreed could adversely affect the strategic development, future financial results and prospects of the Group	• Full financial and other due diligence is conducted to the extent achievable in the context of each M&A opportunity • A detailed business case including forecasts is reviewed by the Board for each opportunity • Integration risk and planning is reviewed and undertaken as part of every acquisition • Lessons learned activities are built into future plans	Reduced risk – recent acquisitions continue to be integrated successfully. M&A experience across the Group has been further improved.
Sustainability, climate change and the environment Our manufactured products or other activities or decisions of the Group may not be judged by our customers, employees, communities and investors as being sustainable	• Failure to appropriately manage the environmental impact of our operations and products • Reputational impact and potential deterioration in our relationships with our stakeholders	• Health, Safety and Environmental and Sustainability Councils responsible for sharing Group-wide best practice, monitoring improvements and strategy setting • PSEE Committee responsible for reporting Group progress against the development and monitoring of our strategy and associated KPIs • Continued investment in M&A, business development and new product introduction in areas where the solutions contribute to a more sustainable world • Progress made in reducing our carbon emissions through transitioning to renewable energy contracts	No change – see Our people, environment and communities from page 46 for details of our approach and progress during the year.

Risk description	Potential impact	Mitigating action	Change in the year
Operational			
Health and safety The manufacturing industry is inherently dangerous. Managing the impact on our employees, sites and the environment of these risks	• Incidents occurring due to unsafe manufacturing processes. Failure to manage the impact of these risks could negatively impact our employees, lead to regulatory fines, reputational damage and lost production.	• Health, Safety and Environmental Council responsible for Group-wide best practice sharing, monitoring and improvements and strategy setting • Regional best practice teams established • Processes and roadmaps in place to minimise the risk of incidents	No change – whilst the risk of COVID-19 remains, a strong framework of processes and controls exists at all sites and these have successfully enabled production to continue uninterrupted (where local regulations permitted) in COVID-secure working environments. Underlying health and safety incidents remain very low.
Legal			
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 on the ability to trade • Reduction in revenue, profitability and cash generation	• Cross-divisional export compliance group established and anti-bribery programme in place • Approach involves risk assessment, policy, training, review and monitoring • Whistleblower process in place to ensure issues can be raised, investigated and managed	No change

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out within the Strategic Report on pages IFC to 73. The Strategic Report analyses the financial position of the Group, its cash flows, liquidity position and borrowing facilities. In addition, Note 20 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has experienced continued improvement in trading momentum and strong growth on our 2020 numbers. The structural growth markets we have selected to focus on have moved back towards their long-term growth trajectory, the benefits of our strategic repositioning and focus on building close relationships with our clients can be seen in both the order book and financial performance of the Group.

The Group's financial position remains strong, at 31 December 2021 it had:

- £318.9 million of total borrowing and lease liability facilities available (comprising committed facilities of £272.2 million net of £1.3 million loan arrangement fees, uncommitted facilities of £39.1 million representing overdraft lines and an undrawn accordion facility of £30 million; and finance leases of £7.6 million). The Group's primary source of finance is the £180 million committed revolving credit facility (RCF); at 31 December 2021 £73.4 million of this facility had been drawn down. The Group's RCF will mature in November 2023. In August 2021, TT agreed a debut issue of £75 million of private placement fixed rate loan notes with three institutional investors. The funds were received in December 2021 and the issue is evenly split between 7 and 10 year maturities with an average interest rate of 2.9% and covenants in line with our bank facility. The private placement complements, at an attractive rate, the Group's existing bank revolving credit facility, diversifying our sources of debt funding and providing us with a stable, long-term financing structure.
- A leverage ratio (banking covenant defined measure) of 1.7 times at 31 December 2021 compared to a RCF covenant maximum of 3.0 times. Interest cover (banking covenant defined measure) of 13.5 times compared to a RCF covenant minimum of 4.0 times.

The Group has prepared and reviewed cash flow forecasts across the business over the twelve-month period from the date of the approval of these financial statements, considering the Group's current financial position and the potential impact of our principal risks on divisions.

The Group's financial projections contain key assumptions surrounding revenue and operating profit recovery in 2022. Under the Group's base case financial projections, the Group retains significant liquidity and covenant headroom, with both metrics improving from the position as at 31 December 2021.

The Group's financial projections have been stress tested for "business as usual" risks (such as profit growth and working capital variances), and the impact of the following principal risks: general revenue reductions, contractual risks, people and capability, supplier resilience and health and safety (occurring both individually and in unison). Principal risks which were not specifically modelled were either considered not likely to have an impact within the going concern period or their financial effect was covered within the overall downside economic risks implicit within the stress testing. Under the stress tested modelling, the liquidity headroom within the group remains significant. Financial covenants continue to be in compliance under the stress tested model and management have a number of mitigating actions which could be undertaken if required.

The Group's downside stress test scenario has been sensitised for supply chain challenges and inflationary pressure which shows a reduction in revenue and operating profit compared to the latest forecast. Despite this further reduction these projections show that the Group should remain well within its facilities headroom and within bank covenants for the next 12 months after the approval of these financial statements. A "reverse" stress-test was also modelled to understand the conditions which could jeopardise the ability of the Group to continue as a going concern including assessing against covenant testing and facility headroom. The stress testing also considered mitigating actions which could be put in place. Mitigating actions included limiting capital expenditure and reducing controllable costs including items such as discretionary bonuses and pay rises. The reverse stress test is deemed to have a remote likelihood and help inform the Directors' assessment that there are no material uncertainties in relation to going concern.

The Group's wide geographical and sector diversification helps minimise the risk of serious business interruption or catastrophic reputational damage. Furthermore, the business model is structured so that the Group is not overly reliant on any single customer, market or geography.

The Directors have assessed the future funding requirements of the Group with due regard to the risks and uncertainties to which the Group is exposed and compared them with the level of available borrowing facilities and are satisfied that the Group has adequate resources for at least twelve months from the date of signing these accounts. Accordingly, the financial statements have been prepared on a going concern basis.

NON-FINANCIAL INFORMATION STATEMENT

Reporting requirement	Key stakeholder group impacted	Our approach and key policies	Outcomes in 2021	Further information
Environmental matters	Employees, customers and suppliers, community, investors	We solve technology challenges for a sustainable world by delivering solutions that enable products that are cleaner, smarter and healthier and that will benefit our planet and people for future generations. We have linked our purpose statement to the development of our internal culture and to what we do for our customers. We have set ambitious targets to reduce the environmental footprint of our business. **Key policies:** Statement of Values and Business Ethics Code.[1] Health, Safety and Environmental Policy.	Investment in R&D at 4.5 per cent of revenue in our product businesses[2] to bring new and improved products to market. Prepared roadmap to achieve Net Zero Scope 1 & 2 emissions by 2035. Carbon dioxide equivalent tonnes (tCO_2e) of Scope 1 & 2 emissions from operations fell to 15,740, 41% lower than our 2019 baseline. Switch to renewable energy tariffs at sites that are able to access them.	See Our strategy on pages 28 to 30 See Our people, environment and communities on pages 46 to 61 See Environment on pages 56 to 60 See Principal risks and uncertainties on pages 67 to 70
Employees	Employees	Our employees are the foundation on which TT is built. We strive to keep them healthy and safe, give them a sense of pride and belonging, and empower them to think big. **Key policies:** The TT Way values. Statement of Values and Business Ethics Code.[1] Health, Safety and Environmental Policy. ED&I policy and roadmap. Grievance Policy and Disciplinary Policy. Whistleblower Policy.[1] Gender Pay Gap Report.[1]	Five three day lost-time health and safety incidents.[2] Employee engagement score increased again to 718.5 in line with the two star "outstanding companies to work for" Best Companies Ltd benchmark. A gender balanced permanent workforce with 53 per cent women and 47 per cent men at 31 December 2021. Our ED&I policy and roadmap was circulated to all employees and we have an ED&I programme running across the Group. Continued success of our BE Inspired recognition scheme.	See Our people on pages 52 to 55 See Principal risks and uncertainties on pages 67 to 70

Our non-financial information statement is set out below in compliance with Sections 414CA and 414CB of the Companies Act 2006. It is intended to guide our stakeholders to where relevant non-financial information can be found in this Annual Report and on our website. Additional non-financial information can be found in the Our People, environment and communities section of the Report.

Reporting requirement	Key stakeholder group impacted	Our approach and key policies	Outcomes in 2021	Further information
Social matters	Employees, community	As a responsible, global organisation we are committed to having a positive impact on the world around us through our products, the way we do business and by reducing our environmental footprint. **Key policies:** Statement of Values and Business Ethics Code.[1] Community and Charity Support, Our Guiding Principles. Health, Safety and Environmental Policy.	Many of our employees give up their time to develop local STEM partnerships to promote careers in electronics and related fields, undertaking talks, demonstrations and attending careers fairs to interest and educate young people in the sector. Our "Hours for giving" programme enables employees to take five hours paid leave per year to support local causes. In 2021 nearly 3,000 hours were taken under the programme.	See Our people, environment and communities on pages 46 to 61 See Principal risks and uncertainties on pages 67 to 70
Respect for human rights	Employees, customers and suppliers, community	Upholding human rights is part of our ethics framework and is the responsibility of everyone at TT. **Key policies:** Statement of Values and Business Ethics Code.[1] Modern Slavery Policy.[1] Modern Slavery Statement.[1]	No human rights violations have been identified during 2021. We reaffirm annually our commitment to opposing slavery through the publication of our Modern Slavery Statement.	See Our people, environment and communities on pages 46 to 61
Anti-corruption and anti-bribery	Employees, customers and suppliers, community, investors	The fundamental principles of fairness, honesty and common sense lie at the heart of our corporate standards. We do not tolerate fraud, corrupt practices or behaviour not in line with our standards. **Key policies:** Statement of Values and Business Ethics Code.[1] Whistleblower Policy.[1]	Mandatory ethics training is provided for relevant employees on an annual basis. Any ethical concerns can be reported to management or to our anonymous whistleblower reporting facility. Reports are investigated in detail and any significant concerns are reported to the Audit Committee.	See Our people, environment and communities on pages 46 to 61 See Principal risks and uncertainties on pages 67 to 70

1 Documents are on the TT Electronics website (www.ttelectronics.com).
2 Group KPIs – see pages 42 to 43 for more information.

The table above corresponds to our key stakeholder groups set out on pages 44 to 45. These stakeholder groups are key to the long-term sustainability of our business and inform the Board's engagement activities. The Strategic report also includes a description of our business model (see pages 14 to 15), our principal risks and how we manage them (see pages 67 to 70) and our KPIs, including our non-financial KPIs, (see pages 42 to 43) and the reasons why they are important.

The 2021 Strategic report, from pages IFC to 73, has been reviewed and was approved by the Board of Directors on 8 March 2022.

Richard Tyson
Chief Executive Officer

Mark Hoad
Chief Financial Officer

GOVERNANCE AT A GLANCE

A SNAPSHOT OF OUR LEADERSHIP

Board statistics

Board attendance (%)

100

NED independence (%)*

100

Female representation (%)

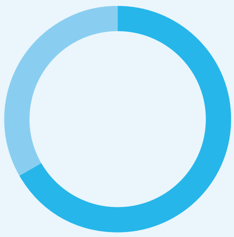
33

Site engagement activities

3

* excluding Chairman

Board diversity – gender

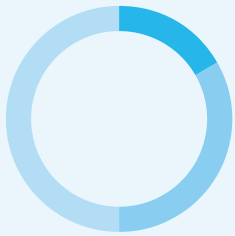


Our Board split

4 – Male

2 – Female

Board composition



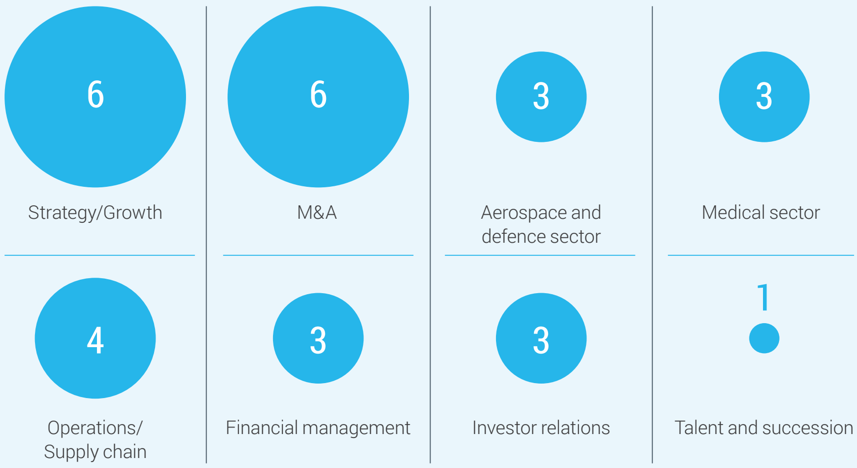
6 Board members

1 – Independent Non-executive Chairman

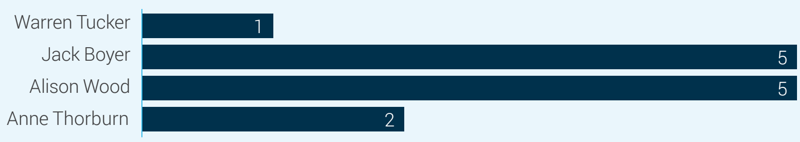
2 – Executive Directors

3 – Independent Non-executive Directors

Skills and expertise



Board tenure in years



Leadership structure

Board

Audit Committee
Committee report on page 92

Nominations Committee
Committee report on page 87

Remuneration Committee
Committee report on page 98

Chief Executive Officer

Chief Financial Officer

Executive Leadership Team
- Reviews business performance and agrees and implements any actions as necessary
- Responsible for monitoring and driving delivery of the Group's key strategic priorities
- Acts as a forum to raise and debate significant operational issues

Disclosure Committee
- Reviews potential existence of and manages the disclosure of inside information
- Maintains project insider lists

People, Social, Environmental and Ethics Committee
- Health and safety
- Environmental
- Human Resources
- Employee engagement with the Board
- Local communities
- Ethics

Read more from page 46

Risk Committee
- Provides a framework for managing risks
- Monitors risk appetite and exposure through regular reviews of principal risks
- Reviews the effectiveness of risk management processes and controls
- Provides an appropriate level of reporting on the status of risk management
- Assesses wider emerging risks

Senior Leadership Team
- Reviews and discusses key strategic and operational matters
- Information-sharing between a wider group of senior executives
- Considers and scrutinises cross-divisional topics

Diversity & Inclusion Committee
- Reviews and develops Equality, Diversity and Inclusion (ED&I) Policy and strategic priorities
- Provides an ED&I framework
- Information-sharing across the business units

┈┈> Delegation
——> Reporting

Councils

Research & Development	Business Development	Operations
Supply Chain	HSE	Sustainability

A BLEND OF SKILLS AND EXPERIENCE

THE RIGHT TEAM

Warren Tucker
Chairman

Joined: 2020

Current external appointments:
- Non-executive director and chair of the audit committee of Tate & Lyle plc (UK listed)
- Trustee on the board of Magna Learning Partnership

Relevant skills and experience:
- Strategy/growth
- M&A/financing
- Equity and debt capital markets
- Financial and risk management
- International business
- Manufacturing/engineering
- Operations/supply chain
- Aerospace & defence sector
- Investor relations

Past appointments:
- Non-executive director of Reckitt Benckiser Group plc and the Foreign, Commonwealth and Development Office
- Chief financial officer of Cobham plc

Richard Tyson
Chief Executive Officer

Joined: 2014

Current external appointments:
- Non-executive director of the Vitec Group plc (UK listed)
- Governor of St Swithuns' Independent School for Girls in Hampshire

Relevant skills and experience:
- Leadership/management
- M&A/integration
- Strategy/growth
- Operational excellence
- Supply chain
- Manufacturing/engineering
- International business
- Product technology
- Risk management
- Aerospace & defence sector
- Investor relations

Past appointments:
- Member of the executive committee and president of the Aerospace & Security division of Cobham plc

Mark Hoad
Chief Financial Officer

Joined: 2015

Relevant skills and experience:
- Strategy/growth
- Leadership/management
- Financial management
- International business
- Restructuring
- Transformation
- M&A/financing
- Equity and debt capital markets
- Investor relations
- Risk management
- Aerospace & defence sector

Past appointments:
- Group finance director of BBA Aviation plc

Board attendance

Attendance 2021	Board	Audit Committee	Nominations Committee	Remuneration Committee
Warren Tucker	7 of 7		2 of 2	4 of 4
Richard Tyson	7 of 7			
Mark Hoad	7 of 7			
Jack Boyer	7 of 7	4 of 4	2 of 2	4 of 4
Alison Wood	7 of 7	4 of 4	2 of 2	4 of 4
Anne Thorburn	7 of 7	4 of 4	2 of 2	

Our Committee Key

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

Read more on page 75

Jack Boyer OBE
Senior Independent Non-executive Director

Joined: 2016

Current external appointments:
- Non-executive director of Ricardo plc (UK listed)
- Senior independent director and chair of remuneration committee of Elcogen plc
- Chair of the University of Bristol
- Member of the board of the Henry Royce Institute for Advanced Materials

Relevant skills and experience:
- Strategy/growth
- Corporate finance and investment
- M&A
- Technology/innovation
- International business
- Manufacturing/engineering
- Product technology
- Operations/supply chain
- Aerospace & defence sector
- Medical sector

Past appointments:
- Non-executive director of Mitie Group plc and Laird plc
- Chairman of Ilika plc, AIM-listed Seeing Machines Limited and the Academies Enterprise Trust

Alison Wood
Independent Non-executive Director

Joined: 2016

Current external appointments:
- Non-executive director and chair of remuneration committee of Capricorn Energy plc (UK listed) and Oxford Instruments plc (UK listed)
- Non-executive director of British Standards Institution (BSI)

Relevant skills and experience:
- Strategy/growth
- Remuneration Policy-setting
- M&A/financing
- International business
- Regulatory
- Talent and succession
- Risk management
- Investor relations
- Aerospace & defence sector
- Medical sector

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

Anne Thorburn
Independent Non-executive Director

Joined: 2019

Current external appointments:
- Senior independent director and chair of the audit committee of Diploma PLC (UK listed)

Relevant skills and experience:
- Strategy/growth
- Financial management
- Risk management
- Audit and internal control
- M&A/financing
- International business
- Operations/supply chain
- Medical and industrial sectors

Past appointments:
- Chief financial officer of Exova Group plc
- Group finance director at British Polythene Industries plc
- Non-executive director of BTG plc

Lynton Boardman
General Counsel and Company Secretary

Joined: 2012

Relevant skills and experience:
A qualified solicitor, Lynton has many years of experience as general counsel and company secretary in international companies listed on the London Stock Exchange. His expertise includes corporate law and governance, international operations and M&A.

Past appointments:
- Solicitor with Simmons & Simmons, Macfarlanes and Burges Salmon LLP
- Head of legal (Europe, Middle East and Africa) at Syngenta Crop Protection
- General counsel and company secretary of QinetiQ Group plc

CHAIRMAN'S INTRODUCTION TO GOVERNANCE

BUILDING A STRONG GOVERNANCE FOUNDATION

What's inside

TT's governance platform – dealing with the COVID-19 reality

In last year's Annual Report, we described the processes and systems we had put in place to limit the impact of the COVID-19 outbreak on Group operations, which covered priority areas such as Health and Safety, remote working (to meet local legal requirements) and modified customer/supply chain activities. This embedded governance platform (supported by dedicated reporting structures) has served TT well in the year, by providing a ready-made framework through which we have managed the ongoing COVID-19 threat, whilst also refocussing our attention on growth opportunities and keeping our people safe. This has resulted in a fundamental shift in Board emphasis in the past year, involving a move away from the tactical challenges of keeping manufacturing sites operational to a more strategic focus on investment-led growth.

This change of focus in 2021 has required TT's governance processes to evolve still further and give the business the necessary bandwidth to meet the record customer order levels experienced in 2021 – all at a time of unprecedented supply chain disruption. More specifically, the Board has been active in supporting a range of initiatives in 2021 to promote TT's growth agenda, as follows:

- Strengthening the balance sheet through the execution of the US Private Placement (PP) transaction and targeted site divestments (as described in more detail in the Strategic report on page 41);

Key highlights

- TT's robust governance structures have provided an effective platform to support our strong business recovery in the post-COVID environment.
- Our clear strategic direction and strong focus on priority operational initiatives have been enhanced by a coherent and stable Board structure.
- Face-to-face meetings between Board members and wider staff/stakeholder engagement activity have been prioritised to allow insight into front-line operations, facilitate in-depth decision-making and promote active consideration of talent/succession planning.
- An external Board evaluation exercise has laid the foundation for future governance, in support of the strategic growth plan.

- Enhancing TT's operational and employee-related structures in key areas such as sustainability and ED&I (as described in more detail in the Our people, environment and communities section on page 46);
- Prioritisation of rapid and efficient M&A integration, following the acquisitions of the Covina Power Solutions business and Torotel, Inc. (as described in more detail in our Section 172 Statement on page 62);
- The increased focus on talent management, retention and succession planning (as described in more detail in the Nominations Committee report on page 87).

Coherent and stable Board structure – promoting diversity

TT has benefited significantly from an extended period of Board continuity, with no changes having been made in the composition of the Board or its principal Committees during 2021. It is my view that the core strength of our governance structures has been a major contributory factor to the excellent financial performance and operational recovery that we have witnessed in 2021, building on the foundations laid in the prior year, and supported by the honest, open and collegiate way in which the Board continues to operate.

We have two female members of the Board who have been NEDs throughout 2021, chairing our Audit and Remuneration Committees and representing 50% of our NEDs. Nevertheless, we are mindful of the proposals set out in the FCA's consultation document on Diversity and Inclusion, which proposes a higher level of female representation on UK listed company boards (beyond TT's current position of one-third) and an increased focus on wider areas of diversity, including ethnicity. These considerations have been factored into the external Board evaluation exercise we conducted in 2021, the key outputs of which are described on page 89. Having considered these issues in detail, the outcome of TT's external evaluation exercise was that the structure of the Board remained fit for purpose, given the diversity of experience, approach, mindset and thinking around the Board table. The Board concluded that none of the outputs of the evaluation exercise had identified an immediate need to launch a recruitment process to secure an additional Board member, although this issue would be kept under regular review by the Committee going forward. For more detail on TT's approach to ED&I across the organisation, see page 55 of the Our people section.

Board and stakeholder engagement – a new approach in 2021

The evaluation exercise conducted in 2020 highlighted the Board's concern that the lockdown environment (and the absence of face-to-face dialogue) had made decision-making more challenging following the COVID-19 outbreak, particularly as this provided less opportunity for the Board to engage in "unstructured" debate on key strategic topics. This has been a key area of focus in 2021, as travel restrictions eased from May onwards, with face-to-face meetings having been held for each of the Board meetings that followed (although this was too late to allow an "in-person" AGM for 2021).

The Board has taken every opportunity during 2021 to engage in more depth on key strategic topics, which has included:

- Inviting ELT and other senior leaders to attend Board dinners (and, in the case of the US leadership team, a specially-convened breakfast event) covering important topics such as staff wellbeing and talent management;
- Face-to-face dialogue with key advisers (including TT's brokers) in areas such as M&A strategy and development of the IR story;
- Board visits to the Hartlepool and Bedlington sites in 2021, with the original plan to visit TT's facilities in Kansas and Plano in 2021 having been postponed as a result of ongoing COVID-related US travel restrictions;
- A specially-convened Board review of the new COO reporting structure established in Q3 under Michael Leahan's leadership;
- More active engagement with key stakeholders, which included the BEIS consultation on Audit and Governance Reform and discussion with TT's main institutional shareholders on proposed remuneration arrangements for Executive Directors;
- NED attendance by videoconference on "employee voice" sessions with staff at the Dongguan site and, separately, with employees identified as "high potential" performers.

We will ensure that Board visits to TT sites and engagement with employees at all levels of the organisation remains a top priority for 2022.

Further information on our employee engagement framework, including the role of our SID in managing feedback on stakeholder engagement with the Board, is set out on page 52.

Board evaluation and conclusion

I am delighted that the operational resilience we witnessed last year has been maintained in 2021, with our effective governance structures having played a pivotal role in creating a platform for sustainable growth. I am also immensely proud that, despite the ongoing COVID-related challenges we have experienced in year, the Board was able to increase its focus on delivering effective engagement with employees, senior management and our wider stakeholder group. Once again, I am indebted to my Board colleagues, the senior management team and our exceptional group of employees for delivering a year of record order book growth and strategic progress, which is reinforced by the impressive results achieved in the 2021 employee engagement exercise.

As indicated on page 89, the external Board evaluation programme we conducted in 2021 has proved to be an extremely valuable exercise. This will form the basis for our future planning around our governance processes, to position TT to derive maximum benefit from the growth opportunities we see ahead of us.

UK Corporate Governance Code

Compliance statement

TT is committed to achieving and maintaining the highest standards of corporate governance. As at 31 December 2021, the Group was compliant with all of the relevant provisions set out in the UK Corporate Governance Code 2018 (the Code), other than provision 38 in aligning our Executive Directors' pension payments with the wider workforce. The current Remuneration Policy commits to aligning the retirement provision of newly appointed Executive Directors to those available to the wider UK workforce and it has been agreed that the pensions of the existing Executive Directors will also be aligned by the end of 2022. The reason for this non-compliance with provision 38 of the Code is that the Company has existing contractual agreements with the Executive Directors at a different rate to the wider workforce which required adjustment over time. The Code is available to view at the website of the Financial Reporting Council, www.frc.org.uk. Details and explanations of the application of the principles of corporate governance can be found as follows:

Board leadership and Company purpose	**Read more on page**
Long-term value and sustainability	6-13
Purpose, values and strategy	28-30, 46-48, 82
Culture	83
Shareholder engagement	86
Employee engagement	54
Other stakeholder engagement	44-45
Conflicts of interest	86

Division of responsibilities	
Role of Chairman and CEO	85
Leadership structure	75
Non-executive directors	76-77

Composition, succession and evaluation	
Appointments and succession planning	88
Skills, experience and knowledge	76-77
Length of service	74
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Audit, risk and internal control	
Committee report	92
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Remuneration	
Policies and practices	106-107
Alignment with purpose, values and long-term sustainability	104
Independent judgement and discretion	105

LEADERSHIP AND COMPANY PURPOSE

BOARD ACTIVITIES

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

Strategy

- Managing growth in the post-COVID environment (includes monitoring site impact)
- Strategic planning
- Virolens investment activity/regulatory progress
- Review of medical strategy
- Site rationalisation activity – closure of Barbados/Tunisia/Carrollton/Corpus Christi; opening of Plano; transfer of Lutterworth operations to Bedlington (with associated new investment) and transfer of Covina operations to Kansas City
- Development of Power Solutions technology roadmap

ESG/engagement

- Sustainability planning/development (including new Sustainability Council, KPIs and dashboards); MSCI AA rating
- Site visits – Hartlepool/Bedlington
- Employee engagement via videoconference at selected sites (e.g. Dongguan)

M&A

- M&A integration activity (Torotel)
- M&A – Ferranti Power and Control acquisition; in addition, detailed consideration was given to five M&A opportunities, each linked to TT growth strategy which the Board decided not to proceed with

People

- Organisational design (i.e. creation of COO)
- Pensions review (GMP equalisation; data cleansing)
- ED&I planning/development (including staff wellbeing arrangements post-COVID)
- Talent management and succession planning

IR

- IR focus and development of revised "equity story"; includes appointment of new co-broker and investor feedback analysis (run by Rothschild)

Financing

- Private placement (completed December 2021)

Operations

- Customer engagement (i.e. record order book/deeper customer relationships and opportunity pipeline)
- Supply chain challenges (impact on inventory management/working capital)

Company purpose, strategy and values

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

The Board understands the relationship between the Company's purpose, strategy and values and their importance to the long-term success of the Group. Along with strategy, purpose and culture are regular discussion points at Board meetings.

The Company's purpose statement is:
We solve technology challenges for a sustainable world.

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

Relationship between purpose, strategy and values

Why?

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

What?

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

How?

The Company's **values**, culture and behaviours drive **how we execute our relationships** with internal and external stakeholders and our **strategic vision**. Our TT Way values (see page 14) describe our culture and set out how we expect our employees, from the top down, to conduct business and act with integrity, transparency and professionalism.

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

Board oversight of culture matters – our TT Way values

We do the right thing

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

- Statement of Values and Business Ethics Code
- Whistleblowing reports
- Safety metrics
- Employee support during COVID-19 pandemic
- Integration of ESG and sustainability matters into decision-making and business practices as a strategic priority
- Net Zero Scope 1 & 2 target by 2035 and other environmental impact reduction work
- Anti-bribery and corruption policies
- Modern Slavery policy
- Global supplier standards for social and environmental practices
- Human Rights Code
- Gender Pay Gap reports

We bring out the best in each other

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

- Leadership programmes
- Succession planning/talent reviews
- Remuneration schemes and employee benefits
- Cross-divisional working and information sharing
- ED&I initiatives including our Women in Leadership programme, strong focus on LGBTQ+ initiatives and awareness programmes, for example, Black History Month

We achieve more together

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

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

We champion expertise

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

- Focus on capabilities – power; connectivity; sensing; and manufacturing and engineering
- R&D investment as a percentage of sales – 5% target
- Targeted and complementary M&A to expand technology capabilities
- BE Inspired awards for individual achievements
- Focus on training and apprenticeship initiatives

We get the job done, well

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

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

Leadership

The Board
Subject to the Company's Articles of Association, UK legislation and any directions given by special resolution, the Board manages the Company's business. The Board has reserved certain specific matters to itself for decision. These include financial policy (including tax and treasury matters) and policy relating to acquisition and disposal.

The Board appoints its members, and those of its principal Committees, having received the recommendations of the Nominations Committee. It also reviews recommendations of the Board Committees and the financial performance and operation of the Group's businesses. It regularly reviews the identification, evaluation and management of the principal risks faced by the Group, including emerging risks, and the effectiveness of the Group's system of internal control as set out on pages 67 to 70.

Board and Committee meetings are scheduled in line with the Company's financial calendar, thereby ensuring that the latest operating data is available for review and sufficient time and focus can be given to matters under consideration. During the year, there were seven principal Board meetings on scheduled dates, for which full notice was given. Four additional meetings were held in the year to progress the Board's work on IR matters, discuss organisational changes, review the US PP financing arrangement, review the trading update and discuss M&A projects. The Board has held two principal meetings to date during 2022. The NEDs meet, without the Executive Directors present, at the end of each scheduled Board meeting, as a standing agenda item.

During 2021, it was important for the Directors to maintain a level of flexibility around the Board calendar to ensure that we were able to respond to the government guidelines and best practice as and when the COVID-19 restrictions changed. The first half of 2021 saw the Board continue with electronic meetings, which had proved to work successfully in 2020, to ensure the safety of all Board members and to allow for travel restrictions that were in place. As the year progressed, the Board was able to meet in person and complete site visits to Hartlepool and Bedlington in the UK. Unfortunately the planned Board visits to the Torotel site in Kansas and the new Plano facility in Texas had to be postponed due to COVID-related travel restrictions, but it is hoped that these visits will be rescheduled for 2022.

The main events in the Board calendar are the approval of the half-year and full-year results, the Board site visits, the review of the multi-year strategic plan and the approval of the budget towards the end of the year. At each meeting during 2021 the Board discussed strategic issues (principally focused on key site rationalisation projects, the M&A opportunity pipeline, and the status of integration activity on recent acquisitions) together with operational, financial, human resources, legal, governance and investor relations items.

The Directors reviewed, throughout the year, the opportunities and risks to the future success of the business by receiving and discussing information from both internal and external sources regarding the issues affecting the business, the wider industry and the macroeconomic environment. The non-standard areas of focus for the Board in 2021 are shown on page 81.

Division of responsibilities

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:

Roles and responsibilities

Chairman	Chief Executive Officer
Maintains responsibility for: – The leadership and effectiveness of the Board, and for setting its agenda; – Ensuring all Directors receive accurate, timely and clear information on financial, business and corporate matters so they can participate in Board decisions effectively; – Facilitating the effective contribution of NEDs; – Ensuring constructive relations between Executive and Non-executive Directors; – Ensuring effective communication with shareholders; and – Ensuring the performance of individual Directors, the Board as a whole, and its Committees are evaluated at least once a year.	**Maintains responsibility for:** – The operations of the Group; – Developing Group objectives and strategy, having regard to the Group's responsibilities to its shareholders, customers, employees and other stakeholders; – Successful implementation and achievement of strategies and objectives, as approved by the Board; – Managing the Group's risk profile, including its health and safety performance; – Ensuring the Group's businesses are managed in line with strategy and approved business plans, and complying with applicable legislation and Group policy; – Ensuring effective communication with shareholders; and – Setting Group human resource policies, including management development and succession planning for the senior management team.

Leadership structure
Details of TT's Board of Directors are set out on pages 76 and 77 of this report. The leadership structure chart on page 75 provides further information on how leadership at the Board level is discharged. Most importantly, the Board comprises a majority of independent NEDs, with the division of responsibilities between the Chairman and Chief Executive Officer having been clearly articulated. The Board believes that its composition, the structure of its principal Committees and the processes it has in place to discharge its primary areas of responsibility, meet the requirements of "Board Leadership" and "Composition" under the Code.

The Board has established a number of Committees, each with its own delegated authority defined in terms of reference. The Board reviews these terms periodically (the last occasion being in December 2021), and receives reports and copies of minutes of Committee meetings. The Board appoints the members of all principal Board Committees, having received the recommendations of the Nominations Committee.

A NED (Jack Boyer) has been nominated to be a member of the PSEE Committee with the purpose of receiving information about the Company's engagement with its key stakeholders. As such, he is the designated NED for the purposes of engagement with the workforce under the Code. This includes the outcomes of our employee engagement activities as described on page 54 and sustainability initiatives described from page 56. The designated NED on the PSEE Committee reports this information directly to the Board following each Committee meeting. The key activities covered by the PSEE Committee are described in more detail in the leadership structure chart on page 75.

Directors' interests

The Directors of the Company at 31 December 2021 held interests (directly or through their connected persons) in the following numbers of the Company's ordinary shares of 25 pence each on 1 January 2021, 31 December 2021 and 7 March 2022:

The interests of the Directors in the Company's share options and Long-Term Incentive Plan are shown in the Directors' remuneration report on page 114.

	7 March 2022 Ordinary shares	31 December 2021 Ordinary shares	1 January 2021 Ordinary shares
Warren Tucker	60,075	60,075	60,075
Richard Tyson	910,454	910,454	873,530
Mark Hoad	711,149	711,149	683,127
Jack Boyer	95,514	95,514	95,514
Alison Wood	–	–	–
Anne Thorburn	60,000	60,000	60,000

Directors
All Directors have access to the advice and services of the Group General Counsel and 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 they consider 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, we conduct a review of Director conflicts of interest annually.

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

Rules for the appointment and replacement of Directors are set out in the Company's Articles of Association. Directors are appointed by the Board on the recommendation of the Nominations Committee. Directors may also be appointed or removed by the Company by ordinary resolution at a general meeting of holders of ordinary shares. The office of a Director shall be vacated if his or her resignation is requested by all the other Directors, not being fewer than three in number. Further details of the activities of the Nominations Committee are set out on page 87.

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

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.

Relations with shareholders
The full list of engagement activities and our relations with shareholders during the year are set out on pages 44 to 45. The Chair of the Audit Committee engaged with certain shareholders on ESG matters during 2021. The Chair of the Remuneration Committee engaged with shareholders in relation to changes to the performance conditions for the 2020 LTIP awards which were proposed at the 2021 AGM. See page 99 of the Remuneration Committee report for more information.

Going concern
The Directors have reviewed the budgets for 2022 and the projections for 2023 and 2024 developed during the 2021 annual strategic planning cycle. They have assessed the future funding requirements of the Group as outlined on page 66 of this report. Based on this, the Directors are satisfied that the Group has adequate resources to continue in operational existence for 12 months from the date of approval of these financial statements. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

COMPOSITION, SUCCESSION AND EVALUATION

NOMINATIONS COMMITTEE REPORT

Membership

Warren Tucker (Chair)
Jack Boyer
Alison Wood
Anne Thorburn

Contents

Principal responsibilities

- Regularly review the structure, size and composition of the Board as a whole and make recommendations for any changes to the Board.
- Review the overall leadership needs of the organisation by considering succession planning for NEDs (having due regard to their length of service), Executive Directors and members of the ELT, and make recommendations to the Board.
- Manage the search for, and selection of, suitable candidates for the appointment of replacement or additional Directors and nominate candidates for the approval of the Board.

Key activities during the year

- No changes to the composition of the Board or Committees.
- Detailed review of succession planning at Executive Director and ELT level (plus a management layer below).
- In-depth review of talent ("high potential" and talent gaps) at a senior management level.
- Oversight of the COO appointment process and the governance changes implemented as a result.
- Board-level requirements considered as part of evaluation exercise, factoring in succession and diversity considerations.

Q&A

Q

In last year's Annual Report, various criteria were highlighted as being important in the selection process for the new Chairman, which included the need to maintain a culture of openness and transparency, in a low-ego environment. To what extent do you think this has been achieved?

On joining TT, I benefited enormously from the fact that these important characteristics were already in place as part of our Board DNA. Far be it for me to comment on my own performance since joining the Board; however, the collegiate, honest and frank approach taken by the Board to decision-making was very much in evidence from the external feedback we received as part of the 2021 Board evaluation exercise. I feel this has been an important factor in the strong financial performance and operational recovery we have witnessed following the COVID-19 outbreak in 2020.

Q

There have been no changes to the composition of the Board in 2021. Is that a good thing or not?

Looking at 2021 in isolation, this was a time when all companies required strong, stable leadership and, as such, I firmly believe this has been a good thing. It is also worth pointing out that the average length of tenure of the NEDs is less than four years. That having been said, there is no room for complacency, which is why we regularly test to see we have the right skills and competencies in place to meet the evolving needs of TT's business. We did not identify any gaps for 2021; however, the independent feedback we have received from the evaluation exercise means that we now have some external input to consider, which the Committee will give attention to in the coming year.

Q

Why did the Nominations Committee focus on the governance structure underpinning the newly created COO role in 2021?

The new COO role was created to give key parts of the business autonomy to grow, which included a key focus on medical and defence markets in the US. At the same time, we wanted to ensure that our Executive Directors were given the necessary freedom and resources to focus on other priority areas, such as promoting further the IR story and significant M&A. The Committee's objective here was to ensure that the governance structure underpinning this new arrangement was optimised to provide maximum opportunity for future success.

2021 review

The Committee held two meetings in 2021, during which the Committee undertook a detailed evaluation of the current structure of the Board to ensure that it remained balanced and effective, with diverse skills, knowledge and experience. Consideration was also given to the future requirements of the Board on each of these fronts. The Committee concluded that TT had in place a group of highly experienced Directors, with the skills and competencies necessary to meet the strategic and operational needs of the business. As a result, no changes to the composition or structure of the Board or its principal Committees were recommended in 2021, nor was it considered necessary to prioritise the recruitment of any new NEDs in the immediate future, given the diversity of experience, approach, mindset and thinking on the Board.

As part of its remit to have oversight of succession planning activities, the Committee undertook a detailed review of TT's talent management programme in Q4, which covered the senior management team (operating at ELT level and a layer below), together with selected members of the wider leadership group. Attention was also focused on "high-performing" individuals across the organisation, who had been identified as possessing the capability to progress into senior management roles over the medium to long term. This review exercise identified several candidates across the business with the potential for promotion to ELT and/or Executive Director roles in the future, with talent development also being highlighted as a key priority area for the Group going forward. The Committee agreed, as part of this process, to find opportunities for the NEDs to meet with key individuals identified in the Group-wide succession plan, on a face-to-face basis (wherever possible). The Committee also took the opportunity to review wellbeing initiatives across the Group in the post-COVID environment as part of this process.

In addition to the activities referenced above:

- The Committee spent time reviewing the proposed new COO reporting structure (under Michael Leahan's leadership), together with the key roles/responsibilities and governance framework underpinning it, which included an analysis of senior manager reporting lines into the COO and the overall structure of the North American business units;
- All Board members completed a conflicts of interest questionnaire, which involved tracking the number of external appointments held by each Director, including the number of chairmanships and executive director roles held, to avoid suggestions of "over-boarding". No points of concern were identified by the Committee from this process; and
- The Committee assessed its performance in 2021 by reviewing key activities during the year against its terms of reference. It was concluded that the Committee had performed satisfactorily and was structured appropriately to provide effective support to the Board.

Board composition

Throughout 2021, the Board comprised two Executive Directors (Richard Tyson and Mark Hoad) and four NEDs. There were no changes in Board composition during 2021, nor in relation to the membership of Board Committees. We provide full details of each Director's Board and Committee meeting attendance on page 76 and Directors' biographies, including the Committees they serve on and chair, can be found on pages 76 and 77.

At the time of his appointment as Chairman, Warren Tucker was considered to be independent in accordance with the provisions of the Code. All the remaining NEDs are also considered to be independent as defined by the Code.

In accordance with the Company's Articles of Association and the Code, Directors must offer themselves for re-election at the forthcoming AGM. This practice will continue in the future, to ensure compliance with the requirements of the Code and the Company's Articles of Association. Following formal performance evaluation, the Board has concluded that the performance of each Director continues to be effective and to demonstrate commitment to the role. The Notice of AGM sets out details of the key areas of contribution made by each of the Directors in providing leadership to the Company.

Equality, diversity and inclusion (ED&I)

In 2020, the Company introduced its ED&I strategy to the workforce, setting out our three-step multi-year strategy to enable the Company to understand the needs of its diverse workforce and embed ED&I as an integral part of the Company's strategy (see page 55 for further information). The Nominations Committee's remit includes having regard for issues such as culture and diversity when reviewing recruitment practices and succession planning and the new ED&I strategy will assist the Committee in overseeing a diverse pipeline for senior management and Board positions. The Committee will receive updates on the progress of the initiatives launched via the new ED&I strategy and will monitor the achievement of targets set in line with the strategy.

At all times during 2021, the Committee has sought to ensure that the Board is balanced and effective, with diverse skills, knowledge and experience. The Committee attaches a high degree of importance to diversity at all levels across the Group and is committed to recruiting the best talent available, based on merit, and assessed against objective criteria of skills, knowledge, independence and experience.

However, we do not advocate a forced approach to diversity at any level of the organisation. Female representation on the Board stands at one third, which the Committee believes will have a positive impact on the Board's governance processes and sends out a strong message across the Group of the importance of a diverse workforce to the future success of the business.

Details of the number of employees, senior managers and Directors of each gender are given in the Our people section on page 55.

For more detail on TT's approach to ED&I across the organisation, see page 55 of the Our people section.

Board and Committee performance evaluation

In accordance with the Code, the Board has conducted an evaluation of its performance and that of its principal Committees during 2021. The decision was taken in the year to undertake an external evaluation exercise for 2021, with Russell Reynolds (RR) being selected as the independent facilitator to conduct this project on behalf of the Board*.

The lifting of COVID restrictions in the latter part of the year was a key factor in the Board's decision to use an external process for 2021, which provided increased scope to conduct the evaluation in person and thereby derive maximum value from the exercise.

Succession and diversity considerations formed a key part of the process of evaluating the future requirements of the Board and its Committees; indeed, the evaluation process highlighted the need to ensure that succession and diversity were actively monitored by the Committee at both a Board and senior leadership level and remained firmly on the Board agenda. The Board is mindful of the current initiatives on promoting diversity, including the FTSE "Women Leaders Campaign", the FCA consultation on changes to the UK Listing Rules, and the Parker Review on ethnic diversity of boards, and is supportive of these initiatives.

* The Board appointed RR as the external search firm used in the recruitment of Warren Tucker as Non-executive Chairman in 2020 (as disclosed in the 2019 Annual Report) and the firm has also been used in previous Board-level engagements. RR was also the preferred choice to undertake the 2021 Board evaluation work, on the basis of its expertise in this area and its relative familiarity with TT's operations. The team of RR consultants used for the 2021 Board evaluation exercise was entirely separate from the RR personnel used in previous recruitment exercises.

October 2021

Appointment/ briefing

RR engaged to design and execute the 2021 evaluation process.

Warren Tucker led the briefing discussions with RR.

November 2021

Individual evaluation

RR questionnaires completed by Board members.

RR interviews with each Board member.

Non-Board ELT members invited to participate in evaluation.

Board observation

RR attended the full Board meeting held in November 2021 to assess overall Board interaction and dynamics.

January 2022

Evaluation report

RR presented their report to the Board at the January 2022 meeting and discussed it in detail with the Board members.

Board discussion

Detailed discussions within the Board to assess the key findings and identify improvement opportunities.

Internal interviews

One-to-one interviews between the Chairman and Committee Chairs, and also between the Chairman and all Directors (including the CEO and the SID), to discuss individual contributions during 2021.

Key conclusions

The evaluation report which was presented to the Board by RR evaluated Board performance across a range of key assessment criteria, including strategic thinking (pragmatic vs disruptive), Board dynamics (collaborative vs independent), stakeholder engagement (internal vs external) and governance (conformance vs performance). The report also assessed the skills base of each Board member, covering a range of core areas, including strategic thinking/planning, M&A, stakeholder value creation, governance, people/HR/culture and US experience.

The evaluation exercise highlighted the extremely positive Board dynamics experienced by the NEDs and the Executive Directors alike. It was concluded that the Board was highly effective in discharging its responsibilities and benefited from a "low ego/high trust" culture, with a strong focus on TT values and no topics considered "off-limits". In particular, it was noted that:

- The Board scored highly on all key assessment criteria used by RR, with ratings of at least five (out of a maximum score of six) on each individual measure. Strategic thinking, overall Board dynamics and the Board's approach to governance were recognised as the highest overall scoring areas.
- The evaluation exercise demonstrated a flexible approach to Board-level decision-making and an ability to adapt behaviours on a case-by-case basis, depending on the business at hand (e.g. a "transacting" approach to investment decisions, shifting to "challenge"-based behaviours for key strategic issues).
- Cultural factors are actively monitored (including reputational risks and organisational conduct), which is assisted by the characteristics of openness, trust and mutual support at the Board level, whilst encouraging positive challenge and conflict (where necessary).
- The review process confirmed that the Board had delivered on its prior year objective of increasing the level of face-to-face dialogue (as COVID restrictions eased in the year), which had resulted in a more in-depth analysis of strategic priorities and a strong execution focus/alignment in areas such as sustainability and investor relations (including the development of the TT equity story).
- The evaluation review highlighted that each Board member possessed the requisite skills and experience in each of the core areas relevant to TT's operations. Accordingly, the Board concluded that the composition of the Board (and its Committees) remained fit for purpose, with diversity of experience, approach, mindset and thinking around the Board table.

In summary, the Board concluded from the evaluation exercise that it (and its Committees) had performed well on all fronts in 2021 and that the performance of each Director was highly effective, whilst giving due commitment to his or her role.

Discussion points and areas of focus
The 2021 evaluation review highlighted several developmental areas for further consideration, which included the following:

- A very high degree of Board alignment was evidenced on the core strategy for the Group; however, the evaluation process highlighted the need to ensure that our strategic planning remained alert to potential shifts in the macro environment and we retained the agility to react accordingly.
- Whilst the continued focus on succession planning was a key finding from the prior year's evaluation review, the need to prioritise the attraction/retention of top talent was again considered a priority area for 2022, particularly given the impact of the pandemic in creating organisational fatigue.
- The evaluation review reinforced the Board's coverage of core skills and experience relevant to TT's operations; however, several additional areas were identified where (depending on the evolution of strategic positioning) there might be a need to develop or introduce additional capabilities in the future. The Board agreed to keep these potential developmental areas under review in the future.

The RR review exercise recognised the positive gender diversity at the Board level (and a range of different styles and approaches that allowed the Board to work effectively as a group), whilst also acknowledging the lower levels of cultural and ethnic diversity. As a result, it was agreed that any future recruitment activity would be focused on fostering a continued strong level of diversity in the make-up of the Board.

Having considered these issues in detail, the overall outcome of TT's external evaluation exercise was that the Board was operating in a very effective manner and that the structure of the Board remained fit for purpose, given the diversity of experience, approach, mindset and thinking around the Board table. The Board concluded that none of the outputs of the evaluation exercise had identified an immediate need to launch a recruitment process to secure an additional Board member, although this issue would be kept under regular review by the Nominations Committee going forward.

2022 Board objectives
Following the conclusion of the 2021 Board evaluation exercise, the Board objectives for the year ahead are set out below:

- NEDs and Executive Directors to continue to operate in an engaged, constructive, open, supportive and challenging manner.
- Strong focus on strategic development and execution, whilst demonstrating agility in response to new operational challenges.
- Driving forward TT's sustainability platform, for the benefit of all stakeholders.
- Enhanced focus on HR priorities, including succession/retention, talent management and ED&I.
- Continued focus on ensuring employee and wider stakeholder engagement through face-to-face meetings (wherever possible).

Directors' performance evaluation

In accordance with the Code, the performance of individual Directors was evaluated during 2021.

For the NEDs, the output from a private meeting held between the Chairman and the Executive Directors formed the basis for individual appraisals held by the Chairman with each NED. This also provided an opportunity to discuss any issues which had arisen from either their individual assessments or those of the Board and its principal Committees. For the Chairman's performance, the other NEDs, led by the Senior Independent Director, and, with input from the Chief Executive Officer and Chief Financial Officer, met privately to discuss this, with the outcomes being fed back to the Chairman by the Senior Independent Director for discussion.

At the beginning of the year, we set each Executive Director challenging performance objectives, and reviewed progress against these as the year progressed.

Both of the Executive Directors take part in the Group's performance management programme which, together with a review of progress against agreed goals and objectives, is used to assess performance and to set clear objectives and developmental plans for the following year (which are closely aligned with the Group's strategic priorities and values). The Chief Executive Officer meets with the Chief Financial Officer at the beginning of each year to discuss and review performance against objectives.

The Chairman conducted the performance evaluation of the Chief Executive Officer, taking account of the output from the Group's performance management programme together with feedback provided by the other NEDs at a private meeting held to discuss this and any other matters which the NEDs wished to raise.

Warren Tucker
Chair, Nominations Committee
8 March 2022

AUDIT, RISK AND INTERNAL CONTROL

AUDIT COMMITTEE REPORT

Membership

Anne Thorburn (Chair)
Jack Boyer
Alison Wood

Contents

Principal responsibilities

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

Key activities during the year

- Key areas of accounting judgement considered in detail, including: (i) Virolens related assets on the balance sheet; (ii) intangible assets relating to acquisitions; (iii) the Group's defined benefit obligation in relation to pensions.
- Continued attention on the transition process to the new Auditor (in the first full year following Deloitte's appointment), particularly in light of ongoing COVID-19 lockdown restrictions.
- Detailed consideration of findings from the risk/assurance reviews undertaken by the Internal Audit function, including roll-out of the shared services model for the finance team and outcome of reviews at key sites.
- Engagement with stakeholders on priority issues for the business, including the BEIS consultation on Audit and Governance Reform.
- Detailed review of climate-related risks (and associated TCFD disclosures), in light of new regulatory requirements.
- Response to FRC request for information on two specific technical accounting matters arising from its review of the 2020 Annual Report, which were resolved to the FRC's satisfaction (see page 94 for more details).

Q&A

Q

Now that Deloitte has completed its first full audit cycle, what are your thoughts on how the external Auditor transition process has worked in practice?

2021 was clearly a challenging year, as the ongoing COVID-19 lockdown restrictions experienced in H1 continued to limit the amount of face-to-face activity (compared to what would typically be seen in an external audit programme). However both the internal and external audit functions have worked hard to maintain the positive momentum created from the original handover process from KPMG to Deloitte. Overall, having conducted the Auditor effectiveness survey in 2021, which indicated an improvement compared to the prior year, the Committee is confident that this transition process has been well managed and that the quality of the external audit has not been compromised by remote working.

Q

Did the COVID-19 "stay-at-home" measures in place during the first half of 2021 impose any significant challenges to the delivery of the audit programme during the year?

As stated above, the continuing COVID-19 lockdown arrangements presented some logistical challenges in 2021, but we benefited significantly from having put in place a series of remote working practices during 2020, such that the 2021 audit process felt much more like business-as-usual. As the year progressed, the audit programme was able to revert to more of an in-person approach, to allow wider testing of specific site and Group-level audit issues. Overall, the Committee considers it has been able to review key areas of audit judgement in sufficient depth in 2021, despite lockdown restrictions, but will continue to focus on priority areas, building on the good practices that have evolved over the past two years.

Q

Why did you feel it was necessary to respond to the BEIS consultation on Audit and Governance Reform?

TT takes its governance responsibilities extremely seriously and welcomes the opportunity to enhance its audit, internal controls and wider governance processes in the interests of our stakeholder groups. We felt that many of the BEIS reform proposals were helpful and would not present too much of a stretch for TT with the Controls Framework structure we already have in place. However, in a few key areas the Committee considered that the recommendations were inherently vague and were unlikely to provide a cost-effective basis for enhancing governance structures.

Procedural and governance matters

Meetings of the Committee are structured on the following basis:

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

In relation to Governance considerations:

- The Committee Chair, Anne Thorburn, fulfils the Code requirement of at least one member of the Committee having recent and relevant financial experience (as a former CFO of several listed companies and as audit committee chair of Diploma PLC since 2015);
- The structures and methodologies that were put in place in 2020 to address the COVID-19 "stay-at-home" measures were retained in the current year, to ensure that both internal and external audit activities could be fully completed and to support the transition to the new Auditor;
- The Committee undertook an evaluation of external Auditor performance in 2021, which included input from the heads of finance across the Group's operations. Through this process, several limited areas for improvement were identified and shared with the Auditor; however, this process indicated an improvement in overall Auditor performance in 2021; and
- The Committee assessed its performance in 2021 by reviewing key activities during the year against its terms of reference. It was concluded that the Committee had performed satisfactorily in the year and was structured appropriately to provide effective support to the Board.

2021 review

The Committee held four scheduled meetings during 2021. A summary of the key financial reporting and judgement issues considered by the Committee during 2021 is set out in the table on page 96. In addition, as part of the Committee's planning for the 2021 year-end audit process, a detailed assessment was undertaken (in conjunction with the external Auditor) of the FRC's key areas of focus, as outlined in its letter to UK listed companies published in October 2021.

Specific audit matters considered by the Committee in 2021 included: (i) the Group's defined benefit obligation with respect to pensions; (ii) the acquisition intangible asset impairment reviews conducted at the half-year and full-year stages (with the Technology Products Division being the principal area of focus, but with the Committee concluding that sufficient headroom was available based on projected future trading); (iii) the carrying amount of Virolens- related assets on the balance sheet; (iv) Group tax rates and provisioning (with the Committee concluding that, as a result of new processes adopted during the year, the level of judgemental analysis applied in this area for the current year had been significantly reduced); (v) an in-depth review of the Group's GDPR/data privacy and anti-bribery/corruption controls, and (vi) the viability/going concern position for the Group (reflecting current year trading and the new US PP arrangement).

The Committee also reviewed the outputs of the internal audit projects conducted during 2021, which are undertaken both on a site-specific basis (with each principal TT site being reviewed at least once every three years) and for targeted functional areas, which for 2021 included IT implementation, HR and talent management, procurement and supply chain and project assurance. The Committee has continued to pay close attention in the past year to the progress made in developing the Group-wide controls framework programme and its application in driving business performance across TT, particularly in the context of the Group's migration to a shared service environment, post-COVID trading, the financial integration of businesses having only recently adopted the Controls Framework and the impact of behavioural factors on the controls environment. For further details of TT's risk management and internal controls structures see pages 64 to 70.

During 2021, the Risk Committee continued to conduct a detailed review of possible emerging risks (in consultation with the Internal Audit function), which were not currently addressed in the Group risk register, but could have application in the future to an international business operating in TT's sector. The outputs of this analysis were discussed further at both the Board and Audit Committee level, which included a review of the risk appetite of the Group. For further details of the Board's approach to assessing the Group's risk appetite, see page 64.

In the fourth quarter, the Committee undertook a detailed review of the Group's climate-related risks and opportunities, with particular reference to the new TCFD disclosure requirements. A summary of the outputs of this review exercise is set out on page 51. A further, more detailed scenario analysis will be undertaken in 2022.

FRC review

On 12 August 2021, we received a request for information from the FRC, which was addressed to the Company's Chairman. This information request focused on two specific areas, being share-based payments and deferred tax and the related disclosures made in the 2020 Annual Report.

TT provided detailed responses to the queries raised by the FRC and the FRC wrote to the Group CFO on 6 December 2021, confirming that TT's responses had enabled the FRC to close its enquiries.

In its correspondence, the FRC highlighted the requirement for the recognition of deferred tax in relation to certain hedging instruments, clarification in respect of classification of share-based payments and the footnote disclosures of share-based payments and deferred tax. The Company has carefully considered the suggested disclosures proposed by the FRC and these have been fully reflected in this Annual Report. None of the FRC's queries required restatement of prior year financial results or position.

The FRC has recognised in its latest correspondence that the Company may wish to refer to the exchange of correspondence with the FRC in this Annual Report but may do so only on the basis that we make clear the inherent limitations of the FRC's review, including the fact that: (i) the review is based on the content of TT's Annual Report (without detailed knowledge of TT's business or an understanding of the underlying transactions entered into by the Company); (ii) the FRC provides no assurance that TT's Annual Report is correct in all material respects; and (iii) the FRC (including its officers, employees and agents) accepts no liability for reliance on its correspondence, whether to TT or any third party (including investors and shareholders).

The Committee appreciates the opportunity to engage with the FRC and deliver further improvement in our disclosures.

Misstatements

Management has confirmed to the Committee that it was not aware of any material uncorrected misstatements or immaterial misstatements made intentionally to achieve a particular presentation. The Committee confirms that it is satisfied that the external Auditor has fulfilled its responsibilities with diligence and professional scepticism.

After reviewing the presentations and reports from management and consulting where necessary with the Auditor, the Audit Committee is satisfied that the financial statements appropriately address the critical judgements and key estimates (both for the amounts reported and the disclosures).

Fair, balanced and understandable

In accordance with the Code, the Board requested the Committee to advise it on whether it believed the Group's Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategic plan. Procedures are in place to facilitate the appropriate and timely review of the drafts of the Annual Report and specifically to highlight evidence of a fair and balanced representation, which supports input and challenge from all independent NEDs, the external Auditor and other external advisers.

On careful review of the Annual Report for the year ended 31 December 2021, and the basis for the statement made by the Board on "Fair, balanced and understandable" on page 122, the Audit Committee recommended to the Board that, taken as a whole, the Annual Report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategic plan.

Auditor's independence, objectivity and effectiveness

The Audit Committee assesses the independence of the Auditor annually to ensure suitable policies and procedures are in place to safeguard the Auditor's independence and objectivity, having regard to length of tenure, provision of non-audit services and the existence of any conflicts of interest. The Committee has formally reviewed the independence of the Auditor as part of the 2021 review. Deloitte has provided a letter to the Committee confirming it remains independent within the meaning of the relevant regulations and in accordance with its professional standards.

The Committee also reviewed the quality and effectiveness of the audit programme during the year, as described on page 97.

Policy on non-audit services

The Company has an established policy regarding the provision of non-audit services by external auditors, which was last refreshed in 2021. This policy provides that non-audit services may be obtained from the most appropriate source, having regard to expertise, availability, knowledge and cost as confirmation that they comply with the whitelist of permitted services as set out in the Revised Ethical standard 2019. Non-audit services where fees are expected to exceed £25,000 should be approved, in advance, by the Chair of the Audit Committee or, in her absence, by another member of the Audit Committee. There is also a restriction 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 Auditor for additional non-assurance services, unless there are compelling reasons to the contrary, such as capability, time or cost.

In 2021, the total fees paid to Deloitte were £1.4 million, while no other non-audit service fees were paid to Deloitte in the year. This includes £0.1 million paid to Deloitte for their review of the Company's interim results. Accordingly, during 2021, non-audit service fees paid to Deloitte represented seven per cent of audit service fees paid to them during the same period.

Significant issues considered in relation to the financial statements

The main areas of judgement and estimation are set out in the accounting policies on pages 138 to 148. The Committee received and reviewed reports from management and the external Auditor setting out the significant issues in relation to the 2021 financial statements, as outlined below. They discussed these issues with management during the year and with the external Auditor at the time the Committee reviewed and agreed the external Auditor's Group audit plan; when the external Auditor reviewed the half-year results in July 2021; and also at the conclusion of the audit of the financial statements. The Committee is satisfied that the significant assumptions used for determining the value of assets and liabilities have been appropriately scrutinised and challenged, and are sufficiently robust.

Significant issues

Significant issue	Committee actions/work undertaken
Adjusted profit (see Note 6) The Group reports non-trading income or expenditure outside of adjusted profit when the size, nature or function of an item or aggregation of similar items is such that separate presentation is relevant to an understanding of its financial position.	The Committee challenged the items that were excluded from adjusted profit and were satisfied that these were in accordance with the Group's disclosed accounting policy and gave a true and fair view of the Group's underlying financial position. The Auditor explained to the Committee the work they had conducted and the results of their audit procedures on significant items recorded outside adjusted profit.
Provisions Taxation (see Note 7) Current tax provisions held in respect of tax risks are included within current tax liabilities depending on the underlying circumstances of the provision	Management confirmed to the Committee that the provisions recorded at 31 December 2021 represent its best estimate of the potential financial exposure faced by the Group. The Committee reviewed each significant provision and challenged the basis of management's judgement and concurred with the estimates. The Auditor explained to the Committee the work they had conducted during the year, including how their audit procedures were focused on those provisions with the highest level of judgement on recognition criteria and/or measurement.
Goodwill and impairment review (see Note 13) The Committee has reviewed management's computation of the present value of future cash flows from the five year plan and outer years. These have been compared to the carrying amounts in order to test for impairment, (refer to Note 13 to the Group Financial Statements)	The Committee considers management's conclusion that no new impairment charges for goodwill and acquired intangibles have been required for 2021 to be appropriate. The Committee reviewed the reasonable possible change disclosure for the IoT Solutions CGU and challenged management's assumptions and sensitivities. The Committee confirmed both the disclosures and assumptions were appropriate.
Going concern and viability (see Note 1d) The Committee considered the outcome of management's reviews of current and forecast net debt positions and the various financing facilities and options available to the Group, including the risk and potential impact of unforeseen events.	The Committee reviewed the going concern and viability assessment over the three-year period based upon 2022 budget and the strategic plan to 2024. The Committee confirmed that the application of the going concern basis for the preparation of the financial statements continued to be appropriate. The Auditor explained to the Committee the work they had conducted and the results of their audit procedures on going concern and viability.
Virolens (see Note 1g) The Committee reviewed management's assessment of the recoverability of the Virolens related assets held at 31 December 2021.	The Committee considers management's conclusion that no impairment is required for 2021 (with the exception of the trade receivables) to be appropriate. The Committee reviewed the key sources of estimation uncertainty disclosure for Virolens. The Committee confirmed both the disclosures and assumptions were appropriate. The Auditor explained to the Committee the work they had conducted and the results of their audit procedures on the assessment of the recoverability of the Virolens related assets.
Other items Legal and restructuring provisions (see Note 18) 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 and Company Secretary outlining the open legal and contractual disputes and best estimates of the expected costs associated with such matters. Management has confirmed to the Committee that the provisions recorded at 31 December 2021 represent its best estimate of the potential financial exposure faced by the Group. The Committee reviewed each significant provision and challenged the basis of management's judgement and concurred with management's estimates. The Auditor explained to the Committee the work they had conducted during the year in this area. Further information about the specific categories of provisions held by the Group is set out in Note 18.

Committee activities in 2021

Financial reporting

- Monitored and reviewed the Group's financial statements and results announcements.
- Reviewed significant financial reporting and accounting issues.
- Reviewed going concern and viability statements, including appropriate sensitivity analysis.
- Reviewed the fair, balanced and understandable process for the financial reports.
- Reviewed and discussed 2021 H1 and year-end accounting issues.

Governance

- Reviewed and responded to the BEIS consultation on Audit and Governance Reform.
- Responded to the FRC request regarding our 2020 Annual Report and financial statements.
- Reviewed Terms of Reference.
- Received and considered whistleblowing matters reported through the Group's multi-lingual, anonymous ethics and integrity portal.
- Undertook an evaluation on the effectiveness of the Committee.
- Considered new areas of audit disclosure under UK legislation/regulation.

Internal audit and risk and assurance

- Received a report at each meeting on the internal audit and risk assurance plan.
- Reviewed internal audit planned activity.
- Agreed the remit of the internal audit programme of work.
- Considered the results of the 2021 internal audit activities.
- Reviewed and approved the 2022 internal audit plan.
- Conducted the annual review of the Group's internal auditor.
- Reviewed systems and controls for the prevention of bribery and fraud and in relation to GDPR.

External audit

- Discussed and approved the external audit plan and audit fee.
- Reviewed external Auditor planned activity.
- Reviewed and confirmed both the independence of the external Auditor as part of the 2021 review, and non-audit fees.
- Assessed the quality and effectiveness of the audit programme, including the performance of the Auditor relative to prior year.

Anne Thorburn
Chair, Audit Committee
8 March 2022

INTRODUCTION TO OUR:

REMUNERATION COMMITTEE REPORT

Membership

Alison Wood (Chair)

Warren Tucker

Jack Boyer

Contents

Principal responsibilities

- Determine the Remuneration Policy for Directors for approval at least every three years.
- Determine remuneration packages and terms and conditions of employment for the Executive Directors, senior managers and the Chairman of the Board.
- Approve the design, performance measures, targets and outturns of incentive schemes for the Executive Directors and senior managers.
- Set Remuneration Policy within the wider context of remuneration trends across the workforce.
- Produce an annual report of the implementation of the Directors' Remuneration Policy in respect of the last financial year and for the current year.

Key activities during the year

- We re-engaged shareholders following the 2021 AGM for feedback following the shareholder consultation on the 2020 short-term incentive outcome for the Executive Directors and a change to performance measures of the 2020 LTIP awards which were granted shortly before the first UK COVID-19 lockdown in early 2020.
- We sought to support our lowest paid UK colleagues with higher salary increases in April 2021 and redesigned their incentive scheme with the aim of improving payments, total reward opportunity and engagement.
- We concluded a strategic review of remuneration practices in our growth markets and, in line with established local market practice, introduced a hybrid LTI model for US below-Board leadership roles.
- We reviewed performance measures in our incentives, including the use of alternative financial measures and ESG sustainability measures aimed at driving material improvement in the Group's environmental footprint.
- We considered remuneration outcomes to ensure they remain fair, appropriate, and in line with our remuneration principles and the strong Company performance.
- Short-term Investment Plan (STIP) payments are between on target and maximum reflecting the strong year of growth in both revenue, profit and margin.
- Long-term Incentive Plan (LTIP) vested at only 18.3 per cent reflecting the impact of the pandemic on the momentum of the business and the halt in progress during 2020 as a result of a pause in our end markets.

Q&A

Q

At the 2021 AGM, shareholders voted to pass the advisory vote on the Directors' remuneration report but 23% did not support the resolution. What feedback did you subsequently receive from shareholders?

In line with the provisions of the Code, we engaged with our largest shareholders to gain an understanding of the reasons behind the votes against. Prior to the 2021 AGM, we undertook a significant consultation exercise with our largest institutional investors and the key advisory bodies. While most investors were supportive of the Committee's proposals, a minority of shareholders did not support the proposed amendment of the performance conditions for the 2020 LTIP awards to a single measure of total shareholder return (TSR) given the uncertainty around earnings and the benefit of being more fully aligned with shareholder outcomes, and/or the 2020 STIP award where the entire award was deferred into shares. Following the AGM, the vast majority of investors reiterated their support for the remuneration decisions taken by the Committee with no material additional feedback received.

Q

The pandemic had a material impact on end markets impacting the motivation/attainability of long-term performance measures and their effectiveness with respect to retention. What actions have been taken to improve motivation and retention of critical roles/key talent?

The Group's talent and succession approaches ensure that the Board retains a strong oversight of the retention risks for critical roles and key talent. As a Committee we have continued to consider the effectiveness of remuneration-based retention arrangements which have been materially impacted by the pandemic. The review was extended this year to go deeper into the organisation and take account of a broader set of critical roles, and the Committee subsequently has taken appropriate action to strengthen retention. To date, our actions to retain critical roles and key talent have remained effective.

Q

What actions have the Committee taken to ensure that performance targets are appropriately stretching during the period of volatility and unpredictability arising from the pandemic?

Our role as a Committee includes encouraging enhanced performance and rewarding contribution to the Group's success. This year a major consideration has been the setting of motivational yet stretching performance targets whilst recognising the continuing uncertainty that COVID-19 brings. The Committee decided to delay the setting of the 2021 LTIP performance targets to enable a more appropriate and stretching performance range to be set to include the expectation for a significant recovery in earnings per share (EPS) over the three-year performance period. We remain mindful of the perception of windfall gains and will ensure incentive outcomes are reflective of the wider stakeholder experience. The Committee also reviews total remuneration outcomes to ensure that they are fair, appropriate and in line with our principles.

Q

During the year the Committee reviewed the performance measures for future LTIP awards. Are there any immediate changes for remuneration in 2022?

Shareholder consultation during the year solicited a range of feedback on the types of long-term performance measures employed. Shareholder feedback was supportive of the current remuneration structures whilst also making a number of possible suggestions. The core themes remained focused on shareholder return measures such as TSR, profit measures such as EPS, with some interest in returns on equity/capital employed measures such as return on capital employed. We reviewed the feedback, sector trends on performance measures and, importantly, the applicability to this phase of the Group's strategy. We concluded that the LTIP performance measures for 2022 would remain based on EPS and TSR. During this year's Remuneration Policy review we will again consider the overall mix of measures including the use of ESG and returns on equity/capital employed.

Annual statement

On behalf of the Board, I am pleased to introduce the Directors' remuneration report for the year ended 31 December 2021. The report sets out our philosophy, together with the key activities and decisions made by the Remuneration Committee. The report is split into the following sections:

i. This annual statement which contains a summary of the activities of the Remuneration Committee during the year, including the key remuneration decisions taken by the Committee and the context within which these decisions were reached.

ii. An at-a-glance summary of the Remuneration Policy and the key remuneration outcomes for the year. A full version of the Remuneration Policy that was approved by shareholders at the 2020 AGM can be found in the 2019 Annual Report and Accounts.

iii. The annual report on remuneration and the implementation of the Policy in the year ended 31 December 2021 and the proposed implementation of the Policy for the current financial year. The Policy operated as intended during the year with no changes.

Context for the year

2021 has been a year of strong growth and recovery demonstrating the strength of the business and its strategy, despite the impact of the COVID-19 pandemic continuing in the year. The Committee, together with the Board, continues to be impressed by the resilience and dedication of our incredible employees helping to keep our facilities safe and operational throughout the year. Against the backdrop of the ongoing pandemic the performance of the Group has been even more encouraging and enabled us to confirm the resumption of the dividend in the early part of the year.

The year has not been without its challenges from COVID-19, with continued uncertainty in commercial aerospace, supply chain challenges and changes to the dynamics of employment markets. The Group has navigated these challenges without the need to access any coronavirus support from the UK Government during 2021.

As previously disclosed, the Group repaid all Coronavirus Job Retention Scheme payments in early 2021 which had been fully accrued in 2020; the Company did not utilise any other UK Government support.

In October 2021, we undertook our regular Group-wide employee survey and we were delighted with the results, with improved feedback from colleagues across a number of our facilities and our Group rating further improved our standing as a two star employer, continuing to benchmark the Company alongside the very best global corporations in terms of employee engagement. As previously disclosed, we have updated our purpose to better reflect our core values of sustainability and wellbeing. Employees continued to give strong feedback in respect of these areas and the actions taken to improve sustainable, safe and supportive workplaces.

The Committee has continuously monitored remuneration decisions being taken across the Group and has considered executive pay in the context of the wider workforce, the broader impact on society, its shareholders and maintaining the sustainability and strategic growth of the Group. The Committee continues to be mindful of the impact of the pandemic on remuneration and has adopted a holistic and rigorous approach to decision-making to ensure alignment with stakeholders and our shareholders. Details of the Committee's approach to remuneration in 2021, and the proposed Policy implementation for 2022, are set out in detail in this report.

Business performance

Since 2015, the Group has undergone significant transformation and is continuing to become a higher-quality, better-balanced business aligned to structural growth markets. COVID-19 tested our business model and strategy which displayed the resilience we have developed in the Group.

The Group entered 2021 with good order book momentum and on a sound financial footing following the actions taken in 2020. The year has been one of high performance, growth and recovery with record order books, strong momentum, and good margin progression. This has been as a result of management offsetting the significant incremental headwinds on material costs, freight and COVID-19 disruption via pricing and efficiency actions. Cash-flow management has been robust in the context of being tested during the year, in particular by tightness in the supply chain requiring extra inventory investment to ensure delivery performance to customers was maintained. However, a series of actions have maintained balance sheet strength enabling the acquisition of the Power and Control business of Ferranti Technologies Ltd in early 2022. The business is now positioned for further acceleration of our strategy and margin growth.

Overall, the recovery and performance has been strong:

- Adjusted profit before tax was £31.5 million, up by 32 per cent.
- Free cash flow was a £1.3 million outflow.
- Adjusted EPS was 14.5 pence, up by 24 per cent.

Performance-related remuneration for 2021

In determining the Executive Directors' remuneration outcomes in the context of the challenges of the ongoing pandemic, the Committee has focused on balancing the principles of: aligning pay with performance; ensuring the appropriate level of motivation and focus required to deliver the next phase of the Group strategy; and reviewing remuneration outcomes in the context of our stakeholder experience. The Committee believes that the following outcomes are a fair reflection of business performance and the personal performance of the Executive Directors. In respect of performance-related remuneration outcomes for the wider workforce, short-term incentive awards continue to recognise performance and the attainment of relevant business performance measures in 2021. This ensures alignment with the approach for the Executive Directors:

- The 2021 short-term incentive for Executive Directors was 75 per cent based on financial measures (50 per cent Group adjusted profit before tax and 25 per cent Group free cash flow) and 25 per cent based on the achievement of strategic objectives. For the year ended 31 December 2021, adjusted profit before tax grew 32 per cent to £31.5 million; in line with the increase in full-year earnings expectations announced with the H1 2021 results, the full-year profit performance was ahead of the maximum performance target, net of £3.8 million of Virolens start-up costs. Free cash flow performance was robust and we maintained balance sheet strength even in the context of the material challenges experienced from the supply chain, the expected investment in the final phase of the self-help programme and the investment in Virolens start-up to create the potential for a material growth opportunity. The impact of these investments was mitigated through the accelerated disposal of freehold property and, as a result, the Group's leverage was maintained compared to the end of 2020. The business delivered cash conversion of 65 per cent and a free cash outflow of £1.3 million being between the target and maximum performance levels. The Executive Directors delivered another year of strong leadership with significant progress against the Group's strategic objectives. The combined performance led to an incentive achievement of 97 per cent of the maximum for the CEO and CFO. Eighty per cent of the award will be paid in cash and 20 per cent deferred into shares per the Remuneration Policy. Details of the short-term incentive performance targets and performance achieved is presented on page 111.
- The 2018 LTIP awards vested in March 2021. The awards were based on two equally weighted measures, absolute adjusted EPS and relative TSR performance. As reported last year, until the onset of the COVID-19 pandemic, EPS performance was forecast to achieve significant vesting. However, the impact of the pandemic on the business momentum and progress linked to this award meant that the threshold EPS performance measure was not met. TSR performance over the three-year period was slightly ahead of the median rank threshold performance hurdle which meant that this half of the awards vested at 36.6 per cent, as presented on page 112.
- The 2019 LTIP awards vest in March 2022 based on performance against EPS and TSR. Similar to the 2018 LTIP awards, EPS performance was forecast to vest in full until the onset of the COVID-19 pandemic, whilst the growth in 2021 and the recovery have been significant, the threshold EPS performance measure was not met due to the pause in the growth momentum caused by the pandemic. The TSR performance measure concludes in March 2022 and is anticipated to vest between the threshold and maximum performance targets. The final vesting will be disclosed in next year's Directors' remuneration report. Further detail is presented on page 112.

OUR EXECUTIVE REMUNERATION AT A GLANCE

Business performance

£32.6m	£1.3m	14.5p	Above median rank
Adjusted profit before tax[1]	Group free cash outflow[1]	Adjusted earnings per share[2]	Total shareholder return[2]

1 Target and actual performance are assessed at constant budget exchange rates.
2 EPS performance measure relates to the 2019 LTIP award (performance period of 1 January 2019 to 31 December 2021), TSR performance measure to the 2018 LTIP award (performance period of 14 March 2018 to 13 March 2021).

Performance outcomes

The Committee believes that incentive outcomes are a fair reflection of business performance and of the personal performance of the Executive Directors. The Committee did not apply judgement or exercise discretion to performance-related remuneration during the year.

Short-term incentive plan

97%	0%	97%
Formulaic outcome (% of maximum)	Committee judgement/discretion (% of maximum)	Final outcome (% of maximum)

Financial objectives (% weighting)

Adjusted profit before tax (50%)	KPI	50%
Group free cash flow (25%)	KPI	24.6%

Strategic objectives (% weighting)

ESG development (7.5%)	KPI	7.5%
Stakeholder equity story (10%)	KPI	10%
Leverage reduction (7.5%)	KPI	5%

Long-term incentive plan

18.3%	0%	18.3%
Formulaic outcome (% of maximum)	Committee judgement/discretion (% of maximum)	Final outcome (% of maximum)

Performance dimensions (% weighting)

Adjusted earnings per share (50%)	KPI	0%
Total shareholder return (50%)	KPI	36.6%

Total remuneration for 2021

Richard Tyson, Chief Executive Officer

- **40% –** Salary and benefits
- **6% –** Pension
- **45% –** Short-term incentive
- **9% –** Long-term incentive

46% fixed 54% variable

Mark Hoad, Chief Financial Officer

- **40% –** Salary and benefits
- **6% –** Pension
- **45% –** Short-term incentive
- **9% –** Long-term incentive

46% fixed 54% variable

Alignment with stakeholders

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

	200%
CEO	480%
CFO	500%

Short-term incentive
Awards subject to a 20% mandatory deferral into shares with a two-year holding period.

Long-term incentive
Awards delivered in shares and subject to mandatory two-year holding period.

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

Remuneration principles flow through the Group to ensure alignment.

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

Executive Director remuneration for 2022

Looking ahead to the review of the Remuneration Policy which will be undertaken during the year and the challenges posed by the ongoing pandemic, the Committee believes the existing incentive design and performance measures remain appropriate for 2022.

- Base salaries for the Executive Directors were increased by 2.5 per cent on 1 January 2022. Wider UK workforce increases are expected to average around 3-4 per cent.

- Executive Directors' pension allowances will align with those available to the wider UK workforce from the end of 2022.

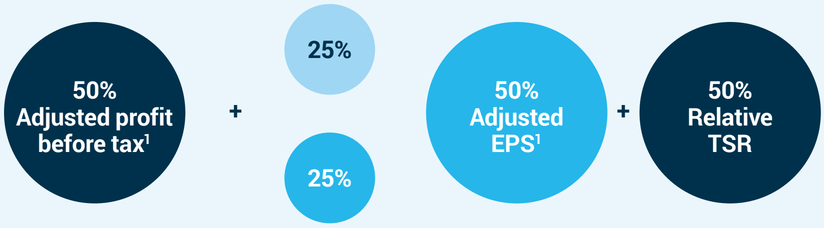
- The STIP will remain unchanged, building on our momentum to grow our profitability and deliver good free cash flow to support the ongoing strategic development of the Group. The STIP will be based on Group adjusted profit before tax (50%), Group free cash flow (25%) and strategic objectives (25%). The opportunity remains at 125 per cent of salary with at least 20 per cent of any award deferred into shares for two years. Strategic objectives continue to reflect the creation of sustainable value for stakeholders with a continued focus on ESG development, execution of the Company inorganic growth strategy and a focus on our people talent development.

- LTIP awards are planned to be made in March 2022. Performance targets are anticipated to be based on two equally weighted performance measures: EPS and TSR. Award levels for the CEO and CFO are expected to be 150 per cent and 135 per cent of salary respectively. LTIP awards will be subject to a two-year post-vesting holding period.

Our Executive Director remuneration framework

Short-term incentive plan

Long-term incentive plan



Short-term incentive plan

Performance measure and weighting
50% – Adjusted profit before tax[1]
25% – Group free cash flow[1]
25% – Strategic objectives

Long-term incentive plan

Performance measure and weighting
50% – Adjusted EPS[1]
50% – Relative TSR

1 Target and actual performance are assessed at constant budget exchange rates.

What they measure (Short-term incentive plan)

- Operational performance encompassing our strategic priorities of strategic business development and operational excellence.

- Cash flow performance, encompassing our cash conversion and cash generation for capital reinvestment.

- Progress of the Group's strategic aims to deliver sustainable growth in stakeholder value.

What they measure (Long-term incentive plan)

- Sustainable growth in the Group's profitability per share over three years.

- Performance of the Group's share price and dividend performance relative to a peer group over three years.

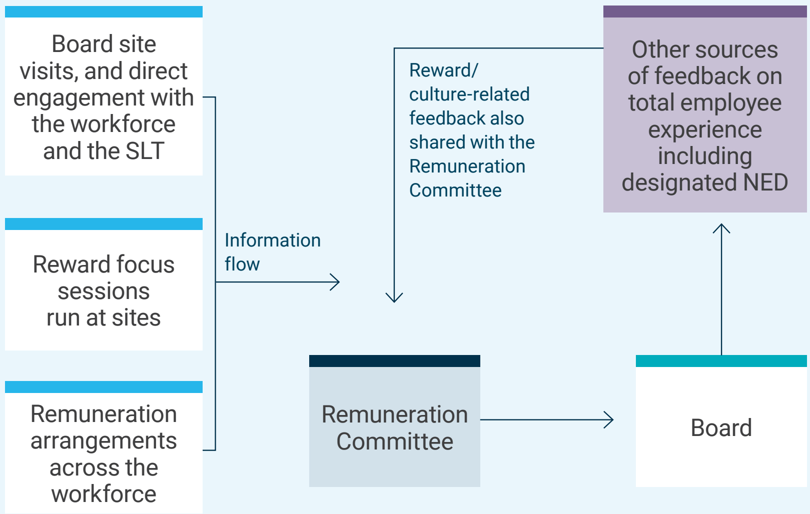
- All incentives are subject to malus and clawback provisions.

- In-employment shareholding guidelines apply (200% of salary) and post-employment shareholding guidelines (100% of salary) apply for two years.

Pay in the wider workforce

- The Committee spends considerable time on matters relating to remuneration across the workforce. This provides important context to frame decision-making on Executive Director remuneration as well as ensuring that reward principles are consistently applied throughout the organisation and reward practices are aligned and complementary.
- TT Electronics' overarching remuneration is designed to underpin the Group's core purpose and delivery of strategic priorities, the framework is commonly applied across the Group and supports the people strategy to create an inclusive, equitable and performance-related organisational culture. Where practicable, remuneration practices are aligned with those of the Executive Directors to ensure alignment of focus and motivation.
- During the year, a revised site incentive scheme has been launched, which applies to the majority of our workforce, ensuring that we continue to have alignment in our remuneration principles and our strategic priorities.
- In addition to existing site employee forums, we built on our existing mechanisms to engage the workforce on our remuneration principles and how these align with our remuneration arrangements. Pilot sessions have been run in three of our UK sites to ensure their success, clarity and engagement.
- NED virtual site visits and re-establishment of in-person site visits continue to allow for open and frank dialogue directed by feedback and priority areas from our employees.

Employee voice in the boardroom

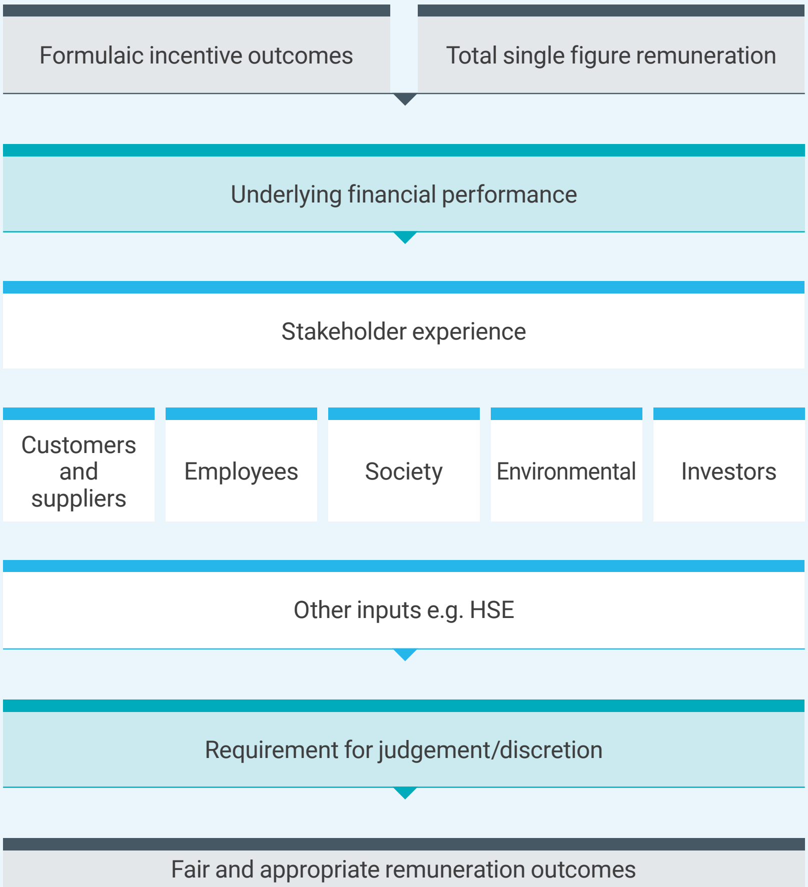


- For 2021, the median CEO pay ratio has increased from 40:1 in 2020 to 52:1. This reflects our remuneration principles, with the majority of CEO remuneration based on variable performance-related pay and the wider workforce having the majority of remuneration based on fixed pay. In particular the increase in ratio results from a higher STIP award for 2021 reflecting the strong growth and recovery of the business whilst a lower LTIP vesting reflects the longer-term impact of the pandemic.
- Creating a safe and positive work environment where all employees can develop and build their expertise is of paramount importance to TT. We strive to build a supportive, diverse and engaging culture and place to work built around the TT Way. We are confident that our people policies and approaches to recruitment, training, development and remuneration are fair and free of bias.
- Across the Company we are broadly evenly split by gender, however, we acknowledge that there remain long-term objectives to further improve diversity amongst our professional and management roles. We are making progress by championing a female-friendly workplace and targeting our talent processes to improve our diversity. We are starting to see improved representation of female employees in professional, manager and leadership roles. Details of our UK Gender Pay disclosures can be found on www.ttelectronics.com.

Discretion, independent judgement and shareholder engagement

- As a Committee, we are willing to exercise judgement and discretion when determining remuneration outcomes for the Executive Directors.
- Before agreeing remuneration outcomes we reflect on whether the Company's overall performance and stakeholder experiences are appropriately represented by the performance measures we have set, by taking into account performance against non-financial measures, ESG matters, the demonstration of leadership qualities, living our values and conversations with our major shareholders where relevant.
- The Committee did not apply judgement or exercise discretion to performance-related remuneration in respect of 2021.
- In line with good practice, the Committee reviews its effectiveness on a regular basis. The Committee believes that the openness and transparency provided by the Company is of significant benefit to enable extensive and well-informed decision-making.
- We welcome shareholder engagement and are committed to shareholder consultation with respect to the material application of discretion, such as that taken ahead of the 2021 AGM.

Assessing remuneration outcomes



The year ahead

As the Company continues to transform, the Committee, working with management, will continue to assess and ensure our arrangements remain fit for purpose. In particular, in 2022, the Committee will undertake a review of the Remuneration Policy for approval at the 2023 AGM to ensure the alignment of remuneration arrangements with TT's strategy, business results and market demands.

Alison Wood
Chair, Remuneration Committee
8 March 2022

REMUNERATION POLICY OVERVIEW

Key Policy objectives

The remuneration principles shown below informed the design of our current Remuneration Policy which:

- Enables us to attract, retain and motivate high-calibre executive talent in a challenging and competitive business environment to promote the strategic and financial performance of the business;
- Delivers an appropriate balance between fixed and variable compensation for each Executive;
- Places a strong emphasis on performance, both short and longer term;
- Strongly aligns to the achievement of strategic objectives and the delivery of sustainable value to shareholders; and
- Seeks to avoid creating excessive risks in the achievement of performance targets.

Remuneration principles

- Performance-related: the majority of the Executive and Senior Manager remuneration packages should be determined based on the performance of the Group. A significant proportion of this is aligned with shareholder interests, such as measures based on EPS and/or TSR.
- Transparency and culture: to engender a fair and collaborative culture, total remuneration frameworks should be clear, openly communicated and easy to understand.
- Competitive: through a combination of base salaries and competitive performance-related incentive schemes, the Committee aims to provide 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, taking account of prevailing market and economic conditions and remuneration levels across the Group.

Alignment with the Code

The table below details how the Committee addresses the factors set out within Provision 40 of the Code, which align well with our principles:

Clarity	Simplicity	Risk	Predictability	Proportionality	Alignment to culture
• The Remuneration Policy sets out the terms for remuneration including limits in terms of quantum, the measures which can be used and discretions which could be applied if appropriate. • We believe in being open and transparent. Detailed disclosures of the relevant performance assessments and outcomes are provided so stakeholders can assess whether remuneration paid to Executives is appropriate. We continually review feedback to enhance the clarity and transparency of the report. • We welcome stakeholder engagement and are committed to shareholder consultation in respect of the material application of discretion, such as that undertaken during the year.	• We are mindful to avoid overly complex remuneration structures. Our arrangements include market standard short- and long-term incentive designs, each of which are explained in detail. • No complex or artificial structures are required to operate incentive plans. • Participants in incentive plans receive annual communications to confirm award levels and performance measures. During the year one-to-one conversations were held with our senior leaders in respect of their total remuneration opportunity.	• The Committee undertakes an annual review of risks. Identified risks are considered with appropriate mitigation strategies or tolerance levels agreed. • The Committee considers that the structure of variable incentive arrangements does not encourage unnecessary risk taking. • The Committee considers the effective risk management throughout the delivery of variable incentive plans, applying reasonable discretion to override formulaic outturns as appropriate. • Clawback and malus provisions are in place across all incentive plans and are clearly communicated.	• Our Policy clearly outlines the maximum award levels and vesting outcomes applicable to our variable incentive plans. Possible reward outcomes can be easily quantified, and these are reviewed by the Committee. • Performance is reviewed regularly so there are no surprises at the end of performance periods. • Our approach to decision-making ensures pay outcomes are fair, proportionate and do not reward poor performance.	• There is a robust link between the delivery of strategic business objectives and performance outcomes in our variable incentive plans. Performance is assessed on a broad basis, including a combination of financial, operational, ESG and strategic progress which ensures there is no undue focus on a single metric which may be to the detriment of other stakeholders. • The Committee has appropriate discretion to override formulaic outturns if they are deemed inappropriate in light of the wider performance of the Group and considering the experience of stakeholders.	• Our remuneration principles place a strong emphasis on performance, both short and long-term to deliver a sustainable business in the long term. This is a key part of our purpose and informs our approach to target setting, operation of discretion and setting of strategic objectives. • Our remuneration principles underpin our Remuneration Policy for the Executive Directors and that of the wider workforce to ensure cultural alignment through the Group and that performance aligns with our TT Way values.

Remuneration Policy

A summary of the Policy is outlined below. The Remuneration Policy was approved by over 91 per cent of shareholders at the 2020 AGM. The Policy supports and rewards the achievement of the Group's strategy to deliver profitable and sustainable growth over the short and longer term. The full Remuneration Policy can be found in the 2019 Annual Report and Accounts which can be found at www.ttelectronics.com.

Executive Director remuneration for 2022

Element		Maximum	2022	2023	2024	2025	2026
Fixed Pay	Salary	Market competitive. Increases set with reference to the wider workforce.	Salary paid.				
	Benefits	Market competitive.	Benefits paid.				
	Pension	Aligned to those available to majority of local workforce for newly appointed Executives. 15% of salary for existing Executive Directors and aligned to the workforce from the end of 2022.	Pension provision paid.				
Variable Pay	Short-term incentive plan	CEO/CFO 125% of salary. 80% cash and 20% in deferred shares.	Annual performance conditions apply. Majority weighting on Group financial targets, minority to strategic objectives.	Cash element paid (80% of incentive).			
				Two-year share deferral (20% of incentive).			
	Long-term incentive plan	CEO 150% of salary, CFO 135% of salary. Two-year holding period.	Based on financial and/or shareholder value creation measures over three-year performance periods.			Two-year holding period.	
Governance	Malus (withholding) and clawback (recovery)	All incentives.	Malus: incentive plans allow for the Committee to exercise discretion and make adjustments to formulaic outcomes. Clawback: misstatement, serious misconduct, serious reputational damage, error in calculation and corporate failure.				
	Share ownership requirement	200% of salary.	Executive Directors required to build and maintain the share ownership requirement.				
	Post-employment share ownership	100% of salary.	Holding requirement for shares until two years after cessation of employment.				

ANNUAL REPORT ON REMUNERATION

Implementation of the Remuneration Policy for the year ending 31 December 2022

A summary of how the Directors' Remuneration Policy will be applied during the year ending 31 December 2022 is set out below.

Basic salary

The Remuneration Committee agreed that it would be appropriate to increase the base salaries of the Executive Directors by 2.5 per cent effective 1 January 2022, a level which is below the expected average increase for the wider UK workforce.

Executive	**2022**	2021	Increase
Richard Tyson	**£497,526**	£485,391	2.5%
Mark Hoad	**£373,215**	£364,112	2.5%

The Group's UK employees, in general, are expected to receive pay rises averaging 3-4 per cent depending on location, promotional increases and individual performance.

Pension and benefits

The Executive Directors have agreed that their pension allowance (currently 15 per cent of salary) will be aligned with those available to the wider UK workforce by 31 December 2022 by way of a single reduction.

Short-term Incentive Plan

The Committee believes it is important that a significant proportion of Executive Director remuneration be performance-related and that the performance conditions applying to incentive arrangements support the delivery of the Group's strategy. For 2022, the maximum short-term incentive opportunity will remain 125 per cent of base salary, with 20 per cent of any incentive deferred into shares for a period of two years.

The split between financial and strategic performance measures will remain consistent with prior years, continuing to be focused on profit, cash flow and strategic progress.

Performance measure	Weighting	Threshold opportunity (% of salary)	Maximum opportunity (% of salary)	Paid in cash	Awarded in shares
Adjusted profit before tax	50%	6.25%	62.5%		
Group free cash flow	25%	3.125%	31.25%		
Strategic objectives	25%	n/a	31.25%		
Total	**100%**		**125%**	**80%**	**20%**

Targets are set taking account of internal and external forecasts relating to the Group's performance, the ongoing economic and societal uncertainty arising from the pandemic and reflecting the Board's expectation of the development of the Group. The majority of targets for the 2022 STIP are currently considered to be commercially sensitive; the targets and respective levels of achievement will be disclosed in the 2022 Directors' remuneration report. The strategic objectives reflect the creation of sustainable value for all our stakeholders with a focus on ESG development, Group strategic development and people development. No award will be payable in respect of the strategic objectives unless the threshold profit before tax or threshold free cash flow target is reached.

Long-term Incentive Plan

LTIP awards are expected to be granted in March 2022. For 2022 the performance measures will remain unchanged. Vesting is intended to be based on performance against the following equally weighted measures over three-year performance periods:

Performance measure	Weighting	Threshold (25% vesting)	Maximum (50% vesting)
Adjusted EPS compound annual growth on a constant currency basis over the three-year performance period	50%	5%	12%
Relative TSR performance against the FTSE SmallCap (excluding Investment Trusts)	50%	Median rank	Upper quartile rank or above

The performance measures ensure the alignment of senior management and shareholder interests. Target ranges for the 2022 awards have been set taking into account the latest internal and external forecasts for the business, including both economic and political uncertainty and TT's principal risks. The Committee believes that the EPS growth targets pose a similar level of stretch to those of prior years, with maximum performance aligning with upper quartile growth forecasts and following the significant year of recovery in 2021.

The Committee will continue to consider the impact of any significant future portfolio development on the outstanding performance targets at the time of the capital deployment. Any further changes to the performance targets in these circumstances will be communicated to shareholders.

The awards, as a percentage of salary, are expected to be as follows:

Executive	**2022**	2021
Richard Tyson	**150%**	150%
Mark Hoad	**135%**	150%

The Committee is mindful that share price falls can lead to the perception of windfall gains. The Committee will review the share price at grant when determining final award values. Discretion may be applied at grant or on vesting to manage any relevant windfall gain from the allocation.

The awards will vest on the third anniversary of grant to the extent the performance targets have been satisfied, followed by a two-year holding period.

Shareholding requirement

No changes will be made to the shareholding requirements. Executive Directors are required to build and maintain a shareholding in employment of 200 per cent of basic salary. Post cessation of employment, Executive Directors are required to maintain for two years, a shareholding of half this requirement or maintain their actual holding if lower. During the two-year period, Executive Directors will be required to self-certify their holdings on an annual basis. In addition, it is anticipated that some vested shareholding will be subject to holding periods during the post cessation requirement.

Fees for Non-executive Directors

The Chairman's fee, NED base fee and NED additional fees increased by 2.5 per cent effective 1 January 2022, a level which is below the average expected increase for the wider UK workforce.

	2022	2021	Increase
Chairman	**£187,268**	£182,700	2.5%
Base fee	**£46,968**	£45,822	2.5%
Additional fees			
Senior Independent Director	**£8,200**	£8,000	2.5%
Audit Committee Chair	**£8,200**	£8,000	2.5%
Remuneration Committee Chair	**£8,200**	£8,000	2.5%

Implementation of the Remuneration Policy for the year ended 31 December 2021

Single figure for total remuneration (audited)

Directors' remuneration for the year ended 31 December 2021 was as follows:

£'000		Salary/ fees	Taxable benefits	Pension	Total fixed pay	Short-term Incentive[4]	Long-term Incentive[5]	Other[6]	Malus and clawback	Total variable pay	Single total figure
Executive Directors											
Richard Tyson	**2021**	**485**	**37**	**73**	**595**	**589**	**119**	**3**		**711**	**1,306**
	2020	454	25	68	547	219	237			456	1,003
Mark Hoad	**2021**	**364**	**32**	**55**	**451**	**442**	**82**	**3**		**527**	**978**
	2020	341	21	51	413	164	181			345	758
Chairman											
Warren Tucker[1]	**2021**	**183**			**183**						**183**
	2020	126			126						126
Non-executive Directors											
Jack Boyer[2]	**2021**	**54**			**54**						**54**
	2020	47			47						47
Anne Thorburn[3]	**2021**	**54**			**54**						**54**
	2020	48			48						48
Alison Wood	**2021**	**54**			**54**						**54**
	2020	50			50						50

1 Warren Tucker was appointed to the Board on 2 April 2020.

2 Jack Boyer was appointed SID on 6 May 2020.

3 Anne Thorburn was appointed Chair of the Audit Committee on 6 May 2020.

4 Executive Directors' short-term incentive awards are subject to deferral into share in the Company. The STIP value includes the incentive paid in both cash and deferred into shares. In line with the Remuneration Policy 20% of the 2021 award will be deferred into shares. The Committee applied discretion to the 2020 award and decided it was appropriate to defer the full award into shares. Deferred awards are not subject to any further performance conditions.

5 LTIP values shown in the single figure include dividend equivalents. The 2021 single figure is comprised of the EPS element of the 2019 award and the TSR element of the 2018 award; the 2020 figure is comprised of the EPS element of the 2018 award and the TSR element of the 2017 award. Further detail is contained on page 112. The value attributable to share price appreciation in the 2021 single figure value for the CEO and CFO was £(12,000) and £(8,000) respectively. The Committee did not exercise any discretion to vesting outcomes in relation to the impact of share price movements.

6 The Executive Directors exercised their 2018 Sharesave options during the year. The value shown is the gain on exercise.

Base salary/fees

Base salaries for the Executive Directors were reviewed in December 2020 and were increased by 1.5 per cent with effect from 1 January 2021. Base fees for the Chairman and NEDs were also increased by 1.5 per cent with effect from 1 January 2021. The SID fee was aligned with the other Chair fees which remained unchanged.

Fixed pay to the Directors in 2020 included a 20 per cent salary/fee reduction for a three-month period that was volunteered by the Directors in response to the COVID-19 pandemic and the actions taken by the Group to reduce costs and protect cash flows.

Taxable benefits

The Executive Directors' taxable benefits consist of a car allowance and insurance benefits.

Pensions

Employer contributions are paid at 15 per cent of base salary, as defined contribution pension and/or a cash supplement.

Pension contributions in 2020 were 20 per cent lower during the period of the voluntary salary reduction in relation to the impacts of the COVID-19 pandemic.

Short-term incentive

Short-term incentive opportunity was up to 125 per cent of salary. Performance was assessed against Group adjusted profit before tax (up to 62.5 per cent of salary) and Group free cash flow (up to 31.25 per cent of salary) measured at constant budget exchange rates and strategic objectives (up to 31.25 per cent of salary) as measured over the 2021 financial year.

The strategic objectives of the Executive Directors focused on the creation of sustainable value for all our stakeholders with a focus on delivery of critical operational and strategic goals. Performance against these is set out in the table below.

Strategic objective	Performance commentary	Maximum potential (% of salary)	Achievement
ESG development	Full audit and update completed on emission tracking, verifying 20% carbon reductions in 2020. Carbon reduction plans have been established per site. Environmental progress delivered in accordance with plans to deliver on carbon net neutral commitments by 2035 with a cumulative 41% reduction in carbon emissions since 2019 and plans for further reduction in 2022. Further progress enables commitments to be revised to Net Zero carbon for Scope 1 & 2 emissions by at least 2035. Position on Scope 3 emissions has been reviewed enabling a more encompassing evaluation. Sustainability strategy has been established to deliver the Group's long-term targets and further embed sustainability across the Company. ED&I strategy rolled out across the Group to further support improvements in diversity with steps taken during the year to accelerate improvements in the gender diversity of our senior leadership group.	9.375%	✓✓✓✓
Development of our investment proposition	Process for a joint broker completed with appointment of Barclays Capital which is now fully integrated. Investment proposition refreshed and communicated to existing and prospective institutional investors resulted in heightened investor interest with five new shareholders holding 10%+ of our share capital.	12.5%	✓✓✓✓
Progressive cash flow management beyond planned activity for the year	Cash flow management has been robust with tightness in the supply chain requiring extra inventory investment. Balance sheet strength was enhanced and maintained through a series of additional actions enabling both the acquisition of the Power and Control business of Ferranti Technologies Ltd and the investment in Virolens start-up and inventory, which continues to offer significant potential benefits for stakeholders. Progressive actions undertaken delivered additional cash flow of approximately £10 million which included the sale of surplus land freeholdings across our US sites. Portfolio strategy identified potential disposals with one significantly progressed but was undermined by the uncertainty in the future revenue streams of the business due to customer mergers and the ongoing economic disruption caused by the pandemic.	9.375%	✓✓✓

✓ underperforming, ✓✓ performing, ✓✓✓ outperforming, ✓✓✓✓ stretch

The formulaic outcomes of the short-term incentive awards for financial and strategic performance in 2021 are summarised below.

Short-term incentive payments for 2021[1]

Performance measure	Threshold potential (% of salary)	Maximum potential (% of salary)	Required for threshold bonus (£m)	Required for maximum bonus (£m)	Outturn for incentive plan purposes (£m)	Achievement (% of salary)
Group adjusted profit before tax	0%	62.5%	25.5	31.0	32.6	62.5%
Group free cash flow	3.125%	31.25%	(5.8)	(1.2)	(1.3)	30.8%
Strategic objectives	n/a	31.25%	As outlined			28.13%
2021 short-term incentive award[2]		125%				121.43%

1 Short-term incentives are measured using constant budget exchange rates.
2 Short-term incentive award is part paid in cash (80%) and part in deferred shares for two-years (20%) in line with Remuneration Policy.

Summary

The Executive Directors have delivered another year of strong leadership with significant progress against the strategic objectives. The Company has protected and supported employees, customers and the supply chain through the impacts of the ongoing volatility from the pandemic.

We were pleased to see the agility, commitment and contribution of the Executive Directors reflected in our financial performance with 2021 being a year of high performance, growth and recovery with record order books, strong momentum, and good margin progression. Accordingly, at the H1 results the Company announced an increase in full-year earnings expectations. Cash flow management has been robust with additional inventory investment to manage tightness in the supply chain and maintain customer delivery performance. An additional series of unbudgeted actions maintained our balance sheet strength enabling the acquisition of the Power and Control business of Ferranti Technologies Ltd and investment in the Virolens start-up which continues to offer significant potential benefits for stakeholders. The actions taken during the year ensure that the business is positioned for further acceleration of our strategy and margin growth.

In carrying out the review of the strategic objectives, the Committee determined that performance was generally at the stretch performance level. Progress on the sustainability and environmental strategy place ESG at the core of our strategy and purpose; and positions TT ahead of many of our peers enabling commitments to be revised to Net Zero carbon for Scope 1 & 2 emissions by at least 2035.

The Committee considered whether the formulaic outcome of the financial and strategic assessment was reflective of the performance of the Group during 2021 and was satisfied that the outcome was a fair reflection of business and personal performance and that no discretion was required. In line with the Remuneration Policy 80 per cent of the award will be a cash payment and 20 per cent deferred into shares for two years.

Long-term incentive

The LTIP awards over conditional shares granted in 2018 and 2019 vest depending on performance against two equally weighted measures over separate three-year performance periods. The EPS performance condition is over the three-year period aligned with the Group's financial year. The TSR performance condition is over a separate three-year performance period, ending on the third anniversary of the award date. Accordingly, the performance periods of the two performance conditions end in separate reporting years. Both the 2018 and 2019 LTIP awards had performance periods that ended on or by 31 December 2021 which are included in the single figure for total remuneration for 2021.

Award year and performance measure	Threshold (25% vesting)	Maximum (100% vesting)	Outcome	Percentage of maximum achievement
2018 LTIP award[1]: Relative TSR performance against the FTSE SmallCap (excluding Investment Trusts)	Median rank	Upper quartile rank or above	53rd percentile (Between median and upper quartile)	36.6%
2019 LTIP award[2]: EPS compound annual growth over the three-year performance period	6%	13.5%	(3.6)% (Below threshold)	0%

1 2018 LTIP award (vested March 2021): The EPS performance period ended on 31 December 2020 and performance was below the threshold performance hurdle as described in last year's remuneration report and included in the 2020 single figure of remuneration. The TSR performance period for this award ended on 14 March 2021 and vested between the median and upper quartile performance targets as indicated in the above table. The vested value of the shares subject to the TSR performance measure is included in the 2021 single figure for total remuneration; shares at vesting were valued at 217.0p.

2 2019 LTIP award (vests March 2022): The EPS performance period for this award ended on 31 December 2021 and vesting of the EPS component was not achieved as indicated in the above table. The TSR performance period ends in March 2022 and the value of the vested awards subject to the TSR performance measures will be included in the 2022 single figure for total remuneration.

Other

No disclosures occurred during the period.

Malus and clawback

No malus or clawback events occurred during 2021.

Long-term incentives granted during the financial year (audited)

LTIP awards over conditional shares were granted to Executive Directors on 16 March 2021. As outlined in last year's report, the Committee felt it appropriate to align the awards for the Executive Directors to ensure that they are adequately tied into the longer-term performance of the Company. The one-off increase in award for Mark Hoad recognised his continued strong contribution and his importance to the development of the Group and ongoing value to all stakeholders. Awards are subject to a three-year vesting period plus an additional two-year holding period.

Executive	Basis of award granted (% of salary)	Share price at date of grant (pence)[1]	Number of shares over which award was granted	Face value of award (£)	% of award that would vest at threshold performance	Performance period end date
Richard Tyson	150%	208.25	349,621	728,087	25%	16/03/2024
Mark Hoad	150%	208.25	262,265	546,168	25%	16/03/2024

1 The share price used to determine the number of shares granted was the average share price over the four trading days prior to grant.

The Committee is mindful that share price falls can lead to the perception of windfall gains. The share price used to calculate the number of shares under the 2021 award was 6 per cent higher than that of the 2020 award. As such the Committee believes that windfall gains would not apply to this award as a result of any share price volatility at the time of grant.

Performance measures for LTIP awards granted during the financial year (audited)

The setting of performance measures attributable to the 2021 awards to Executive Directors were delayed until after the grant date in line with the Investment Association addendum to its guidance on shareholder expectations during the COVID-19 pandemic to ensure that targets were appropriately stretching. Performance measures and targets were set within six months of the date of grant; performance is subject to the two equally weighted measures of EPS and TSR as follows:

Performance measures	Weighting	Threshold (25% vesting)	Maximum (100% vesting)
EPS compound annual growth over the three-year period on a constant currency basis	50%	10%	18.0%
Relative TSR performance against the FTSE SmallCap (excluding Investment Trusts)	50%	Median rank	Upper quartile rank or above

To better manage some of the uncertainty resulting from the pandemic and to ensure that EPS performance targets were appropriately stretching, the EPS performance targets will be measured on a constant currency basis going forward. In light of the expected recovery during the three-year performance period and of the constant currency change the threshold and maximum performance targets were set at a significantly higher level than historical growth targets.

The Committee is mindful of the perception of windfall gains and retains discretion to adjust formulaic incentive vesting outcomes to ensure they reflect underlying business performance and shareholder interests.

Deferred short-term incentive awards

During the year the Executive Directors were awarded conditional shares as deferred bonus awards in relation to the 2020 STIP outcome. As disclosed in last year's report, the Committee applied its discretion to defer the full 2020 STIP award into shares. Details of the awards are summarised in the table below. No performance conditions apply to these awards.

Executive	Date of grant	Number of shares awarded	Share price at date of grant (pence)[1]	Face value of award (£)	Date of vesting
Richard Tyson	16/03/2021	84,047	208.25	175,028	16/03/2022
	16/03/2021	21,011	208.25	43,755	16/03/2023
Mark Hoad	16/03/2021	63,047	208.25	131,295	16/03/2022
	16/03/2021	15,761	208.25	32,822	16/03/2023

1 The share price used to determine the number of shares granted was the average share price over the four trading days prior to grant.

Executive Director interests in shares subject to Company performance conditions

The table below sets out details of outstanding LTIP share awards held by the Executive Directors at 31 December 2021.

Executive	Date of grant	1 January 2021	Granted during the year	Lapsed	Vested	31 December 2021	Market value at 31 December 2021 (£)[1]	Market price at grant date (pence)	Vesting date
Richard Tyson	14/03/2018	294,152[2]		240,279	53,873			232	14/03/2021
	11/03/2019	355,993[3]				355,993	911,342	202	11/03/2022
	13/03/2020	365,983[4]				365,983	936,916	196	13/03/2023
	16/03/2021		349,621			349,621	895,030	208	16/03/2024
Total outstanding						1,071,597	2,743,288		
Mark Hoad	14/03/2018	202,446[2]		165,369	37,077			232	14/03/2021
	11/03/2019	240,340[3]				240,340	615,270	202	11/03/2022
	13/03/2020	247,085[4]				247,085	632,538	196	13/03/2023
	16/03/2021		262,265			262,265	671,398	208	16/03/2024
Total outstanding						749,690	1,919,206		

1 Calculated as the total number of shares awarded multiplied by the share price on 31 December 2021 of 256 pence. The calculation does not take into account dividend equivalents or the likelihood of vesting.

2 The performance condition attached to 50% of the award is based on EPS. As disclosed previously, the EPS targets were reviewed for the effect of portfolio developments during 2018 in respect of the acquisition of Stadium Group and Precision Inc.. Following that review, the EPS targets were increased. 25% of the shares subject to this part of the award will vest for EPS growth of 10% (previously 5%) compound per annum, increasing on a straight-line basis to 100% vesting for EPS growth for the year ending 31 December 2020 of 17.5% (previously 12%) compound per annum. The performance condition attached to the other 50% of the award is based on TSR performance against the FTSE SmallCap (excluding Investment Trusts) during the three-year performance period from the date of award. 25% of the shares subject to this part of the award will vest at median performance increasing on a straight-line basis to 100% vesting at the upper quartile of the comparator group.

3 The performance condition attached to 50% of the award is based on EPS. 25% of the shares subject to this part of the award will vest for EPS growth of 6% compound per annum, increasing on a straight-line basis to 100% vesting for EPS growth for the year ending 31 December 2020 of 13.5% compound per annum. The performance condition attached to the other 50% of the award is based on TSR performance against the FTSE SmallCap (excluding Investment Trusts) during the three-year performance period from the date of award. 25% of the shares subject to this part of the award will vest at median performance increasing on a straight-line basis to 100% vesting at the upper quartile of the comparator group.

4 The sole performance condition attached to the award is TSR performance against the FTSE SmallCap (excluding Investment Trusts) during the three-year performance period from the date of award. 25% of the shares will vest at median performance increasing on a straight-line basis to 100% vesting at the upper quartile of the comparator group. As previously disclosed, the award was granted shortly before the onset of the COVID-19 pandemic subject to equally weighted EPS and TSR performance conditions. Following consultation with shareholders, the EPS performance condition was removed and the full weighting was allocated to the existing TSR performance condition.

TT Electronics plc Sharesave scheme

Executive	Date of grant	1 January 2021	Granted during the year	Lapsed	Exercised [1]	31 December 2021	Market value at 31 December 2021 (£)[2]	Market price at grant date (pence)	Vesting date
Richard Tyson	01/10/2018	8,372			8,372	0		215	01/11/2021–30/04/2022
	29/09/2021		7,964			7,964	2,389	226	01/11/2024–30/04/2025
Mark Hoad	01/10/2018	8,372			8,372	0		215	01/11/2021–30/04/2022
	29/09/2021		7,964			7,964	2,389	226	01/11/2024–30/04/2025

1 During the year both Executive Directors exercised their share options over the maturing 2018 Sharesave contracts. The gain made on exercise was £2,869 for both the CEO and CFO.

2 The potential gain at 31 December 2021 represents the total number of shares under the option multiplied by 256.0 pence, being the share price on 31 December 2021.

Payments to past Directors (audited)

No payments were made in 2021.

Payments for loss of office (audited)

No payments were made in 2021.

Statement of Directors' shareholding and share interests (audited)

The Executive Directors are required to build and hold a shareholding of 200 per cent of salary. Executive Directors must retain 50 per cent of the net of tax value of any vested LTIP shares until the guideline is met. At 31 December 2021, the Executive Directors were compliant with the requirement.

Executive	Beneficially owned at 1 January 2021	Beneficially owned at 31 December 2021	Unvested share awards subject to Company performance conditions	Unvested deferred bonus share plan awards as at 31 December 2021	Outstanding share awards under all employee share plans as at 31 December 2021	Shareholding as a % of salary at 31 December 2021[1]	Value of beneficially owned at 31 December 2021 (£)
Executive Directors							
Richard Tyson	873,530	910,454	1,071,597	105,058	7,964	480%	2,330,762
Mark Hoad	683,127	711,149	749,690	78,808	7,964	500%	1,820,541
Chairman							
Warren Tucker	60,075	60,075					
Non-executive Directors							
Jack Boyer	95,514	95,514					
Alison Wood	0	0					
Anne Thorburn	60,000	60,000					

1 Calculated using the share price as at close of business on 31 December 2021 of 256 pence and the basic salary as at the same date.

There have been no changes to shareholdings between 31 December 2021 and the date of this report.

Post cessation of employment, the Executive Directors are required to hold for two years the lower of half of the share ownership requirement or the shareholding at cessation.

The closing middle market prices for an ordinary share of 25 pence of the Company on 31 December 2020 and 31 December 2021 as derived from the Stock Exchange Daily Official List were 205 pence and 256 pence respectively. During 2021, the middle market price of TT Electronics plc ordinary shares ranged between 199 pence and 290 pence.

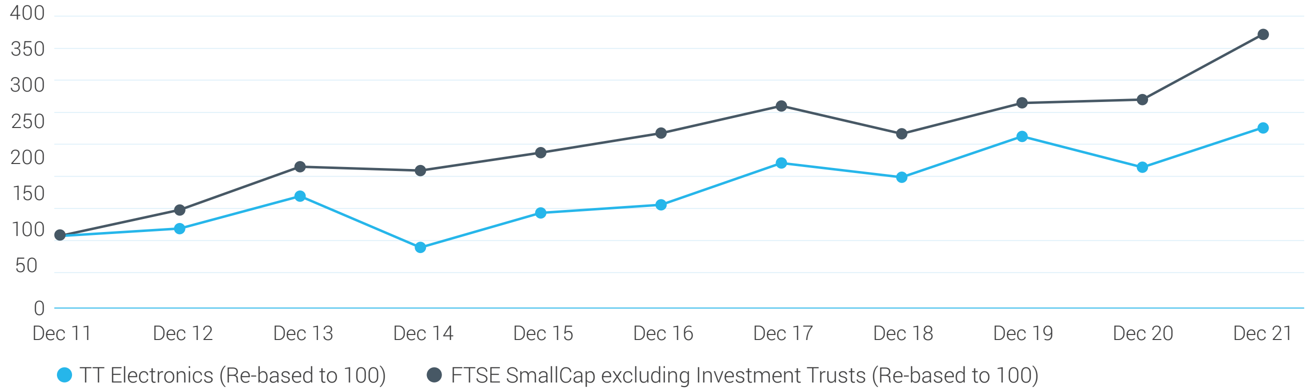
Directors' service contracts

Executive	Date of appointment	Date of current contract/letter of appointment	Notice from Company	Notice from individual	Unexpired period of service contract
Executive Directors					
Richard Tyson	01/07/2014	14/01/2014	12 months	12 months	Rolling contract
Mark Hoad	01/01/2015	09/12/2014	12 months	12 months	Rolling contract
Chairman					
Warren Tucker	06/05/2020	02/04/2020	1 month	1 month	Rolling contract
Non-executive Directors					
Jack Boyer	10/06/2016	10/06/2016	1 month	1 month	Rolling contract
Alison Wood	11/07/2016	11/07/2016	1 month	1 month	Rolling contract
Anne Thorburn	01/07/2019	12/06/2019	1 month	1 month	Rolling contract

Performance graph and table

The following graph shows the cumulative TSR of the Company over the last 10 financial years relative to the FTSE SmallCap Index (excluding Investment Trusts). The FTSE SmallCap Index has been selected for consistency as it is the index against which the Company's TSR is measured for the purposes of the LTIP. In addition, the Company is a constituent of the Index.

The graph shows the value, by 31 December 2021, of £100 invested in TT Electronics plc on 31 December 2011 compared with the value of £100 invested in the FTSE SmallCap Index (excluding Investment Trusts).



Total remuneration figures for the Chief Executive Officer

The total remuneration figures for the Chief Executive Officer during each of the last ten financial years are shown in the table below. The total remuneration figures include the short-term incentive based on that year's performance and LTIP awards based on three-year performance periods ending in the relevant year.

	2012	2013	2014[1]	2014[2]	2015	2016	2017	2018	2019	2020	2021
Total remuneration (£'000)	1,684	1,154	249	401	1,151	1,152	1,794	2,189	1,430	1,003	1,306
Short-term incentive (% of maximum)	50.0	53.0	0.0	25.0	90.8	100.0	100.0	93.3	64.0	45.8	97.1
LTIP vesting (% of maximum)	94.0	89.6	39.6	n/a	0.0	0.0	50.0	100.0	86.5	50.0	18.3

1 Relates to previous Chief Executive Officer who was in position until 30 June 2014.
2 Relates to current Chief Executive Office who joined on 1 July 2014.

Annual percentage change in remuneration of Directors and employees

The following table shows the percentage change in each Executive and Non-executive Director's remuneration compared with the average change for all employees of the parent Company for the years ended 31 December 2020 and 2021. Going forward, this disclosure will build up over time to cover a rolling five-year period.

	2021 change in salary/fees (%)	2021 change in benefits (%)[1]	2021 change in STIP	2020 change in salary/fees (%)[2]	2020 change in benefits (%)	2020 change in STIP
Executive Directors						
Richard Tyson	6.8%	48.0%	169.4%	(5.0)%	5.9%	(28.5)%
Mark Hoad	6.7%	52.0%	169.4%	(5.0)%	8.0%	(28.5)%
Chairman						
Warren Tucker[3]	1.5%	n/a	n/a	n/a	n/a	n/a
Non-executive Directors						
Jack Boyer[4]	14.9%	n/a	n/a	3.3%	n/a	n/a
Alison Wood	8.0%	n/a	n/a	(5.0)%	n/a	n/a
Anne Thorburn[5]	12.5%	n/a	n/a	6.0%	n/a	n/a
Average UK TT Electronics parent employee[6]	2.9%	6.8%	108.4%	3.8%	6.1%	(39.4)%

1 Benefit data is calculated on the same basis as the benefits data in the single figure table and includes benefits in kind and benefits taken in cash but excludes any pension allowances.
2 Salary/fees paid to Directors in 2020 included a 20% reduction for a three-month period that was volunteered by the Directors in response to the COVID-19 pandemic and the actions taken by the Group to reduce costs and protect cash flows.
3 Warren Tucker was appointed to the Board as Chairman on 2 April 2020. For comparison purposes the figure shown is the change in the Chairman fee over the period excluding the three-month impact of the 20% fee reduction volunteered by Directors during 2020 in response to the COVID-19 pandemic.
4 Jack Boyer was appointed SID on 6 May 2020.
5 Anne Thorburn was appointed Chair of the Audit Committee on 6 May 2020.
6 Average parent Company employee based on employees who were employed throughout the two-year comparison period.

The Directors received salary/fee increases of 1.5 per cent in January 2021, a level below that generally received across the UK workforce. The majority of the increase in respect of salaries/fees is related to the 20 per cent voluntary reduction for a three-month period in 2020 as part of the cost reduction and cash flow protection actions in response to the COVID-19 pandemic. The change in average salaries across parent Company employees was in part due to increases received during the annual salary review and increases in relation to promotions, progression in role and market realignment in response to specific retention risks.

Chief Executive Officer pay ratio

The table below shows the ratio of the total remuneration of the Chief Executive Officer to that of the UK employees of the Group. The CEO's pay is based on the single figure of remuneration.

Year	Methodology used	Lower quartile	Median	Upper quartile
2021	Option B	62:1	52:1	34:1
2020[1]	Option B	54:1	40:1	29:1
2019	Option B	63:1	55:1	38:1

1 The 2020 ratio was impacted by COVID-19. Salary and incentive remuneration levels for 2020 include salary reductions taken by the CEO, included in the single figure of remuneration, and the impact of the UK Government Coronavirus Job Retention Scheme and associated voluntary furlough salary reductions in the wider UK workforce. Under the chosen method for calculation, the employee ranking and quartile assessment was based on the April 2020 snapshot date during which time approximately 14% of employees were on furlough.

We have chosen to use Option B of the available methodologies as permitted under The Companies (Miscellaneous Reporting) Regulations 2018. Given the complexity of the Group, this approach enables us to use our existing Gender Pay reporting datasets as the foundation for our calculations. We determined the hourly rates at each quartile of our 5 April 2021 Gender Pay data then calculated the average annual salary and total remuneration for representative employees at each quartile. Representative employees must have been employed on 31 December 2021 and employee data is based on full-time equivalent pay and calculated in accordance with the single figure of remuneration. Adjustments may be made to ensure that quartiles are representative; no adjustments were required for 2021.

Across the UK, the majority (80 per cent) of the workforce undertake operational roles in our facilities. The employee lower quartile and median remuneration values are generally reflective of the roles held by our semi-skilled/skilled operators. The quartile data is considered to be broadly representative of total remuneration across the workforce in the UK.

The change in the median CEO pay ratio is attributable to changes in the remuneration of the CEO and of the company's UK employees as a whole. In line with our remuneration principles, the majority of the CEO's remuneration opportunity is performance-related variable pay. The CEO's pay ratio is, therefore, heavily dependent on the outcomes of the short-term and long-term incentive plans and, in the case of long-term share-based awards, share price movements. As such it is expected that there will be considerable year-to-year changes in the pay ratio, notwithstanding the impact of COVID-19 on total remuneration outcomes in 2020 and 2021. Context to the CEO total remuneration is set out on in detail in this report. In particular the CEO pay ratio results from a higher STIP award for 2021 reflecting the strong growth and recovery of the business in the year whilst the lower LTIP vesting reflects the pause in the growth momentum of the Company caused by the pandemic. The Committee believes that the pay ratio is appropriate and is reflective of the performance of the Group and the roles undertaken by employees in the UK.

The following table summarises the representative salary and single figure of total remuneration pay quartiles of UK employees.

	Lower quartile	Median	Upper quartile
Salary	£19,969	£23,531	£35,663
Single figure of total remuneration	£20,968	£25,058	£38,025

Relative importance of spend on pay

A year-on-year comparison of the relative importance of spend on pay with significant distributions to shareholders and others is shown below.

	2021	2020	Change
Staff costs for the Group (£m)	134.7	130.1	3.5%
Dividends relating to the period (£m)	9.8	8.2	16.8%
Share buyback (£m)	0	0	0%

Advisers to the Remuneration Committee

The Committee received advice during the year from FIT Remuneration Consultants LLP (FIT). FIT is a member of the Remuneration Consultants Group and has signed up to that group's code of conduct. FIT was appointed by the Committee following an adviser review in 2019. The Committee is satisfied that the advice it received during the year was appropriate, objective and independent. FIT did not provide any other services to the Group and does not have any other connection with the Company or individual Directors.

Work undertaken by FIT in its role as independent advisers to the Committee included advice in respect of the developments in good governance, advice relating to share schemes, the provision of market information and market practice, and other governance matters. The fees paid to FIT for providing advice in relation to Executive remuneration over the financial year, based on time and materials, totalled £39,477.

The Group's approach to the Chairman's and Executive Directors' remuneration is determined by the Board on the advice of the Remuneration Committee. The Committee considers the views of the Chairman on the performance of the CEO, and of the CEO on the performance and remuneration of the other members of the ELT. The Committee is also supported by the Group General Counsel and Company Secretary who acts as Secretary to the Committee, the CFO, the Chief People Officer, and the Group Reward Director who attend meetings at the invitation of the Committee. No Committee members or attendees take part in any discussions relating to their own remuneration.

Shareholder voting

At the AGM held on 13 May 2021, the proxy votes cast in respect of the resolutions on the Directors' Remuneration Policy and Directors' remuneration report were as follows:

Number of votes	Date of AGM	For and Discretionary	For and Discretionary (%)	Against	Against (%)	Withheld	Total votes
Directors' Remuneration Policy	May 2020	109,271,441	91.89%	9,642,007	8.11%	13,273,878	132,187,326
Directors' remuneration report	May 2021	101,152,644	77.46%	29,430,685	22.54%	10,173,399	140,756,728

A full schedule in respect of shareholder voting on the above and all resolutions at the 2021 AGM is available at www.ttelectronics.com.

The Remuneration Committee considers shareholder feedback received in connection with the AGM each year at a meeting immediately following the AGM and at other times of the year. This feedback is considered as part of the Group's annual review of the Remuneration report and Remuneration Policy. In addition, the Remuneration Committee endeavours to consult directly with the largest shareholders and their representative bodies on proposals ahead of significant changes.

At the 2021 AGM, shareholders voted to pass the advisory vote on the Directors' remuneration report but 22.5 per cent did not support the resolution. In line with the provisions of the Code, we engaged with our largest shareholders to gain an understanding of the reasons behind their votes. Prior to the 2021 AGM, we undertook a significant consultation exercise with our largest institutional investors and the key advisory bodies and, while most investors were supportive of the Committee's proposals, a minority did not support the proposed amendment of the performance conditions for the 2020 LTIP awards and/or the 2020 STIP award where the entire award was deferred into shares. Following the AGM, the vast majority of investors reiterated their support for the remuneration decisions taken by the Committee with no material additional feedback received.

The Directors' remuneration report has been approved by the Board on 8 March 2022 and signed on its behalf by:

Alison Wood
Chair, Remuneration Committee
8 March 2022

OTHER STATUTORY DISCLOSURES

This Annual Report and Accounts includes the Directors' report and the audited financial statements for the year ended 31 December 2021. Certain information required to be disclosed in the Directors' report is provided in other sections of this Annual Report. This includes the overview, the operating and financial reviews, the Governance and Remuneration reports and specific elements of the financial statements noted below. The table below lists items that are relevant to this report, and which are incorporated by reference, including information required in accordance with the UK Companies Act 2006 and Listing Rule 9.8.4R:

Results and dividend

The Group's profit on ordinary activities after taxation was £12.8 million (2020: £1.3 million). The audited financial statements of the Group and the Company are set out on pages 133 to 207. Further details of the Group's activities are set out in the Strategic report on pages IFC to 73 which is incorporated into the Directors' report by reference.

Full details of the Company's dividend policy and proposed final dividend payment for the year ended 31 December 2021 are set out on page 40 and Note 8 to the consolidated financial statements.

Tax principles and strategy

The Group applies a conservative approach to tax and seeks to comply with the OECD Transfer Pricing guidelines, which should ensure that profits are taxed where value is created and business risks are managed. The Group's full Tax Principles and Strategy document is published on the Group's website.

Important events since the end of the financial year

On 7 January 2022, the Company's wholly-owned subsidiary, TT Electronics Power Solutions (UK) Limited, completed an Asset Purchase Agreement to acquire the Power and Control business based in Greater Manchester, UK, of Ferranti Technologies Ltd, a subsidiary of Elbit System UK Ltd. The consideration for the transaction was £9.0 million in cash subject to customary post-completion working capital adjustments.

Auditor

In 2019, the Company undertook a competitive re-tender exercise for external audit services, following which Deloitte LLP (Deloitte) was appointed as external Auditor for the financial year 2020 onwards. Deloitte was appointed by the Company's shareholders at the AGM held on 6 May 2020 and reappointed at the 2021 AGM. See page 92 for further details on the Auditor transition process.

The Auditor's responsibilities are set out on page 130 and should be read in conjunction with those of the Directors as set out at the end of this report.

Significant agreements relating to change of control

The Group has a number of borrowing facilities provided by various banking groups. 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.

In August 2021, the Group agreed a debut issue of £75 million of private placement fixed rate loan notes with three institutional investors. The PP transaction completed in December 2021, whereupon funds were received by the Group, with the issue being evenly split between seven- and ten- year maturities with an average interest rate of 2.9%. This PP transaction also contains change of control provisions which, in the event of a change in ownership of the Company, could again result in renegotiation or withdrawal of funds.

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.

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

The Group makes significant efforts to ensure it maintains high standards of employee welfare in all its operations, irrespective of where in the world, and of local market conditions. Together with many other global companies operating in this sector, the Group is a member of the Responsible Business Alliance (formerly the Electronic Industry Citizenship Coalition), a leading industry organisation promoting best practice in corporate responsibility, which is committed to raising standards of employee welfare, (addressing such issues as modern slavery) in all jurisdictions and at all levels of the supply chain for electronic products. Further details on the Group's policies relating to its employees are given on pages 72 to 73.

Political contributions
The Group made no political contributions during the year.

Authority to allot shares and disapply statutory pre-emption rights
The Directors will be seeking to renew their authorities to allot unissued shares and to disapply statutory pre-emption rights at the Annual General Meeting, to be held on 13 May 2022. During 2021, this authority was used in respect of customary allotments of shares resulting from the operation of the Group's share schemes.

Purchase of own shares
At the Annual General Meeting held on 13 May 2021, the Company was given authority to purchase up to 17,482,574 of its ordinary shares until the date of its next AGM. Other than market purchases made by the Employee Benefit Trust, no purchases were made during the year by the Company. The Directors will be seeking a new authority for the Company to purchase its ordinary shares at the forthcoming Annual General Meeting.

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

Shares held by the Employee Benefit Trust
The Company has established an employee benefit trust (EBT), the Trustee of which is Sanne Fiduciary Services Limited, part of Sanne Group. As at 31 December 2021, the Trustee held 1,064,565 shares with a nominal value of £266,141.25 and an aggregate purchase price of £0.28 per share, representing 0.604 per cent of the total issued share capital at that date. These shares will be used to satisfy awards made under the TT Electronics plc Restricted Share Plan, the TT Electronics plc Long-Term Incentive Plan or other employee share schemes. The maximum number of shares held by the EBT during the year was 1,064,565. The voting rights in relation to these shares are exercisable by the Trustee. However, in accordance with investor protection guidelines, the Trustee abstains from voting. A dividend waiver is in place under which the trustee waived its right to receive dividends on the shares it held during the year, and any future dividends. The Executive Directors, as employees of the Company, are potential beneficiaries of shares held by the EBT.

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

Approved by the Board on 8 March 2022 and signed on its behalf by:

Lynton Boardman
Group General Counsel and Company Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and Accounts and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB. The Directors have elected to prepare the parent Company financial statements in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable, relevant and reliable;
- For the Group financial statements, state whether they have been prepared in accordance with 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;
- Assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' report, Directors' remuneration report and Corporate Governance statement that complies with that law and those regulations.

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

Responsibility statement of the Directors in respect of the Annual Report and Accounts

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- The Strategic report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The coordination and review of Group-wide input into the Annual Report is a key element of the control process upon which the Directors rely and is an exercise which spans a period wider than the timetable for compiling the Annual Report itself. This control process incorporates the controls the Group operates throughout the year to identify key financial and operational issues and includes:

- Strategy meetings held as part of most Board meetings, at which the entire Board is present, resulting in a clear agreement of the Group's strategy.
- The identification of the key milestones and the related KPIs to be monitored and measured throughout the period.
- Monthly reviews of business performance conducted by Executive management (in consultation with divisional management), supplemented by reports highlighting key issues and analysis of the main variances from budget and prior year.
- Preparation of a detailed budget, reviewed and agreed by management and then the Board, which is used to calibrate strategy implementation and against which actual performance is measured.
- A timetabled process coordinating input from each division, identifying significant market issues and key elements of performance for each business area, and appropriately incorporating them into the structure of the Annual Report.
- The identification of key risks from the risk management process, for inclusion within the Annual Report, ensuring a consistency of approach with regard to the risks and the ongoing review programme.
- A planned Audit Committee sign-off process which incorporates meetings of the Chair of the Audit Committee with the Executive Directors, the Risk and Assurance function and external Auditor to identify and timetable potential issues of significance to be addressed.
- A process for internal distribution and comment on the Annual Report, including those of the members of the Board, the ELT, key advisers and external Auditor.

By order of the Board:

Lynton Boardman
Group General Counsel and Company Secretary
8 March 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TT ELECTRONICS PLC

Report on the audit of the financial statements

1. Opinion

In our opinion:

- the financial statements of TT Electronics plc (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB);
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement; and
- the related Notes 1 to 31 of the consolidated financial statements and the related Notes 1 to 15 of the parent company financial statements.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law, United Kingdom adopted international accounting standards and IFRSs as issued by the IASB. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ('FRC') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: • Impairment of goodwill; • Classification of adjusting items; and • Recoverability of assets related to the Virolens product. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group financial statements was £1.6 million which was determined based on 6% of the adjusted income before tax after amortisation.
Scoping	Our Group audit scope focused on audit work at 22 components representing 79% of the Group's revenue, 89% of the Group's adjusted operating profit and 88% of the Group's net assets.
Significant changes in our approach	Our key audit matters have evolved from the prior year as discussed below: In the prior year we identified a key audit matter relating to "Uncertain tax provisions". This has not been identified as an area where significant audit effort is required for the current year's audit as there have been no significant developments in key provisions that would lead to a change in judgements made. We have a identified a new key audit matter relating to "Recoverability of assets related to the Virolens product". We have spent a significant amount of audit effort assessing the recoverability of the Virolens related assets which is dependent upon the success of the new technology and commercial demand for the product which is underpinned by obtaining regulatory approvals. The inherent future uncertainty has elevated the risk of recoverability.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of the key processes relating to the Group's forecasting;
- inspecting loan documents to assess the principal terms and related financial covenants;
- assessing management's key assumptions underpinning the Group's forecasts, specifically the forecast COVID-19 recovery, the forecast adjusting items expense and cash flows and the achievability of forecasts with reference to external data such as market growth rates and industry data;
- assessing the reasonableness of the assumptions in the forecasts and the impact of reasonably possible downside scenarios on the Group's funding position including forecast financial covenants;
- comparing forecasts to historical financial information to assess management's historical forecasting accuracy;
- assessing the mitigating actions available to the Group and the likelihood of being able to take the benefit of these in the next 12 months; and
- assessing the appropriateness of the going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Impairment of Goodwill

Key audit matter description

Total goodwill on the balance sheet at 31 December 2021 is £156.5 million (2020: £155.7 million) arising from past acquisitions. As required by IAS 36 Impairment of assets management performs an impairment review for all goodwill balances on an annual basis. The impairment review for the IoT Solutions cash generating unit ('CGU') was particularly sensitive to reasonable changes in assumptions. This CGU accounts for goodwill of £27.6 million (2020: £27.6 million).

The impairment assessment of goodwill for the IoT Solutions CGU has been identified as a key audit matter as a result of the quantitative significance of the balance, the low headroom, and the application of management judgement and estimation in its impairment assessment. We note that the risk has increased in 2021 as a result of estimates taken in the following factors:

- the effect on future cash flows of (a) success of the new product launches reaching management forecast levels, (b) the pace of recovery from COVID-19 and global supply chain issues, and (c) ability to improve operating profit margin in light of rising material/freight costs; and
- determination of the discount and growth rates used in the model.

No impairment was recognised in the current year. Further details are included in note 13 to the financial statements in relation to the sensitivities reflecting the risks inherent in the value in use calculations used in performing the impairment review to support the valuation of goodwill and also in Note 1g of the financial statements in relation to the key sources of estimation uncertainty which includes the reasonably possible change disclosure for this CGU.

Refer also to page 96 of the Audit Committee report.

How the scope of our audit responded to the key audit matter

We obtained an understanding of the relevant controls over the valuation of goodwill, in particular controls over the future cash flows including the discount and growth rates that underpin the impairment model and controls around management's preparation of the model.

We assessed management's impairment paper, underlying analysis and supporting financial models, and challenged the reasonableness of the assumptions which underpinned management's forecasts. Specifically, our work included, but was not limited to:

- challenging management's key assumptions relating to the 2022 forecast and later forecast periods with reference to the recent and historical performance of the IoT Solutions business, expected order book levels, our knowledge of the businesses, benefits from current and prior year restructuring activity from the Group's self-help programme and the status of new product launches;
- challenging management's assumptions around the impact of global supply chain issues and COVID-19, and assessing management's ability to recover such costs;
- challenging management on revenue forecast growth rates including the recovery of revenues against a variety of external market reports
- retrospective review of performance against budget, including consideration of post year end actual against budget;
- benchmarking long term growth rates to applicable macro-economic and market data;
- involving our valuation specialists to challenge the discount rate applied, by benchmarking against market data and comparable organisations, and by evaluating the underlying process used to determine the risk adjusted cash flow projections;
- checking the integrity of the impairment models through testing of their mathematical accuracy;
- checking the application of the input assumptions, and testing its compliance with IAS 36;
- assessing and re-performing management's sensitivity analysis to assess the key assumptions which have a significant effect on the model;
- challenging management on the key drivers of the value in use model such as forecast revenues, operating margins, discount rate and long-term growth rate which would either individually or collectively impact the level of headroom whilst also considering the likelihood of such movements; and
- assessing the adequacy of the disclosures including whether the IoT goodwill is appropriately disclosed in the financial statements as an area with key sources of estimation certainty and reasonably possible change disclosure has been included which appropriately reflects the sensitivity in the IoT's CGU impairment review.

Key observations

We determined that the assumptions applied in the impairment model were within acceptable ranges and that the overall position adopted was reasonable. We assessed that the disclosures including the impairment assessment of goodwill for the IoT Solutions CGU are appropriate.

5.2. Classification of adjusting items

Key audit matter description	In addition to the statutory results, the Group continues to present adjusted profit measures in the consolidated income statement. While the key measure used by management to monitor performance is adjusted operating profit, adjusted profit before tax is also a key measure used by management in communication with shareholders. The Group's policy on adjusting items is set out in note 1c to the financial statements. Judgements made by management regarding the classification of adjusting costs and income therefore have a significant impact on the presentation of the Group's results. In total, adjustments of £15.5 million (2020: £20.9 million) have been made to the statutory operating profit of £19.3 million (2020: £6.6 million) to derive adjusted operating profit of £34.8 million (2020: £27.5 million). Adjusting items in 2021 include: • Restructuring costs £9.7 million; • Amortisation of intangible assets arising on business combinations (£5.1 million); • Gain on property disposals (£1.7 million); • Pension costs (£1.5 million) and Gain on pension increase exchange exercise (£1.8 million); • Torotel and Covina integration costs (£1.5 million); and • Other acquisition related costs (£1.1 million). The identification of adjusting items and the presentation of adjusted profit and earnings measures that show a consistent and balanced view of the performance of the Group involves significant judgement. Significant judgement is also involved in ensuring that undue prominence is not given to underlying financial information, which could be misleading to the readers of the financial statements. Therefore, we determined that the presentation of underlying operating profit requires a high degree of judgement and was therefore a key audit matter. There is a risk that items may be classified as adjusting which do not meet the Group's definitions, and therefore distort the reported adjusted profit whether due to manipulation or error, which may impact financial covenants reported and management remuneration. Consistency in the identification and presentation of these items is important for the comparability of year on year reporting. Explanations of each adjustment are set out in Note 6 to the financial statements. Refer also to page 96 of the Audit Committee report.
How the scope of our audit responded to the key audit matter	We obtained understanding of the relevant controls over the classification of adjusting items in the financial statements. We evaluated the appropriateness of the inclusion of items, both individually and in aggregate, within adjusted results. Specifically, our procedures included: • assessing the consistency of the Group's policy and items included year on year, and the application of management's accounting policy, challenging the nature of these items in comparison to ESMA guidance and latest FRC guidance on alternative performance measures, and challenging in particular the inclusion of those items that recur annually; • focusing our challenge on restructuring activities within adjusted items which had increased level of judgement applied by management in assessing them as adjusting in nature and therefore there was an increased opportunity for fraud or error; • for restructuring costs related to severance, assessed whether these met the criteria of IAS37 'Provisions', including a review of announcements and other communication to employees; • testing a sample of adjusting items by agreeing to source documentation and evaluating the classification of the individual costs against the Group's definition of adjusting items and whether reasonable when considering ESMA and FRC guidance; and • assessing whether the disclosures within the financial statements provide sufficient detail for the reader to understand the nature of these items and how adjusted results are reconciled to statutory results.
Key observations	The value of adjusting items results in a material difference between the statutory and adjusted results. Whilst we note that the majority of adjusting items recur from period to period, their classification and presentation is reasonable and consistent with the Group's policy.

5.3. Recoverability of assets related to the Virolens product

Key audit matter description	As at 31 December 2021, the Group held £4.8 million (2020: £4.5 million) on the balance sheet relating to assets linked to a new COVID-19 testing machine known as Virolens. These assets include Inventory, Property, plant and equipment ('PPE'), Capitalised R&D and Trade receivables. MHRA (UK regulatory authorities) have already approved the Virolens technology however the recoverability of these Virolens assets is dependent upon future regulatory approvals by FDA (U.S. Food and Drug Administration) and other regulatory bodies, commercial demand and other use of such assets should the aforementioned regulatory approvals not be obtained. There is a wide range of potential financial outcomes for the future of Virolens. Notwithstanding these uncertainties, management believes that the opportunity that this technology could create for the Group carries future value which is further protected by the Group's exclusive manufacturing agreement with its technology development partner. No impairment has been recorded for the Inventory, PPE or Capitalised R&D balances associated with Virolens due to the anticipation of future revenue from the technology. Long outstanding receivables have been provided for in line with the accounting policy. Given the magnitude of these Virolens balances and the continued uncertainty of future economic benefits from the technology, management has added a key source of estimation uncertainty to highlight this risk to readers in Note 1g of the financial statements. Refer also to page 96 of the Audit Committee report.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls over the valuation of assets associated with Virolens, in particular management review controls over the Virolens position paper. We assessed management's Virolens accounting paper, underlying analysis and supporting documents and assessed the reasonableness of the assumptions which underpinned management's assessment. Specifically, our work included challenging management's key assumptions relating to the recoverability of Virolens assets, this included but was not limited to: • reviewing the evidence of approval of Virolens technology by MHRA (UK regulatory authorities) as well as reviewing available evidence of the current status of submission for approval of the FDA (U.S. Food and Drug Administration) and other regulatory bodies; • reviewing available evidence of commercial interest in the technology from potential customers; • reviewing the exclusive manufacturing agreement with the Virolens technology development partner; • independently assessing the likelihood of recovery of the Virolens asset balances including consideration of the future potential pipeline of orders for the product and other use of such assets should the aforementioned regulatory approvals not be obtained; • consideration of any contradictory evidence and impact on the assessment performed; and • assessing the adequacy of the disclosures in the financial statements.
Key observations	We determined that the assumptions applied in the Virolens asset recoverability assessment and the carrying amount of the Virolens related assets are reasonable. We assessed that the disclosures are appropriate.

6. Our application of materiality

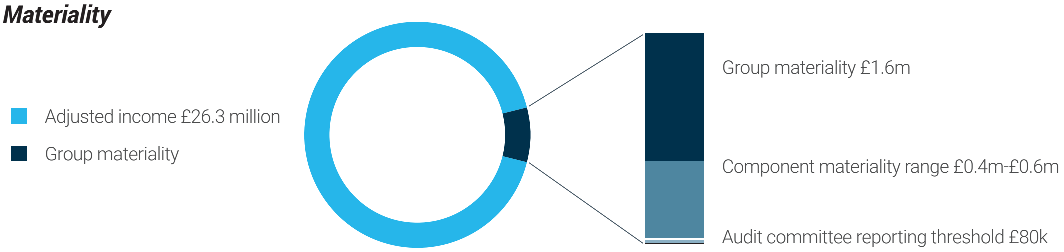
6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£1.6 million (2020: £1.2 million)	£0.6 million (2020: £0.8 million)
Basis for determining materiality	6% of adjusted income before tax after amortisation as disclosed in Note 6 of the financial statements. We considered other measures such as adjusted profit before tax and statutory profit before tax. Materiality for the current year represents: • 0.3% of revenue (2020: 0.3%); • 4.6% of adjusted profit before tax (2020: 4.4%); and • 0.5% of net assets (2020: 0.4%). In the prior period, due to the earnings volatility as a result of COVID-19, we used a blended approach in our determination of materiality which equated to 7% of adjusted income before tax after amortisation.	Parent company materiality equates to 0.2% of net assets which is capped at 60% of group performance materiality in order to address the risk of aggregation when combined with other businesses. This is consistent with the prior period.
Rationale for the benchmark applied	We considered the financial measures that were most relevant to users of the financial statements and concluded that the adjusted profit measure provided a stable materiality level which is commensurate with the current size and scale of the Group.	We believe that use of a balance sheet measure was appropriate given that the parent acts as a holding company.

Materiality



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	65% (2020: 65%) of Group materiality	65% (2020: 65%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered the following factors: • our assessment of the complexity of the Group and nature of the Group's business model; • the de-centralised nature of the Group's control environment, its variation across the Group, and the reduced impact of COVID-19; and • the low number of uncorrected misstatements identified in the previous year.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £80k (2020: £60k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

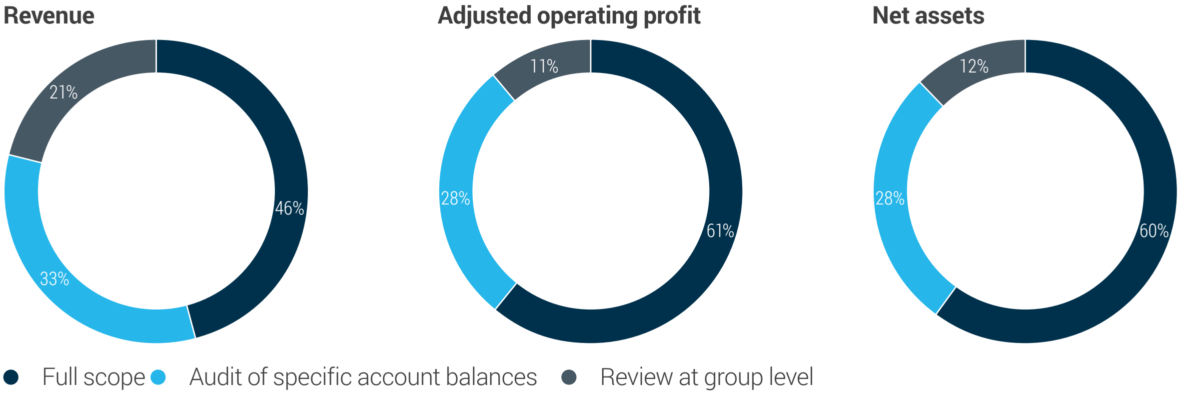
Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group and component level.

There are 72 (2020: 74) reporting components in total, each of which is responsible for maintaining their own accounting records and controls and using an integrated consolidation system to report to the UK head office.

Our Group audit scope focused on audit work at 22 components (2020: 23 components) representing 79% (2020: 78%) of the Group's revenue, 89% (2020: 90%) of the Group's adjusted operating profit and 88% (2020: 86%) of the Group's net assets.

Each component was set a specific component materiality, considering its relative size and any component-specific risk factors such as the location of components. The component materialities applied were in the range £0.4 million to £0.6 million (2020: £0.3 million to £0.4 million).

We tested the consolidation process at the parent company level and conducted analytical procedures for entities not subject to detailed audit work to confirm our conclusion that there were no material misstatements in the aggregated financial information



7.2. Our consideration of climate-related risks

Climate change and the transition to a low carbon economy ("climate change") were considered in our audit where they have the potential to directly or indirectly impact key judgements and estimates within the Group financial statements. The Group continues to develop its assessment of the potential impacts of climate change, as explained in the Our people, environment and communities section on pages 59 to 60. Management have identified sustainability, climate change and the environment as a principal risk to the business. Management assessed that there is no material impact to the financial statements arising from climate change and this has been disclosed in Note 1g of the financial statements.

We performed the following procedures to address the climate-related risks:

- We held discussions with management to obtain an understanding of the process for considering the impact of climate-related risks and controls that are relevant to the entity.
- We performed our own qualitative risk assessment of the potential impact of climate change on the Group's account balances and classes of transaction and did not identify any reasonably possible risks of material misstatement.
- With the involvement of our Environmental, Social & Governance ("ESG") specialist team, we assessed the climate change related disclosures including TCFD in the financial statements against regulatory requirements and market peers.
- We also considered whether information included in the climate related disclosures in the Annual Report were materially consistent with the financial statements and our knowledge obtained in the audit.

7.3. Working with other auditors

Given the Group's geographical presence across the world, we directed and supervised our many component audit teams in the execution of our audit referral instructions, as summarised below:

- Due to intermittent restrictions on working practices caused by COVID-19 the majority of the audit work was executed remotely. Limited sites were visited due to the restrictions on travel. The Group engagement team had online interaction with the Group's largest and most complex businesses during 2021 with a particular focus on locations where work was performed on significant or material components.
- In addition to the above, the Group engagement partner held Group-wide, divisional and individual planning and close meetings which covered all businesses. Each division has a dedicated senior member of the Group audit team responsible for the supervision and direction of components, including where appropriate sector-specific expertise. We included the component audit team in our team briefing, discussed and reviewed their risk assessment, and reviewed documentation of the findings from their work. We also reviewed the audit work papers supporting component teams' reporting to us remotely using shared desktop technology.

8. Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the Audit Committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  – identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  – detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  – the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team including significant component audit teams and relevant internal specialists, including tax, valuations, pensions, and IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the classification of adjusting items. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pensions legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty.

11.2 Audit response to risks identified

As a result of performing the above, we identified the classification of adjusting items as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with tax authorities; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Corporate Governance Statement

The Listing Rules require us to review the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 86;
- the Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 66;
- the Directors' statement on fair, balanced and understandable set out on page 94;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 64;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 65; and
- the section describing the work of the Audit Committee on pages 92 to 97.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made or the part of the Directors' remuneration report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors of the parent company on 6 May 2020 at the 2020 Annual General Meeting, to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 2 years, covering the years ending 31 December 2020 and 31 December 2021.

15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard (('ESEF RTS'). This auditor's report provides no assurance over whether the Annual Financial Report has been prepared using the single electronic format specified in the ESEF RTS.

Robert Knight (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London/United Kingdom
8 March 2022

Consolidated income statement

for the year ended 31 December 2021

£million (unless otherwise stated)	Note	2021	2020
Revenue	3	**476.2**	431.8
Cost of sales		**(360.6)**	(332.7)
Gross profit		**115.6**	99.1
Distribution costs		**(26.9)**	(24.6)
Administrative expenses		**(69.4)**	(67.9)
Operating profit		**19.3**	6.6
Analysed as:			
Adjusted operating profit	3	**34.8**	27.5
Restructuring and other	6	**(7.8)**	(14.5)
Acquisition and disposal related costs	6	**(7.7)**	(6.4)
Finance income	4	**1.1**	0.6
Finance costs	4	**(4.4)**	(4.3)
Profit before taxation		**16.0**	2.9
Taxation	7	**(3.2)**	(1.6)
Profit for the period attributable to the owners of the Company		**12.8**	1.3
EPS attributable to owners of the Company (pence)			
Basic	9	**7.3**	0.8
Diluted	9	**7.2**	0.8

Consolidated statement of comprehensive income

for the year ended 31 December 2021

£million	2021	2020
Profit for the year	**12.8**	1.3
Other comprehensive income for the year after tax		
Items that are or may be reclassified subsequently to the income statement:		
Exchange differences on translation of foreign operations	**3.4**	(5.0)
Tax on exchange differences	**–**	0.3
(Loss)/gain on hedge of net investment in foreign operations	**(0.2)**	0.7
(Loss)/gain on cash flow hedges taken to equity less amounts recycled to the income statement	**(3.2)**	7.1
Deferred tax gain on movements in cash flow hedge reserves	**0.5**	–
Items that will never be reclassified to the income statement:		
Remeasurement of defined benefit pension schemes	**35.8**	8.6
Tax on remeasurement of defined benefit pension schemes	**(11.4)**	(2.1)
Total comprehensive income for the period attributable to the owners of the Company	**37.7**	10.9

Consolidated statement of financial position

At 31 December 2021

£million	Note	2021	2020 [1]
ASSETS			
Non-current assets			
Right-of-use assets	11	**19.6**	12.4
Property, plant and equipment	12	**50.4**	53.0
Goodwill	13	**156.5**	155.7
Other intangible assets	14	**51.7**	57.1
Deferred tax assets	7	**11.3**	8.9
Derivative financial instruments	20	**0.6**	1.8
Pensions	21	**78.4**	35.4
Total non-current assets		**368.5**	324.3
Current assets			
Inventories	15	**141.8**	98.2
Trade and other receivables	16	**86.2**	71.3
Income taxes receivable		**2.6**	3.0
Derivative financial instruments	20	**4.0**	5.8
Cash and cash equivalents	29	**68.3**	70.2
Total current assets		**302.9**	248.5
Total assets		**671.4**	572.8
LIABILITIES			
Current liabilities			
Borrowings	19	**1.1**	2.3
Lease liabilities	28	**4.1**	3.6
Derivative financial instruments	20	**1.3**	1.1
Trade and other payables	17	**133.9**	90.2
Income taxes payable		**7.1**	7.5
Provisions	18	**2.5**	6.6
Total current liabilities		**150.0**	111.3
Non-current liabilities			
Borrowings	19	**147.1**	135.9
Lease liabilities	28	**18.5**	12.3
Derivative financial instruments	20	**0.7**	0.8
Deferred tax liability	7	**20.2**	8.6
Pensions	21	**3.9**	4.9
Provisions and other non-current liabilities	17, 18	**1.0**	1.0
Total non-current liabilities		**191.4**	163.5
Total liabilities		**341.4**	274.8
Net assets		**330.0**	298.0
EQUITY			
Share capital	22	**44.1**	43.6
Share premium		**22.6**	21.7
Translation reserve		**33.2**	30.0
Other reserves	22	**7.1**	5.5
Retained earnings		**221.0**	195.2
Equity attributable to owners of the Company		**328.0**	296.0
Non-controlling interests		**2.0**	2.0
Total equity		**330.0**	298.0

1 Goodwill, deferred tax assets and trade and other receivables amounts at 31 December 2020 have been restated for the finalisation of the acquisition accounting with respect to Torotel, Inc. as described in note 13.

Approved by the Board of Directors on 8 March 2022 and signed on their behalf by:

Richard Tyson
Director

Mark Hoad
Director

Consolidated statement of changes in equity

for the year ended 31 December 2021

£million	Share capital	Share premium	Translation Reserve	Other reserves	Retained earnings	Sub-total	Non-controlling interest	Total
At 31 December 2019	41.0	4.1	34.0	(0.5)	187.4	266.0	2.0	268.0
Profit for the year	–	–	–	–	1.3	1.3	–	1.3
Other comprehensive income								
Exchange differences on translation of foreign operations	–	–	(5.0)	–	–	(5.0)	–	(5.0)
Tax on exchange differences	–	–	0.3	–	–	0.3	–	0.3
Gain on hedge of net investment in foreign operations	–	–	0.7	–	–	0.7	–	0.7
Gain on cash flow hedges taken to equity less amounts recycled to the income statement	–	–	–	7.1	–	7.1	–	7.1
Remeasurement of defined benefit pension schemes	–	–	–	–	8.6	8.6	–	8.6
Tax on remeasurement of defined benefit pension schemes	–	–	–	–	(2.1)	(2.1)	–	(2.1)
Total comprehensive income	–	–	(4.0)	7.1	7.8	10.9	–	10.9
Transactions with owners recorded directly in equity								
Share-based payments	–	–	–	(0.8)	–	(0.8)	–	(0.8)
Deferred tax on share-based payments	–	–	–	(0.3)	–	(0.3)	–	(0.3)
New shares issued	2.6	17.6	–	–	–	20.2	–	20.2
At 31 December 2020	43.6	21.7	30.0	5.5	195.2	296.0	2.0	298.0
At 31 December 2020	**43.6**	**21.7**	**30.0**	**5.5**	**195.2**	**296.0**	**2.0**	**298.0**
Profit for the year					**12.8**	**12.8**	**–**	**12.8**
Other comprehensive income								
Exchange differences on translation of foreign operations	**–**	**–**	**3.4**	**–**	**–**	**3.4**	**–**	**3.4**
Loss on hedge of net investment in foreign operations	**–**	**–**	**(0.2)**	**–**	**–**	**(0.2)**	**–**	**(0.2)**
Loss on cash flow hedges taken to equity less amounts recycled to income statement	**–**	**–**	**–**	**(3.2)**	**–**	**(3.2)**	**–**	**(3.2)**
Deferred tax on gain on movement in cash flow hedges	**–**	**–**	**–**	**0.5**	**–**	**0.5**	**–**	**0.5**
Remeasurement of defined benefit pension schemes	**–**	**–**	**–**	**–**	**35.8**	**35.8**	**–**	**35.8**
Tax on remeasurement of defined benefit pension schemes	**–**	**–**	**–**	**–**	**(11.4)**	**(11.4)**	**–**	**(11.4)**
Total comprehensive income	**–**	**–**	**3.2**	**(2.7)**	**37.2**	**37.7**	**–**	**37.7**
Transactions with owners recorded directly in equity								
Equity dividends paid by the Company	**–**	**–**	**–**	**–**	**(11.4)**	**(11.4)**	**–**	**(11.4)**
Share-based payments	**–**	**–**	**–**	**3.8**	**–**	**3.8**	**–**	**3.8**
Deferred tax on share-based payments	**–**	**–**	**–**	**0.5**	**–**	**0.5**	**–**	**0.5**
New shares issued	**0.5**	**0.9**	**–**	**–**	**(0.3)**	**1.1**	**–**	**1.1**
Other movements	**–**	**–**	**–**	**–**	**0.3**	**0.3**	**–**	**0.3**
At 31 December 2021	**44.1**	**22.6**	**33.2**	**7.1**	**221.0**	**328.0**	**2.0**	**330.0**

Consolidated statement of cash flows

For the year ended 31 December 2021

£million	Note	2021	2020
Cash flows from operating activities			
Profit for the year		**12.8**	1.3
Taxation	7	**3.2**	1.6
Net finance costs		**3.3**	3.7
Restructuring and other		**7.8**	14.5
Acquisition related costs		**7.7**	6.4
Adjusted operating profit		**34.8**	27.5
Adjustments for:			
Depreciation	11, 12	**13.6**	14.0
Amortisation of intangible assets	14	**2.5**	3.0
Impairment of property, plant and equipment and intangible assets	12, 14	**–**	0.2
Share based payment expense		**3.8**	1.0
Other items		**1.1**	(0.3)
(Increase)/decrease in inventories		**(42.6)**	4.2
(Increase)/decrease in receivables		**(15.7)**	11.2
Increase/(decrease) in payables and provisions		**42.0**	(11.8)
Adjusted operating cash flow		**39.5**	49.0
Special payments to pension funds		**(5.5)**	(5.4)
Restructuring and acquisition related costs		**(15.0)**	(15.1)
Net cash generated from operations		**19.0**	28.5
Net income taxes paid		**(4.7)**	(0.3)
Net cash flow from operating activities		**14.3**	28.2
Purchase of property, plant and equipment	12	**(14.6)**	(9.3)
Proceeds from sale of property, plant and equipment and government grants received		**9.3**	3.4
Capitalised development expenditure	14	**(1.9)**	(3.3)
Purchase of other intangibles	14	**(0.5)**	(0.8)
Acquisitions of businesses		**(0.5)**	(43.3)
Cash with acquired businesses		**–**	1.4
Net cash flow used in investing activities		**(8.2)**	(51.9)
Cash flows from financing activities			
Issue of share capital	22	**1.4**	20.2
Interest paid		**(4.0)**	(3.5)
Repayment of borrowings		**(86.9)**	(27.2)
Proceeds from borrowings		**96.4**	49.8
Capital payment of lease liabilities		**(3.9)**	(4.1)
Other items		**(0.5)**	(1.8)
Dividends paid by the Company	8	**(11.4)**	–
Net cash flow (used in) / from financing activities		**(8.9)**	33.4
Net (decrease)/increase in cash and cash equivalents		**(2.8)**	9.7
Cash and cash equivalents at beginning of year	24, 29	**69.0**	60.2
Exchange differences	24, 29	**1.0**	(0.9)
Cash and cash equivalents at end of year	24, 29	**67.2**	69.0
Cash and cash equivalents comprise:			
Cash at bank and in hand		**68.3**	70.2
Bank overdrafts		**(1.1)**	(1.2)
		67.2	69.0

Notes to the Consolidated financial statements

1 Basis of preparation

a) Basis of accounting

TT Electronics Plc ("the Group") is a public company limited by shares (company number 00087249). The Group is incorporated in the United Kingdom under the Companies Act 2006 and registered in England and Wales. The address of the registered office is 'TT Electronics Plc, Fourth Floor, St Andrews House, West Street, Woking, Surrey, GU21 6EB'. The nature of the Group's operations and its principal activities by operating segment are set out in note 3 and in the divisional reviews on pages 34 to 39. The Consolidated Financial Statements of the Group for the year ended 31 December 2021 were authorised in accordance with a resolution of the Directors of TT Electronics Plc on 8 March 2022.

These consolidated financial statements are presented in pounds sterling, which is also the functional currency of the Company. Foreign operations are included in accordance with the policies set out in note 2.

The consolidated financial statements have been prepared on a historical cost basis modified by derivatives held at fair value. The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have also been prepared in accordance with International Financial Reporting Standards as issued by the IASB.

The financial statements set out on pages 133 to 207 have been prepared using consistent accounting policies except for the adoption of new accounting standards and interpretations noted below.

b) Basis of consolidation

The consolidated financial statements set out the Group's financial position as at 31 December 2021 and the Group's financial performance for the year ended 31 December 2021.

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

c) Alternative performance measures

The Group presents Alternative Performance Measures ("APMs") in addition to the statutory results of the Group. These are presented in accordance with the guidelines on APMs issued by the European Securities and Markets Authority ("ESMA").

Adjusted operating profit has been defined as operating profit from continuing operations excluding the impacts of significant restructuring programmes, significant one-off items including property disposals, business acquisition, integration, and divestment related activity; and the amortisation of intangible assets recognised on acquisition. Acquisition and disposal related items include the writing off of the pre-acquisition profit element of inventory written up on acquisition, other direct costs associated with business combinations and adjustments to contingent consideration related to acquired businesses. Restructuring includes significant changes in footprint (including movement of production facilities) and significant costs of management changes.

In addition to the items above, adjusting items impacting profit after tax include:

- The net effect on tax of significant restructuring from strategy changes that are not considered by the Group to be part of the normal operating costs of the business; and
- The tax effects of adjustments to profit before tax.

These financial statements include alternative performance measures that are not prepared in accordance with IFRS. These alternative performance measures have been selected by the Directors to assist them in making operating decisions because they represent the underlying operating performance of the Group and facilitate internal comparisons of performance over time.

The Directors consider the adjusted results to be an important measure used to monitor how the businesses are performing as this provides a meaningful reflection of how the businesses are managed and measured on a day-to-day basis and achieves consistency and comparability between reporting periods.

1 Basis of preparation continued

These alternative performance measures exclude certain significant non-recurring, infrequent or non-cash items that the Directors do not believe are indicative of the underlying operating performance of the Group (that are otherwise included when preparing financial measures under IFRS).

Adjusted profit is not a defined term under IFRS and may not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, GAAP measures. All APMs relate to the current year results and comparable periods where provided.

The Directors consider there to be four main alternative performance measures: adjusted operating profit, free cash flow, adjusted EPS and adjusted effective tax rate.

All alternative performance measures are presented on pages 201 to 207 and are reconciled to their equivalent statutory measures where this is appropriate.

d) Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out within the Strategic Report on pages 1 to 73. The Strategic Report analyses the financial position of the Group, its cash flows, liquidity position and borrowing facilities. In addition, note 20 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

The Group has experienced continued improvement in trading momentum and strong growth on our 2020 numbers. The structural growth markets we have selected to focus on have moved back towards their long-term growth trajectory, the benefits of our strategic repositioning and focus on building close relationships with our clients can be seen in both the order book and financial performance of the Group.

The Group's financial position remains strong, at 31 December 2021 it had:

- £318.9 million of total lease liabilities and borrowing facilities available comprising committed facilities of £276.3 million (net of £1.3 million loan arrangement fees and inclusive of £22.6 million of finance leases), uncommitted facilities of £42.6 million representing overdraft lines and an undrawn accordion facility of £30 million. The Group's primary source of finance is the £180 million committed revolving credit facility (RCF); at 31 December 2021 £73.4 million of this facility had been drawn down. The Group's RCF will mature in November 2023. In August 2021, TT agreed a debut issue of £75 million of private placement fixed rate loan notes with three institutional investors. The funds were received in December 2021 and the issue is evenly split between 7 and 10 year maturities with an average interest rate of 2.9% and covenants in line with our bank facility. The private placement complements, at an attractive rate, the Group's existing bank RCF, diversifying our sources of debt funding and providing us with a stable, long-term financing structure.
- A leverage ratio (banking covenant defined measure) of 1.7 times at 31 December 2021 compared to a RCF covenant maximum of 3.0 times. Interest cover (banking covenant defined measure) of 13.5 times compared to a RCF covenant minimum of 4.0 times.

The Group has prepared and reviewed cash flow forecasts across the business over the twelve-month period from the date of the approval of these financial statements, considering the Group's current financial position and the potential impact of our principal risks on divisions.

The Group's financial projections contain key assumptions surrounding revenue and operating profit growth in 2022. Under the Group's base case financial projections, the Group retains significant liquidity and covenant headroom, with both metrics improving from the position as at 31 December 2021.

The Group's financial projections have been stress tested for "business as usual" risks (such as profit growth and working capital variances), and the impact of the following principal risks: general revenue reductions, contractual risks, people and capability, supplier resilience and health and safety (occurring both individually and in unison). Principal risks which were not specifically modelled were either considered not likely to have an impact within the going concern period or their financial effect was covered within the overall downside economic risks implicit within the stress testing. Under the stress tested modelling, the liquidity headroom within the group remains significant. Financial covenants continue to be in compliance under the stress tested model and management have a number of mitigating actions which could be undertaken if required.

Notes to the Consolidated financial statements
Continued

1 Basis of preparation continued
The Group's downside stress test scenario has been sensitised for supply chain challenges and inflationary pressure which shows a reduction in revenue and operating profit compared to the latest forecast. Despite this further reduction these projections show that the Group would remain well within its facilities headroom and within bank covenants for the next 12 months after the approval of these financial statements. A "reverse" stress-test was also modelled to understand the conditions which could jeopardise the ability of the Group to continue as a going concern including assessing against covenant testing and facility headroom. The stress testing also considered mitigating actions which could be put in place. Mitigating actions included limiting capital expenditure and reducing controllable costs including items such as discretionary bonuses and pay rises. The reverse stress test is deemed to have a remote likelihood and help inform the Directors' assessment that there are no material uncertainties in relation to going concern.

The Group's wide geographical and sector diversification helps minimise the risk of serious business interruption or catastrophic reputational damage. Furthermore, the business model is structured so that the Group is not overly reliant on any single customer, market or geography.

The Directors have assessed the future funding requirements of the Group with due regard to the risks and uncertainties to which the Group is exposed and compared them with the level of available borrowing facilities and are satisfied that the Group has adequate resources for at least twelve months from the date of signing these accounts. Accordingly, the financial statements have been prepared on a going concern basis.

e) New and revised standards and interpretations adopted, not yet adopted and those in issue but not yet effective

New and revised standards and interpretations adopted during the year
At the date of authorisation of these financial statements the Group has applied the following revised IFRS Standards:

- 'Interest Rate Benchmark Reform – Phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

At the start of the year the Group was exposed to the following interest rate benchmarks within its hedge accounting relationships and borrowings, which are subject to interest rate benchmark reform: GBP LIBOR and USD LIBOR ("IBORs"). The hedging instruments are interest rate swaps (see note 20a) and the hedged items are Sterling and US Dollar floating rate debt (see note 19). On 4 January 2022 the Group transitioned away from GBP LIBOR to be replaced by GBP SONIA. There will be no impact of this transition. As USD LIBOR will still be in use up until mid-2023 the Group does not expect to transition away from USD LIBOR within the next 12 months.

New and revised standards and interpretations not yet adopted
The Group does not consider that any standard, amendment or interpretation issued by the IASB, but not yet applicable, will have a significant impact on the financial statements.

New and revised IFRS Standards in issue but not yet effective
At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- IFRS 17 Insurance
- Classification of liabilities as current or non-current (Amendments to IAS 1)
- Amendments to IFRS 17
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimate (Amendments to IAS 8)
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes

1 Basis of preparation continued

f) Change in accounting policies

Adoption of new and amendments to published standards and interpretations effective for the Group for the year ended 31 December 2021 did not have any material impact on the financial position or performance of the Group.

g) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experiences and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Critical judgements

In the course of preparing the Financial Statements, a critical judgement within the scope of paragraph 122 of IAS 1: "Presentation of Financial Statements" is made during the process of applying the Group's accounting policies.

Adjusting items

Judgements are required as to whether items are disclosed as adjusting, with consideration given to both quantitative and qualitative factors. Further information about the determination of adjusting items in the year ended 31 December 2021 is included in note 1c.

There are no other critical judgements other than those involving estimates, that have had a significant effect on the amounts recognised in the Financial Statements. Those involving estimates are set out below.

Key sources of estimation uncertainty

Assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

- Note 13 – Goodwill in relation to the IoT Solutions cash generating unit ("CGU"). The carrying amount of goodwill at 31 December 2021 was £156.5 million (2020: £155.7 million). Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which the goodwill has been allocated. The value in use calculation requires management to estimate the future cash flows expected to arise from CGUs and a suitable discount rate in order to calculate present value. At 31 December 2021 and 31 December 2020, the Group recognised no impairment loss in respect of goodwill. Further information, including a sensitivity analysis on the key assumptions, is provided in note 13. The carrying amount of the IoT Solutions CGU's goodwill was £27.6 million (2020: £27.6 million). Due to the impact of current supply chain challenges, as explained in note 13, IoT Solutions CGU shows headroom of £5.8 million and is sensitive to a reasonably possible change in assumptions; discount rate, long-term growth rate, successful launch of new products and short term operating cash flow. At 31 December 2021 and 31 December 2020, the Group recognised no impairment loss in respect of these assets. Further information, including a sensitivity analysis on the key assumptions, is provided in note 13.

Notes to the Consolidated financial statements

Continued

1 Basis of preparation continued

- Note 7 – Taxation. Accruals for tax contingencies require management to make judgements and estimates in relation to tax authority audits and exposures. Amounts accrued are based on management's interpretation of country-specific tax law and the likelihood of settlement. Tax benefits are not recognised unless the tax positions are probable of being sustained. Once considered to be probable, management reviews each material tax benefit to assess whether a provision should be taken against full recognition of the benefit on the basis of potential settlement through negotiation and/or litigation. These amounts are expected to be utilised or to reverse as tax audits occur or as the statute of limitations is reached in the respective countries concerned. The Group's current tax liability at 31 December 2021 includes tax provisions of £6.9 million (2020: £6.4 million). The Group believes the range of reasonable possible outcomes in respect of these exposures is tax liabilities of up to £9.0 million (2020: £8.2 million).
- Note 21 – Defined benefit pension obligations. At 31 December 2021 the Group operated two defined benefit schemes in the UK (the TT Group (1993) Pension Scheme and the Southern & Redfern Ltd Retirement Benefits Schemes) and overseas defined benefit schemes in the USA. These schemes are closed to new members and the UK schemes are closed to future accrual. The defined benefit obligations in respect of the plans are discounted at rates set by reference to market yields on high quality corporate bonds. Significant estimation is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds to include are the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. In addition, assumptions are made in determining mortality and inflation rates to be used when valuing the plans' defined benefit obligations. Whilst actual movements might be different to sensitivities shown, there is a reasonably possible change that could occur. At 31 December 2021, the retirement benefit plan was in a surplus of £74.5 million (2020: £30.5 million). Note 21 outlines the significant assumptions and associated sensitivities.
- Virolens. The carrying amount of Virolens related assets at 31 December 2021 was £4.8 million (2020: £4.5 million). The assets consist of inventory, property, plant and equipment, and capitalised development expenditure. The value of these assets is dependent upon the success of the Virolens product, requiring management to estimate the future cash flows in a range of possible outcomes. The key sources of estimation uncertainty are our customers' ability to obtain regulatory approval and potential end customers converting expressions of interest into firm funded orders. Our customer continues to progress with regulatory approvals and global interest remains strong given new COVID strains and vaccine limitations (efficacy and supply). If regulatory approval is not obtained it is likely the assets related to Virolens will require impairment.

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 to external customers excluding value added tax and other sales related taxes and is recognised when the customer obtains control of goods. In most cases this is at the point in time of transfer of legal title of the goods; terms vary by customer, but the two most common arrangement are at the time of dispatch and at the time of delivery. For sales to customers where a right to return an item is granted, revenue is recognised to the extent of the consideration to which the Group ultimately expects to be entitled (i.e. revenue is not recognised for goods expected to be returned). Where a service warranty is provided to customers, the associated revenue, based upon an allocation of the overall cost of performance, is recognised over the warranty period. Payment terms typically range from 30 to 120 days.

b) Finance income

Finance income comprises interest income on funds invested, the calculated interest income on pensions assets for schemes which are in surplus and net foreign exchange gains or losses on cash balances and loans receivables. Interest income is recognised using the effective interest rate. Net foreign exchange gains or losses on other monetary assets or liabilities are recognised either within other income or cost of sales, depending on what the underlying monetary asset or liability relates to.

2 Summary of significant accounting policies continued

c) Finance costs

Finance costs comprise interest expense on borrowings which are not capitalised under the borrowing costs policy, the calculated interest expense on pension liabilities for schemes which are in deficit, the interest costs on lease liabilities and net foreign exchange gains or losses on external loans. Net foreign exchange gains or losses on other monetary assets or liabilities are recognised either within other income or cost of sales, depending on what the underlying monetary asset or liability relates to.

d) Discontinued operations and assets held for sale

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. An asset is classified as held for sale if it is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and that it is highly probable the asset will be sold within one year from the date of classification.

e) Dividends

Dividends are recognised as a liability in the period in which they are approved by shareholders. Dividends receivable are recognised when the Group's right to receive payment is established.

f) Business combinations

Business combinations are accounted for using the acquisition method. Goodwill on business combinations is recognised as the fair value of the consideration, including the full cost of any derivative financial instruments used to hedge this item, less the fair value of the identifiable assets and liabilities acquired and is recognised as an asset in the consolidated balance sheet. Costs directly attributable to business combinations are recognised as an expense within the income statement as incurred.

Acquisitions and disposals of non-controlling interests that do not result in a change of control are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the price paid or received and the amount by which non-controlling interests are adjusted is recognised directly in equity and attributed to the owners of the parent.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which is no longer than 12 months from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

g) Property, plant and equipment

Initial measurement

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of a tangible fixed asset comprises its purchase price and any costs directly attributable to bringing it into working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Depreciation

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

The depreciation rates of assets are as follows:

Freehold buildings	50 years
Leasehold building improvements	50 years (or over the period of the lease, if shorter)
Plant and equipment	3 to 10 years

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

Notes to the Consolidated financial statements

Continued

2 Summary of significant accounting policies continued

h) Investment property

Property held to earn rental income rather than for the purpose of the Group's principal activities is classified as investment property. Investment property is recorded at cost less accumulated depreciation and any recognised impairment loss. The depreciation policy is consistent with that described for other Group properties. The assets' residual values and useful lives are reviewed, and adjusted, if appropriate, at each balance sheet date.

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

i) Leases

The Group applies IFRS 16 'Leases' and recognises right-of-use assets and lease liabilities for most leases (unless the lease term is 12 months or less or the underlying asset has a low value).

The Group recognises a lease liability at the lease commencement date, measured as the present value of the future lease payments, discounted at the incremental borrowing rate. A corresponding right-of-use asset is recognised separately on the face of the consolidated balance sheet, net of accumulated depreciation and impairment losses.

The Group has applied judgement to determine the lease term for contracts that include renewal options. The assessment of whether the exercise of such options is reasonably certain impacts the lease term, which affects the amount of lease liability and right-of-use asset recognised.

j) Government grants

Government grants relating to non-current assets are treated as deferred income and credited to the income statement by equal instalments over the anticipated useful lives of the assets to which the grants relate. Other grants are credited to the income statement over the period of the project to which they relate.

k) Goodwill

Goodwill arising on the acquisition of a business, representing the difference between the cost of acquisition and the fair value of the identifiable net assets acquired, is capitalised and is tested annually for impairment. Goodwill is not amortised, and any impairment losses are not subsequently reversed. On the subsequent disposal or discontinuance of a previously acquired business, the relevant goodwill is included in the gain or loss on disposal within the consolidated income statement except to the extent it has been previously impaired.

Negative goodwill arising on the acquisition of a business is credited to the consolidated income statement on acquisition as part of acquisition costs reported outside adjusted profit.

Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

l) Other intangible assets

Intangible assets acquired as part of a business combination are stated in the balance sheet at their fair value at the date of acquisition less accumulated amortisation.

Expenditure on research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognised in the income statement as incurred. Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the income statement as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. The carrying values of intangible assets are tested for impairment whenever there is an indication that they may be impaired.

2 Summary of significant accounting policies continued

Customer relationships and contracts are valued on the basis of the net present value of the future additional cash flows arising from customer relationships with appropriate allowance for attrition of customers.

Acquired computer software licences for use within the Group are capitalised as an intangible asset on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the implementation of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Capitalised software development expenditure is stated at cost less accumulated amortisation.

The amortisation rates for intangible assets are:

Acquired patents and licences	up to 10 years
Product development costs	5 years
Customer relationships	3 to 22 years
Order backlog	up to 2 years
Software	3 to 5 years

Amortisation is charged on a straight-line basis.

m) Deferred taxation

Deferred taxation is provided on taxable temporary differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases. No provision is made for deferred tax which would become payable on the distribution of retained profits by overseas subsidiaries where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is measured using the tax rates expected to apply when the asset is realised, or the liability settled based on tax rates enacted or substantively enacted by the balance sheet date. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised or that they will reverse. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

n) Inventories

Inventories are valued at the lower of cost, including related overheads, and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and the overheads incurred in bringing inventories to their present location and condition. Cost is calculated on a weighted average cost basis. Net realisable value is based on estimated selling price less costs expected to be incurred to completion and disposal. Provisions are made for obsolescence or other expected losses where necessary.

o) Financial instruments

Recognition

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

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

Measurement

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

Trade receivables are recognised at transaction price (i.e. original invoice price) and subsequently measured at amortised cost less provision made for loss allowance of these receivables based upon the expected credit loss model (simplified model). All trade receivables are held to collect contractual cash flows within a business model and meet the ‘Solely Payments of Principal and Interest’ (SPPI) test.

Notes to the Consolidated financial statements
Continued

2 Summary of significant accounting policies continued
Trade payables are carried at the amounts expected to be paid to counterparties and are held at amortised cost.

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

Cash and cash equivalents comprise cash at bank and in hand, short-term deposits held on call or with maturities of less than three months at inception, and highly liquid investments that are readily convertible into known amounts of cash and are subject to insignificant risk of changes in value. Within the cashflow statement this definition also includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management. Cash and cash equivalents are initially recognised at fair value and subsequently are measured at amortised cost because they meet the 'Solely Payments of Principal and Interest' (SPPI) test

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

Derivatives and hedge accounting
The Group uses derivative financial instruments such as forward foreign exchange contracts and interest rate derivatives to hedge risks associated with foreign exchange fluctuations and interest rate risk. These are designated as cash flow hedges (CFH). At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

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

Amounts deferred in equity are reclassified to the income statement in the periods when the hedged item is recognised in the income statement, in the same line of the income statement as the recognised hedged item.

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

When hedging the forecast acquisition of the business for the FX risk, once the transaction happens, the Group removes directly from the cash flow hedge reserve accumulated gains or losses on hedging instruments and include them within goodwill as a 'basis adjustment.

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

Impairment of financial assets – other financial assets
At each reporting date the Group assesses credit risk by considering reasonable and supportable information that may indicate increases in credit risk. Indicators that an asset carries a higher credit risk compared to at inception or that an asset is credit-impaired would include observable data in relation to the financial health of the debtor: significant financial difficulty of the issuer or the debtor; the debtor breaches contract; it is probable that the debtor will enter bankruptcy or financial reorganisation.

The amount of credit risk provision is the difference between the original carrying amount and the recoverable amount, being the present value of expected cash flows receivable (discounted using the original effective interest rate). The amount of the provision is recognised in the income statement within administrative expenses.

Financial assets are written off when there is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery. Receivables written off are still subject to enforcement activity and pursued by the Group.

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

2 Summary of significant accounting policies continued

q) 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.

r) Employee benefits

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

Defined contribution plans

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

Defined benefit plans

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

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. Surpluses are recognised where, on wind-up, the Group has unconditional right to any surplus and Trustees do not have unilateral power to alter members' benefits.

Termination benefits

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

Short-term employee benefits

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

Share-based payments

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

s) Own shares

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

Notes to the Consolidated financial statements

Continued

2 Summary of significant accounting policies continued

t) Foreign currency translation

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

On consolidation, income statements of subsidiaries are translated into sterling at average rates of exchange. Balance sheet items are translated into sterling at period end exchange rates. Exchange differences on the retranslation are taken to equity. Exchange differences on foreign currency borrowings financing those net investments (which are designated as net investment hedges) and exchange differences on intercompany loans which will not be repaid in the foreseeable future (which are treated as quasi equity) are also 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.

u) Impairment of non-financial assets

Property, plant and equipment and intangible assets (excluding goodwill) carrying amounts are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate. Assets that do not generate largely independent cash flows are assessed based on the CGU to which the asset belongs. If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, an impairment loss is recognised in the income statement.

3 Segmental reporting

The Group is organised into three divisions, as shown below, according to the nature of the products and services provided. Each of these divisions represents an operating segment or an aggregation of operating segments in accordance with IFRS 8 'Operating Segments'. The chief operating decision maker is the Chief Executive Officer. The operating segments are:

- Power and Connectivity – The Power and Connectivity division designs and manufactures power application products and connectivity devices which enable the capture and wireless transfer of data. We collaborate with our customers to develop innovative solutions to optimise their electronic systems; Power and Connectivity is an aggregation of two operating segments due to similarities in products and markets served;
- Global Manufacturing Solutions – The Global Manufacturing Solutions division provides manufacturing services and engineering solutions for our product divisions and to customers that often require a lower volume and higher mix of different products. We manufacture complex integrated product assemblies for our customers and provide engineering services including designing testing solutions and value-engineering; and
- Sensors and Specialist Components – The Sensors and Specialist Components division works with customers to develop standard and customised solutions including sensors and power management devices. Our solutions improve the precision, speed and reliability of critical aspects of our customers' applications.

The key performance measure of the operating segments is adjusted operating profit. Refer to the section titled 'Reconciliation of non IFRS measure' for a definition of adjusted profit.

Corporate costs – Resources and costs of the head office managed centrally but deployed in support of the operating units are allocated to segments based on a combination of revenue and operating profit. Resources and costs of the head office which are not related to the operating activities of the trading units are not allocated to divisions and are separately disclosed, equivalent to the segment disclosure information, so that reporting is consistent with the format that is used for review by the chief operating decision maker. This gives greater transparency of the adjusted operating profits for each segment.

Inter-segment pricing is determined on an arms length basis in a manner similar to transactions with third parties.

The Group's geographical segments are determined by the location of the Group's non-current assets and, for revenue, the location of external customers. Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments. Goodwill is allocated to the individual cash generating units which may be smaller than the segment of which they are part.

a) Income statement information – continuing operations

						2021
£million	**Power and Connectivity**	**Global Manufacturing Solutions**	**Sensors and Specialist Components**	**Total Operating Segments**	**Corporate**	**Total**
Sales to external customers	**140.2**	**220.1**	**115.9**	**476.2**	**–**	**476.2**
Adjusted operating profit	**7.8**	**18.3**	**16.4**	**42.5**	**(7.7)**	**34.8**
Add back: adjustments made to operating profit (note 6)						**(15.5)**
Operating profit						**19.3**
Net finance costs						**(3.3)**
Profit before taxation						**16.0**

						2020
£million	Power and Connectivity	Global Manufacturing Solutions	Sensors and Specialist Components	Total Operating Segments	Corporate	Total
Sales to external customers	125.1	197.5	109.2	431.8	–	431.8
Adjusted operating profit	10.3	15.0	9.4	34.7	(7.2)	27.5
Add back: adjustments made to operating profit (note 6)						(20.9)
Operating profit						6.6
Net finance costs						(3.7)
Profit before taxation						2.9

Notes to the Consolidated financial statements

Continued

3 Segmental reporting continued

b) Segment assets and liabilities

£million	Assets		Liabilities	
	2021	2020	**2021**	2020
Power and Connectivity	**219.6**	216.9	**39.0**	29.1
Global Manufacturing Solutions	**162.8**	119.6	**84.3**	58.3
Sensors and Specialist Components	**121.4**	110.2	**30.4**	22.2
Segment assets and liabilities	**503.8**	446.7	**153.7**	109.6
Pensions	**78.4**	35.4	**3.9**	4.9
Unallocated	**89.2**	90.7	**183.8**	160.3
Total assets/liabilities	**671.4**	572.8	**341.4**	274.8

Unallocated assets of £89.2 million (2020: £90.7 million) comprise deferred tax of £11.3 million (2020: £9.1 million), cash and cash equivalents of £68.3 million (2020: £70.2 million) and income tax of £2.6 million (2020: £3.0 million) and assets associated with the central corporate function of £7.0 million (2020: £8.3 million).

Unallocated liabilities of £183.8 million (2020: £160.3 million) comprise borrowings (excluding leases and overdrafts) of £147.1 million (2020: £135.9 million), overdrafts of £1.1 million (2020: £1.2 million), deferred tax of £20.2 million (2020: £8.6 million), income tax of £7.1 million (2020: £7.5 million) and liabilities associated with the central corporate function of £8.3 million (2020: £7.1 million).

£million	Capital expenditure		Depreciation and amortisation	
	2021	2020	**2021**	2020
Power and Connectivity	**6.1**	3.1	**5.6**	5.2
Global Manufacturing Solutions	**1.7**	2.6	**4.8**	5.2
Sensors and Specialist Components	**9.2**	4.3	**5.7**	6.6
Total	**17.0**	10.0	**16.1**	17.0

c) Geographic information

Revenue by destination

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

£million	**2021**	2020
United Kingdom	**100.2**	100.2
Rest of Europe	**78.6**	74.8
North America	**182.7**	164.9
Asia	**113.3**	88.8
Rest of the World	**1.4**	3.1
	476.2	431.8

Revenue from services is less than 1% of Group revenues. All other revenue is from the sale of goods.

3 Segmental reporting continued

Non-current assets

The carrying amount of non-current assets, excluding deferred tax assets, derivatives and pensions, analysed by the geographical area is shown below:

£million	2021	2020
United Kingdom	**116.3**	118.9
Rest of Europe	**0.3**	0.4
North America	**144.8**	143.5
Central and South America	**4.4**	4.4
Asia	**12.4**	11.0
	278.2	278.2

d) Market information

Revenue by market

The Group operates in the following markets:

£million	2021	2020 [1]
Healthcare	**118.8**	100.4
Aerospace and defence	**85.5**	91.9
Automation and electrification	**186.3**	157.9
Distribution	**85.6**	81.6
	476.2	431.8

1 Revenue by market in 2020 has been restated following a reclassification of end markets for several key customers.

4 Finance costs and finance income

£million	2021	2020
Interest income	**0.2**	0.1
Net interest income on pension schemes in surplus	**0.9**	0.5
Finance income	**1.1**	0.6
Interest expense	**3.1**	3.0
Interest on lease liabilities	**0.8**	0.8
Net interest expense on pension schemes in deficit	**0.1**	0.1
Amortisation of arrangement fees	**0.4**	0.4
Finance costs	**4.4**	4.3
Net finance costs	**3.3**	3.7

Notes to the Consolidated financial statements

Continued

5 Profit for the year

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

£million	**2021**	2020
Depreciation of property, plant and equipment	**9.9**	10.8
Depreciation of right-of-use assets	**3.7**	3.2
Amortisation of intangible assets [1]	**7.6**	7.2
Net foreign exchange (gains)/losses recognised within operating profit	**(4.1)**	2.1
Cost of inventories recognised as an expense	**360.6**	332.7
Research and development	**10.2**	9.2
Staff costs (see note 10)	**135.3**	130.1
Restructuring (excluded from adjusted operating profit)	**7.8**	14.5
Acquisition and disposal related costs (excluded from adjusted operating profit)	**7.7**	6.4
Remuneration of Group Auditor:		
– audit of these financial statements	**0.6**	0.5
– audit of financial statements of subsidiaries of the Company	**0.7**	0.7
– assurance and other services [2]	**0.1**	0.3
Government grants	**(0.2)**	(1.6)
Share-based payments	**3.8**	1.0
Profit on disposal of property, plant and equipment (excluded from adjusted operating profit)	**(1.7)**	(1.2)

1 Included within amortisation of intangible assets is £5.1 million (2020: £4.2 million) reported within items excluded from adjusted operating profit. The remaining charge is within administrative expenses.

2 Assurance and other services of £0.1 million relate to £80 thousand for the half year review (2020: £94 thousand relating to the half year review and £173 thousand relating to due diligence).

6 Adjusting items

As described in note 1c, adjusted profit measures are an alternative performance measure used by the Board to monitor the operating performance of the Group.

	2021		2020	
£million	Operating profit	Tax	Operating profit	Tax
As reported	**19.3**	**(3.2)**	6.6	(1.6)
Restructuring and other				
Restructuring	**(9.7)**	**1.2**	(14.8)	1.8
Property disposals	**1.7**	**(0.2)**	1.2	–
Pension costs	**(1.5)**	**0.2**	(0.9)	0.1
Pension increase exchange exercise	**1.8**	**(0.2)**	–	–
Other items	**(0.1)**	**–**	–	–
	(7.8)	**1.0**	(14.5)	1.9
Acquisition and disposal related costs				
Amortisation of intangible assets arising on business combinations	**(5.1)**	**(0.3)**	(4.2)	0.4
Release of warranty and claims provision	**–**	**–**	1.0	(0.1)
Torotel acquisition and integration costs	**(1.5)**	**0.6**	(1.3)	0.2
Covina acquisition and integration costs	**(0.2)**	**0.1**	(1.3)	0.2
Ferranti Power and Control acquisition costs	**(0.5)**	**0.2**	–	–
Other acquisition and disposal related costs	**(0.4)**	**0.1**	(0.6)	0.1
Tax losses relating to the disposal of the transportation division	**–**	**1.3**	–	–
	(7.7)	**2.0**	(6.4)	0.8
Total items excluded from adjusted measure	**(15.5)**	**3.0**	(20.9)	2.7
Adjusted measure	**34.8**	**(6.2)**	27.5	(4.3)

Restructuring and other £7.8 million (2020: £14.5 million)

Restructuring costs charged in the period primarily relate to cost of the Group's self help programme which began in 2020 and it is expected to conclude in 2022. To date the total income statement expense of the self help programme has been £21.0 million and with the total cost estimated to be £23.4 million.

Within the costs above there was £5.9 million of costs relating to the restructure of the US resistors business, £1.5 million relating to the closure of our facility in Lutterworth, UK, £1.1 million relating to the restructure of the US Power North America business, £0.9m relating to the closure of our facility in Tunis, Tunisia and £0.4 million of other costs.

Gains on property disposals of £1.7 million (2020: £1.2 million Lutterworth site, UK) relates to the sale of property in Covina, USA (£1.3 million), Corpus Christi, USA (£0.6 million) and Olathe, USA (£0.2 million loss).

A £1.8 million gain was realised on a 'Pensions Increase Exchange' exercise whereby eligible current pension members were offered the option to exchange their non statutory pension increases for an additional amount of level pension. Pension costs of £1.5 million relate to data cleanse work as we work towards a buyout of the scheme.

2020's restructuring and other costs amounted to £14.5 million, primarily related to restructuring of the Group's footprint, gain from property disposals and costs relating to the pension past service charge as a result of UK pensions schemes having to equalise male and female members' benefits in respect of guaranteed minimum pensions.

Acquisition and disposal related costs £7.7 million (2020: £6.4 million)

Acquisition and disposal related costs charged in the period relate to amortisation of acquired intangible assets (£5.1 million), integration costs of Torotel, Inc. (£1.5 million, Torotel was acquired in 2020), acquisition costs of Ferranti Power and Control (£0.5 million), integration costs of Covina (£0.2 million) and other acquisitions and disposal costs primarily relating to terminated deals (£0.4 million). A £1.3 million credit has been recognised in the period on tax losses arising in relation to the disposal of the transportation division due to the statute of limitations being reached.

Notes to the Consolidated financial statements

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6 Adjusting items continued

2020's acquisition related costs amounted to £6.4 million and primarily related to amortisation of acquired intangible assets (£4.2 million), acquisition and integration costs of Covina (£1.3 million), acquisition and integration costs of Torotel, inc. (£1.3 million) a credit related to settlement against a warranty claim provision on the disposal of the transportation division in 2017, (£1.0m), and other costs (£0.6m).

7 Taxation

a) Analysis of the tax charge for the year

£million	**2021**	2020
Current tax		
Current income tax charge	**5.1**	5.1
Adjustments in respect of current income tax of previous year	**(0.9)**	(3.4)
Total current tax charge	**4.2**	1.7
Deferred tax		
Relating to origination and reversal of temporary differences	**(0.4)**	(0.5)
Change in tax rate	**0.8**	(0.4)
Recognition of previously unrecognised deferred tax assets	**(1.4)**	0.8
Total deferred tax credit	**(1.0)**	(0.1)
Total tax charge in the income statement	**3.2**	1.6

The applicable tax rate for the period is based on the UK standard rate of corporation tax of 19% (2020: 19%). Overseas taxation is calculated at the rates prevailing in the respective jurisdictions. The Group's effective tax rate for the year was 20.0% (the adjusted tax rate was 19.6%, see section 'Reconciliation of KPIs and non IFRS measures').

The enacted UK tax rate applicable since 1 April 2017 to current year profits is 19%. An increase in UK rate has been enacted to occur from 1 April 2023 to 25%. The impact on deferred tax as a result of this change was £5.9 million of which £0.8 million was recognised in the income statement and £5.1 million was recognised within equity.

Included within the total tax charge above is a £3.0 million credit relating to items reported outside adjusted profit (2020: £2.7 million).

b) Reconciliation of the total tax charge for the year

£million	**2021**	2020
Profit before tax from continuing operations	**16.0**	2.9
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2020: 19%)	**3.0**	0.6
Effects of:		
Impact on deferred tax arising from changes in tax rates	**0.8**	(0.4)
Overseas tax rate differences	**0.7**	1.4
Items not deductible for tax purposes or income not taxable	**2.2**	2.6
Adjustment to current tax in respect of prior periods	**(0.9)**	(3.4)
Current year tax losses and other items not recognised	**(1.2)**	0.1
Adjustment to value of deferred tax assets	**(1.4)**	0.7
Total tax charge reported in the income statement	**3.2**	1.6

The adjustment to current tax in respect of prior periods largely relates to the release of tax provisions in respect of concluded disputes and uncertainties.

7 Taxation continued

The overall aim of the Group's tax strategy is to support business operations by ensuring a sustainable tax rate, mitigating tax risks in a timely and cost-efficient way and complying with tax legislation in the jurisdictions in which the Group operates. It is however inevitable that the Group will be subject to routine tax audits or is in ongoing disputes with tax authorities in the multiple jurisdictions it operates within. This is much more likely to arise in situations involving more than one tax jurisdiction. Differences in interpretation of legislation, of global standards (e.g. OECD guidance) and of commercial transactions undertaken by the group between different tax authorities are one of the main causes of tax exposures and tax risks for the group.

In order to manage the risk to the Group an assessment is made of such tax exposures and provisions are created using the best estimate of the most likely amount to be incurred within a range of possible outcomes. The resolution of the Group's tax exposures can take a considerable period of time to conclude and, in some circumstances, it can be difficult to predict the final outcome.

The current tax liability at 31 December 2021 includes tax provisions of £6.9 million (2020: £6.4 million). The Group believes the range of reasonable possible outcomes in respect of these exposures is tax liabilities of up to £9.0 million (2020: £8.2 million.

c) Deferred tax

The amounts of deferred taxation assets/(liabilities) provided in the financial statements are as follows:

A deferred tax asset of £6.7 million has been recognised in respect of territories where the group has made net tax losses in the current year. The net tax losses have been driven by one-off costs excluded from adjusted measures which the Group does not expect to recur in future periods. The Group completed a five year forward looking strategic plan covering the periods from 2022 to 2026 in which it was forecast that all divisions would show increasing profitability. Therefore, a deferred tax asset is recognised on the basis that it is considered probable that net taxable profits will be recognised in these territories in future.

£million	As at 1 January 2021	Continuing operations	Recognised on acquisition	Recognised in equity/ OCI	Net exchange translation	As at 31 December 2021
Intangible assets	(10.6)	(0.8)	–	–	–	(11.4)
Property, plant and equipment	1.7	(0.2)	–	–	–	1.5
Deferred development costs	(0.5)	–	–	–	–	(0.5)
Retirement benefit obligations	(5.7)	(1.8)	–	(11.4)	–	(18.9)
Inventories	1.0	0.1	–	–	–	1.1
Tax losses	7.5	1.9	(0.2)	–	0.1	9.3
Unremitted overseas earnings	(2.0)	(0.3)	–	–	–	(2.3)
Share-based payments	0.7	0.7	–	0.5	–	1.9
Cash flow hedges	–	–	–	0.5	–	0.5
Short-term temporary differences	8.4	1.3	(0.1)	–	0.3	9.9
Net deferred tax asset/(liability)	0.5	0.9	(0.3)	(10.4)	0.4	(8.9)
Deferred tax assets	8.9					11.3
Deferred tax liabilities	(8.6)					(20.2)
Net deferred tax asset/(liability)	0.5					(8.9)

Notes to the Consolidated financial statements

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7 Taxation continued

Deferred tax	Description
Intangible assets	Deferred tax relating to intangible assets created on acquisitions by the Group. This excludes any internally generated intangibles relating to product development costs.
Property, plant and equipment	Deferred tax relating to temporary differences in the value of property, plant and equipment between Group accounting and local accounting and/or tax returns
Deferred development costs	Deferred tax relating to deferred development costs
Retirement benefit obligations	Deferred tax relating to retirement benefit obligations
Inventories	Deferred tax relating to temporary differences between the local book value and Group consolidated value of inventory
Tax losses	Deferred tax relating to recognised tax losses carried forwards for offset against future profits of the Group
Unremitted overseas earnings	Deferred tax relating to the repatriation of subsidiary profits to the Group's ultimate holding company
Share based payments	Deferred tax relating to share based payment
Short term temporary differences	Deferred tax relating to temporary differences between Group accounts and local accounts or tax return arising where a tax deduction is received on payment of an amount either between Group companies or to external unconnected third parties rather than on an accounting basis. This includes product development costs.

£million	At 31 December 2019	Continuing operations	Recognised on acquisition	Recognised in equity/ OCI	Net exchange translation	As at 31 December 2020
Intangible assets	(9.0)	0.2	(2.2)	–	0.2	(10.8)
Property, plant and equipment	1.9	(0.2)	(0.1)	–	0.1	1.7
Deferred development costs	(1.0)	0.4	–	–	0.1	(0.5)
Retirement benefit obligations	(2.5)	(1.1)	–	(2.1)	–	(5.7)
Inventories	1.5	(0.5)	–	–	–	1.0
Tax losses	3.6	3.9	0.3	–	(0.3)	7.5
Unremitted overseas earnings	(1.7)	(0.4)	–	–	0.1	(2.0)
Share-based payments	1.3	(0.3)	–	(0.3)	–	0.7
Short-term temporary differences	9.4	(2.1)	1.2	–	(0.1)	8.4
Net deferred tax asset	3.5	(0.1)	(0.8)	(2.4)	0.1	0.3
Deferred tax assets	8.1					8.9
Deferred tax liabilities	(4.6)					(8.6)
Net deferred tax asset	3.5					0.5

At 31 December 2021, 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**
Losses for which no deferred tax asset has been recognised	**0.4**	**–**	**71.1**	**71.5**

Tax losses of £58.2 million are subject to substantial limitations in the type of profits they can be offset against and no such capital disposals are currently anticipated.

At 31 December 2020, the gross amount and expiry date of losses available for carry forward were as follows:

£million	Expiring within 5 years	Expiring within 6–10 years	Unlimited	Total
Losses for which no deferred tax asset has been recognised	0.7	–	77.0	77.7

At 31 December 2021, the Group had no other items for which no deferred tax assets have been recognised (2020: £nil).

8 Dividends

	2021 pence per share	**2021 £million**	2020 pence per share	2020 £million
Final dividend paid for prior year	**4.70**	**8.2**	–	–
Interim dividend declared for current year	**1.80**	**3.2**	–	–

The Directors recommend a final dividend of 3.8 pence per share. The Group has a progressive dividend policy. The final dividend will be paid on 20 May 2022 to shareholders on the register on 29 April 2022.

9 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 year.

Pence	**2021**	2020
Earnings per share		
Basic	**7.3**	0.8
Diluted	**7.2**	0.8

The numbers used in calculating adjusted, basic and diluted earnings per share are shown below. Adjusted earnings per share is based on the adjusted profit after interest and tax.

Adjusted earnings per share:

£million (unless otherwise stated)	**2021**	2020
Group		
Profit for the year attributable to owners of the Company	**12.8**	1.3
Restructuring and other	**7.8**	14.5
Acquisition and disposal related costs	**7.7**	6.4
Tax effect of above items (see note 6)	**(3.0)**	(2.7)
Adjusted earnings	**25.3**	19.5
Adjusted earnings per share (pence)	**14.5**	11.7
Adjusted diluted earnings per share (pence)	**14.2**	11.6

The weighted average number of shares in issue is as follows (new shares issued in the year described in note 24):

million	**2021**	2020
Basic	**174.8**	166.5
Adjustment for share awards	**3.3**	1.6
Diluted	**178.1**	168.1

Notes to the Consolidated financial statements

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10 Employee information

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

Number	2021	2020
By function		
Production	**4,075**	3,987
Sales and distribution	**270**	293
Administration	**287**	298
	4,632	4,578
By division		
Power and Connectivity	**1,597**	1,447
Global Manufacturing Solutions	**1,456**	1,475
Sensors and Specialist Components	**1,579**	1,656
Total	**4,632**	4,578

Aggregate emoluments, including those of Directors, for the year were:

£million	2021	2020
Wages and salaries	**103.1**	103.1
Social security charges	**24.0**	21.7
Employers' pension costs	**3.0**	3.2
Defined benefit pension costs	**1.4**	1.1
Share based payments expense	**3.8**	1.0
	135.3	130.1

Remuneration in respect of the Directors was as follows:

£million	2021	2020
Emoluments	**2.3**	1.8

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

£million	2021	2020
Short-term benefits	**4.0**	3.0
Pension and other post-employment benefit expense	**0.1**	0.1
Share based payments	**1.8**	0.3
	5.9	3.4

11 Right-of-use assets

£million	Land and buildings	Other	Right-of-use assets
Cost			
At 1 January 2020	31.6	1.6	33.2
Additions	0.4	0.2	0.6
Lease reassessment	1.3	–	1.3
Businesses acquired	2.0	–	2.0
Net exchange adjustment	(0.4)	–	(0.4)
At 1 January 2021	**34.9**	**1.8**	**36.7**
Additions	**10.5**	**0.3**	**10.8**
Disposals	**(4.4)**	**(0.1)**	**(4.5)**
Net exchange adjustment	**0.5**	**–**	**0.5**
At 31 December 2021	**41.5**	**2.0**	**43.5**
Depreciation			
At 1 January 2020	19.8	0.6	20.4
Depreciation charge	2.8	0.4	3.2
Impairment	1.0	–	1.0
Net exchange adjustment	(0.3)	–	(0.3)
At 1 January 2021	**23.3**	**1.0**	**24.3**
Depreciation charge	**3.4**	**0.3**	**3.7**
Impairment	**0.1**	**–**	**0.1**
Disposals	**(4.4)**	**(0.1)**	**(4.5)**
Net exchange adjustment	**0.2**	**0.1**	**0.3**
At 31 December 2021	**22.6**	**1.3**	**23.9**
Net book value			
At 31 December 2021	**18.9**	**0.7**	**19.6**
At 31 December 2020	11.6	0.8	12.4

All impaired assets have been impaired down to a recoverable amount of £nil.

Additions during the year relate to a new site in Plano, US (£6.3 million), lease renewals in Suzhou, China (£2.1 million), Boston, US (£0.8 million) and other locations throughout the Group (£1.6 million).

In 2020 the Group identified indicators of impairment due to the planned relocation of our office in Carrollton, US (£0.9 million) and the planned closure of one of our facilities in Barbados (£0.1 million), both within the Sensors and Specialist Components segment. A total of £1.0 million was recognised within items excluded from adjusted profit.

The Group only leases land and buildings for use in trading activities. Lease liabilities are disclosed in note 20. Contractual cashflows for these leases are disclosed in note 20e.

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12 Property, plant and equipment

£million	Land and buildings	Plant and equipment	Total
Cost			
At 1 January 2020	28.2	179.8	208.0
Additions	1.2	8.1	9.3
Businesses acquired	6.3	0.9	7.2
Disposals	(5.5)	(9.2)	(14.7)
Net exchange adjustment	(0.5)	(2.6)	(3.1)
At 1 January 2021	**29.7**	**177.0**	**206.7**
Additions	**7.9**	**6.7**	**14.6**
Disposals	**(13.5)**	**(13.2)**	**(26.7)**
Net exchange adjustment	**0.1**	**1.3**	**1.4**
At 31 December 2021	**24.2**	**171.8**	**196.0**
Depreciation and impairment			
At 1 January 2020	13.2	143.7	156.9
Depreciation charge	1.2	9.6	10.8
Impairment	–	1.0	1.0
Disposals	(3.5)	(9.0)	(12.5)
Net exchange adjustment	(0.1)	(2.4)	(2.5)
At 1 January 2021	**10.8**	**142.9**	**153.7**
Depreciation charge	**1.1**	**8.8**	**9.9**
Impairment	**–**	**(0.1)**	**(0.1)**
Disposals	**(5.7)**	**(13.2)**	**(18.9)**
Net exchange adjustment	**0.1**	**0.9**	**1.0**
At 31 December 2021	**6.3**	**139.3**	**145.6**
Net book value			
At 31 December 2021	**17.9**	**32.5**	**50.4**
At 31 December 2020	18.9	34.1	53.0

All impaired assets have been impaired down to a recoverable amount of £nil.

Included within land and buildings is one investment property with a carrying value of £nil (2020: £1.1 million, two properties) and a fair value of £0.7 million (2020: £1.8 million, two properties). Rental income of £0.2 million (2020: £0.1 million) was recognised within other income in relation to these properties.

In 2020 the Group identified indicators of impairment within plant and equipment as a result of divisional restructuring in the Sensors and Specialist Components division (£0.6 million) and the planned closure of the operation in Lutterworth, UK in the Power and Connectivity division (£0.4 million). A total of £1.0 million was recognised within items excluded from adjusted profit.

13 Goodwill

£million	
Cost	
At 1 January 2020	136.1
Additions	23.7
Net exchange adjustment	(2.9)
At 31 December 2020	156.9
Remeasurement of acquired fair values	(1.2)
Adjusted balance as at 31 December 2020	**155.7**
Net exchange adjustment	0.8
At 31 December 2021	**156.5**

In June 2021 the Group received new information about conditions which were present at the time of the acquisition of Torotel, Inc, namely that the PPP loan from the US government Covid-19 support scheme that was recognised in full on the acquisition balance sheet, was waived. The Group has updated the acquisition balance sheet to reflect this new information. The effect on the acquired balance sheet and the Group's consolidated statement of financial position as at 31 December 2020 was to decrease goodwill by £1.4 million with a corresponding increase in other receivables.

During the year it was determined that the deferred tax asset on the acquisition balance sheet for Torotel, Inc. was overstated by £0.2 million. The Group has updated the acquisition balance sheet to reflect this new information. The effect on the acquired balance sheet and the Group's consolidated statement of financial position as at 31 December 2020 was to increase goodwill by £0.2 million with a corresponding decrease in deferred tax assets.

The goodwill generated as a result of acquisitions represents the premium paid in excess of the fair value of all net assets, including intangible assets, identified at the point of acquisition. The future improvements applied to the acquired businesses, achieved through a combination of revised strategic direction, operational improvements and investment are expected to result in improved profitability of the acquired businesses during the period of ownership. The combined value achieved from these improvements is expected to be in excess of the value of goodwill acquired.

Goodwill is attributed to the following CGUs in the divisions shown below:

£million	**2021**	2020
Power and Connectivity:		
Power Solutions [2]	**57.0**	56.7
IoT Solutions	**27.6**	27.6
Global Manufacturing Solutions:		
Global Manufacturing Solutions	**18.4**	18.2
Sensors and Specialist Components:		
Resistors	**30.5**	30.1
Sensors [1]	**23.0**	23.1
	156.5	155.7

1 In the prior year the Sensors CGU comprised of the Optoelectronics CGU and the Roxspur CGU with respective goodwill of £21.0 million and £2.1 million.
2 The carrying value of Goodwill attributable to the Power Solutions CGU at 31 December 2020 has been restated following the finalisation of the acquisition accounting.

The Group tests goodwill impairment annually or more frequently if there are indications that goodwill might be impaired. Effective from the year ended 31 December 2021, the date of the annual impairment test has been moved to 30 September 2021 to better align with internal forecasting and review processes. The key assumptions used in the 30 September impairment testing were reassessed at 31 December, however, there were no further indicators of value decline that necessitated further consideration.

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13 Goodwill continued
The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and operating cash flow projections over a forecast period. The growth rate assumed after this forecast period is based on long-term GDP projections capped at long term growth rates (which are approximated as long term inflation rates) of the primary market for the CGU, in perpetuity. Long-term growth rates are based on long-term forecasts for growth in the sectors and geography in which the group of CGUs operates. Long-term growth rates are determined using long-term growth rate forecasts that take into account the international presence and the markets in which each business operates.

Management estimate discount rates using pre-tax rates that reflect current market assessments of the Group's time value of money and the risks specific to the CGU being measured.

In determining the cost of equity, the Capital Asset Pricing Model ("CAPM") has been used. Under CAPM, the cost of equity is determined by adding a risk premium, based on an industry adjustment, to the expected return of the equity market above the risk-free return. The relative risk adjustment reflects the risk inherent in each group of CGUs relative to all other sectors and geographies on average.

The cost of debt is determined using a risk-free rate based on the cost of government bonds, and an interest rate premium equivalent to a corporate bond with a similar credit rating to TT Electronics Plc.

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

Management has detailed plans in place reflecting the latest budget and strategic growth plan. The pre-tax discount rates and periods of management approved forecasts are shown below. The discount rates used in the annual impairment test for the year ended 31 December 2021, which was performed on 30 September 2021 are shown below:

	2021			2020		
	Pre-tax discount rate	**Long term growth rate**	**Period of forecast (years)**	Pre-tax discount rate	Long term growth rate	Period of forecast (years)
Power Solutions	**12.2%**	**1.7%**	**5**	11.6%	1.7%	3
IoT Solutions	**12.2%**	**1.6%**	**5**	11.5%	1.8%	5
Global Manufacturing Solutions	**13.2%**	**1.8%**	**5**	13.3%	2.2%	3
Resistors	**13.3%**	**1.6%**	**5**	12.9%	1.7%	3
Sensors [1]	**13.8%**	**1.7%**	**5**	11.8%	1.6%	3

1 In the prior year the Sensors CGU comprised of the Optoelectronics CGU and the Roxspur CGU with respective long term growth rates of 1.6% and 1.6%, and pre-tax discount factors of 13.8% and 11.5%.

No impairment losses have been recognised in the current or prior year as recoverable amounts exceed the total carrying value of assets for all of the CGUs.

Key assumptions in the value in use test is the projected performance of the CGUs based on sales growth rates, cash flow forecasts and discount rate. Forecast sales growth rates are based on past experience adjusted for the strategic direction and near-term investment priorities within each CGU. The key assumptions include externally obtained growth rates in the key markets disclosed in note 3 and customer demand for product lines. Cash flow forecasts are determined based on historic experience of operating margins, adjusted for the impact of changes in product mix and cost-saving initiatives, including the impact of our restructuring projects and cash conversion based on historical experience.

The recoverable amounts associated with the goodwill balances which are based on these performance projections and 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. The pandemic resulted in supply chain challenges within the markets in which the Group operates and are restricting the level of growth in the near term. Inflationary pressure on materials is assumed to be largely passed on in the base case.

13 Goodwill continued

Sensitivity analysis has been performed on the key assumptions; operating cash flow projections, revenue growth rates and discount rate. Cash flows can be impacted by changes to sales prices, direct costs and replacement capital expenditure; individually they are not significant assumptions. Forecast sales growth rates are based on past experience adjusted for the strategic direction and near-term investment priorities. Cash flow forecasts are determined based on historic experience of operating margins, adjusted for the impact of changes in product mix and cost-saving initiatives, including the impact of our committed restructuring projects and cash conversion based on historical experience.

The Directors have not identified changes in significant assumptions that would cause the carrying value of recognised goodwill to exceed its recoverable amount except for IoT Solutions.

Due to reduced forecast revenues resulting from the short-term supply chain challenges, an indicator of impairment was identified in respect of goodwill allocated to IoT Solutions.

IoT Solutions CGU operates in markets with strong growth fundamentals and the short term forecasts for the IoT Solutions CGU include revenue and margin growth from successful product launches, and post Covid-19 demand recovery in the short and medium term. These forecasts exclude any potential benefits from the Virolens® rapid COVID-19 screening device given the wide range of possible outcomes.

IoT Solutions CGU shows headroom of £5.8 million above the £60.0 million carrying amount, including £27.6m of goodwill. The growth rates assume that demand for our product remains 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. The IoT Solutions CGU's forecasts are reliant upon its ability to execute on new business opportunities and technologies. The order book has grown significantly in the last 12 months so the near term focus is on execution. Delays, cancellations, and adjustments to the scheduled level of demand will impact the carrying value of the goodwill. In accordance with IAS 36 'Impairment of Assets' the Group performed sensitivity analysis on the estimates of recoverable amounts and found that the excess of recoverable amount over the carrying amount of the IoT Solutions CGU would be reduced to £nil as a result of a reasonably possible change in assumptions.

Sensitivity analysis has been carried out and a reasonably possible change in the discount rate and long-term growth rate from 12.2% to 13.1% or from 1.6% to 0.3% respectively would reduce headroom to £nil. A reduction in operating cash flow of 9.0 per cent in all forecast periods would also reduce headroom to £nil. Management does not consider that the relevant change in these assumptions would have a consequential effect on other key assumptions.

A reduction in terminal revenue of 15.2 per cent and terminal operating profit of 2.0 per cent (driven by project delivery delays or lower than anticipated margin) would reduce headroom to £nil.

A failure to deliver the successful launch of new products and exploit potential market share could impact margin and cash flow assumptions. A reduction in the terminal operating margin of 2.7 per cent and terminal cash conversion of 10.0 per cent in combination would reduce headroom to £nil.

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14 Other intangible assets

£million	Product development costs	Patents, licences and other	Customer relationships	Total
Cost				
At 1 January 2020	13.7	33.4	52.8	99.9
Additions	3.3	0.8	–	4.1
Businesses acquired	0.2	1.3	11.8	13.3
Net exchange adjustment	(0.5)	(0.1)	(0.7)	(1.3)
At 1 January 2021	**16.7**	**35.4**	**63.9**	**116.0**
Additions	**1.9**	**0.5**	**–**	**2.4**
Disposals	**(0.1)**	**(0.1)**	**(0.5)**	**(0.7)**
Net exchange adjustment	**0.1**	**0.1**	**0.2**	**0.4**
At 31 December 2021	**18.6**	**35.9**	**63.6**	**118.1**
Amortisation				
At 1 January 2020	5.5	28.7	14.4	48.6
Charge for the year	1.0	2.3	3.9	7.2
Impairment	3.6	–	–	3.6
Net exchange adjustment	(0.4)	–	(0.1)	(0.5)
At 1 January 2021	**9.7**	**31.0**	**18.2**	**58.9**
Charge for the year	**0.9**	**2.5**	**4.2**	**7.6**
Impairment	**–**	**–**	**0.2**	**0.2**
Disposals	**(0.1)**	**(0.1)**	**(0.5)**	**(0.7)**
Net exchange adjustment	**0.1**	**0.2**	**0.1**	**0.4**
At 31 December 2021	**10.6**	**33.6**	**22.2**	**66.4**
Net book value				
At 31 December 2021	**8.0**	**2.3**	**41.4**	**51.7**
At 31 December 2020	7.0	4.4	45.7	57.1

All impaired assets have been impaired down to a recoverable amount of £nil.

Included within the amortisation charge for the year is £5.1 million (2020: £4.2 million) included within items excluded from adjusted profit as the charge relates to intangibles acquired upon acquisition of businesses.

Customer relationships are intangible assets recognised upon acquisition which are amortised over long periods of time and are summarised below. The amortisation charge is excluded from adjusted operating profit as described in note 6. The composition of customer relationships and the years remaining until they are fully amortised is shown below.

In 2020, of the £3.6 million impairment charge for the year, £3.4 million arose because of restructuring and has been excluded from adjusted operating profit by removing the charge from administrative expenses as described in note 6. £2.0 million arose in the Sensors and Specialist Components segment and £1.4 million arose in the Power and Connectivity segment.

14 Other intangible assets continued

Customer relationships held on the balance sheet are summarised below.

£million	Net book value	Years remaining
Stadium Group	14.5	11.3
Aero Stanrew	10.0	9.0
Torotel	7.3	20.9
Precision Inc.	5.6	10.7
Covina	3.3	12.2
Roxspur	0.3	0.6
Others	0.4	
At 31 December 2021	**41.4**	

£million	Net book value	Years remaining
Stadium Group	15.8	12.3
Aero Stanrew	11.1	10.0
Torotel	7.5	21.9
Precision Inc.	6.1	11.7
Covina	3.6	13.2
Roxspur	0.9	1.6
Others	0.7	
At 31 December 2020	45.7	

15 Inventories

£million	2021	2020
Raw materials	**92.6**	53.2
Work in progress	**26.3**	26.4
Finished goods	**22.9**	18.6
	141.8	98.2

Inventories are stated after a provision for obsolescence of £18.3 million (2020: £20.2 million). The directors do not consider there to be a material difference between net book value and replacement cost for inventories.

16 Trade and other receivables

£million	2021	2020 [1]
Trade receivables	**72.9**	58.2
Prepayments	**6.3**	4.3
VAT and other taxes receivable	**2.9**	2.7
Amounts owed by non-controlling interests	**2.0**	2.0
Other receivables	**2.1**	4.1
	86.2	71.3

1 Other receivables has been increased by £1.4 million following new information about conditions present at the time of acquisition of Torotel, Inc as described in note 13.

Loss allowance for expected credit losses in respect of trade receivables and amounts owed by non-controlling interests are shown in note 20d(ii) and note 20d(iii) respectively.

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17 Trade and other payables

£million	2021	2020
Current liabilities		
Trade payables	**77.7**	51.1
Taxation and social security	**4.0**	4.7
Accruals	**26.4**	21.0
Deferred income	**16.1**	3.8
Goods received not invoiced	**7.6**	4.9
Other payables	**2.1**	4.7
	133.9	90.2

£million	2021	2020
Non-current liabilities		
Accruals	**0.2**	0.1

Deferred income primarily represents pre funded inventory which is expected to be converted into finished goods and sold within 12 months. All of the brought forward balance carried over from 2020 was converted into finished goods and sold to the end customer within the year.

18 Provisions

£million	Property	Reorganisation	Legal, warranty and other	Total
At 1 January 2020	0.8	1.9	4.5	7.2
Utilised	–	(3.8)	(0.8)	(4.6)
Released	–	(0.1)	(1.3)	(1.4)
Arising during the year	0.1	6.3	0.1	6.5
Exchange differences	–	(0.2)	–	(0.2)
At 1 January 2021	**0.9**	**4.1**	**2.5**	**7.5**
Utilised	**–**	**(3.2)**	**(0.3)**	**(3.5)**
Released	**(0.1)**	**(0.2)**	**(1.4)**	**(1.7)**
Transfer	**–**	**–**	**(0.2)**	**(0.2)**
Arising during the year	**–**	**0.8**	**0.6**	**1.4**
Exchange differences	**–**	**(0.1)**	**(0.1)**	**(0.2)**
At 31 December 2021	**0.8**	**1.4**	**1.1**	**3.3**

£million	2021	2020
Non-current	**0.8**	0.9
Current	**2.5**	6.6
	3.3	7.5

18 Provisions continued

Property

Property provisions of £0.8 million (2020: £0.9 million) relate to dilapidation provisions.

Reorganisation

The reorganisation provision of £1.4 million (2020: £4.1 million) includes £0.5 million (2020: £3.6 million) in respect of self-help programmes which commenced in 2020 to consolidate our footprint including the closure of Barbados, Corpus Christi, US and Lutterworth sites, the moving of Carrollton and £0.6m relating to the closure of Covina. A further £0.3 million (2020: £0.3 million) relates to the restructuring programme undertaken in association with the closure of the Boone, North Carolina operations. Reorganisation provisions relate to committed costs in respect of restructuring programmes, as described in note 6, usually resulting in cash spend within one year. Work has been performed to rectify soil contamination that occurred as a result of past production practices, with £0.1 million utilised during the period. The provision is based upon the Group's estimate of the scope of further work which contains inherent uncertainty.

The utilisation of £3.2 million relates to severance costs of £3.1 million as part of the self-help programme, and £0.1 million of other costs (including Boone). In 2020, the utilisation of £3.8 million related to severance costs of £3.3 million as part of the self-help programme, £0.2 million in respect of the Brea, California office closure, £0.1 million for the closure of our Taishan, China facility and £0.2 million of other costs (including Boone).

Legal, warranty and other

Legal, warranty and other claims represent the best estimate for the cost of settling outstanding product and other claims, and warranty provisions created on the disposal of businesses.

The utilisation of £0.3 million relates to other items. In 2020, the utilisation of £0.8 million related to retention payments entered into on the date of acquisition to employees of acquired businesses (£0.5 million) and other items (£0.3 million).

The release of £1.4 million reflects a £0.6 million reduction in the provision relating to specific claims and a £0.8 million reduction in the Group's warranty claim provision: reflecting a lower historical experience of claims both in volume and exposure. The transfer of £0.2 million reflects a movement to other creditors. In 2020, the release of £1.3 million included a £1.0 million warranty claim provision relating to the disposal of the Transportation, Sensing, & Control Division in 2017, following a full and final settlement and £0.3 million of other costs largely relating to retention payments.

The Group has, on occasion, been required to enforce commercial contracts and to defend itself against proceedings brought by other parties. Provisions are made for the expected costs associated with such matters, based on past experience of similar items and other known factors, taking into account professional advice received, and represent management's best estimate of the likely outcome. The timing of utilisation of these provisions is frequently uncertain, reflecting the complexity of issues and the outcome of various court proceedings and negotiations. Contractual and other provisions represent the Directors' best estimate of the cost of settling future obligations although there is a higher degree of judgement involved. Unless specific evidence exists to the contrary, these provisions are shown as current.

No provision is made for proceedings which have been or might be brought by other parties against Group companies unless management, taking into account professional advice received, assesses that it is more likely than not that such proceedings may be successful. Contingent liabilities associated with such proceedings have been identified, but the Directors are of the opinion that any associated claims that might be brought can be resisted successfully, and therefore the possibility of any material outflow in settlement in excess of amounts provided is assessed as remote.

The timing of the utilisation of these amounts is uncertain as they are subject to commercial negotiation and legal process in different jurisdictions. Where possible the Group has purchased insurance cover to protect itself from these exposures.

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19 Borrowings and lease obligations

£million	Maturity	Currency of denomination	Current	Non-current	Total
At 31 December 2021					
£180 million multi-currency revolving credit facility	**2023**	**GBP**		**52.0**	**52.0**
	2023	**USD**		**21.4**	**21.4**
Unsecured loan note	**2028**	**GBP**		**37.5**	**37.5**
Unsecured loan note	**2031**	**GBP**		**37.5**	**37.5**
Overdrafts			**1.1**	**–**	**1.1**
Lease liabilities			**4.1**	**18.5**	**22.6**
Loan arrangement fee			**–**	**(1.3)**	**(1.3)**
Total			**5.2**	**165.6**	**170.8**
At 31 December 2020					
£180 million multi-currency revolving credit facility	2023	GBP	–	117.0	117.0
	2023	USD	–	19.7	19.7
Overdrafts			1.2	–	1.2
Lease liabilities			3.6	12.3	15.9
Other external loans			1.1	0.3	1.4
Loan arrangement fee			–	(1.1)	(1.1)
Total			5.9	148.2	154.1

In December 2021 the Group issued £75.0 million of unsecured loan notes with £37.5 million maturing in seven years and £37.5 million maturing in 10 years respectively to a collection of three counterparties. The average interest rate on the loan notes is 2.9 per cent.

In May 2016 the Group signed a five-year £150 million multi-currency revolving credit facility and a further uncommitted incremental accordion facility of £30 million. In December 2018 the Group entered into an agreement to extend the facility with a syndicate of six banks comprising Barclays Bank, Bank of Ireland, Comerica Bank, Fifth Third Bank, HSBC Bank and National Westminster Bank. The maturity date of the facility was extended from May 2021 to November 2023. In addition, the facility size was increased from £150 million to £180 million, with the uncommitted accordion facility of £30 million. As at 31 December 2021, £73.4 million (31 December 2020: £136.7 million) of the facility was drawn down. Arrangement fees with amortised cost of £1.3 million (2020: £1.1 million) have been netted off against these borrowings.

The interest margin payable on the facility is based on the Group's compliance with financial covenants, net debt / adjusted EBITDA (bank covenant) and is payable on a floating basis above GBP LIBOR, or USD LIBOR depending on the currency of denomination of the loan. On 4 January 2022 the Group transitioned away from GBP LIBOR to be replaced by GBP SONIA.
There will be no impact of this transition. As USD LIBOR will still be in use up until mid 2023 the Group does not expect to transition away from USD LIBOR in the next 12 months.

Undrawn facilities
At 31 December 2021, the total lease liabilities and borrowing facilities available to the Group net of £1.3 million of loan arrangement fees (2020: £1.1 million) amounted to £318.9 million (2020: £237.3 million). At 31 December 2021, the Group had available £110.1 million (2020: £46.6 million) of undrawn committed borrowing facilities (comprising the main facility £106.6 million (2020: £43.2 million) and China £3.5 million (2020: £3.4 million) and £38.0 million (2020: £39.2 million) of undrawn uncommitted borrowing facilities, representing overdraft lines and the accordion facility.

20 Financial risk management

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

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

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

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

a) Derivatives, other financial instruments and risk management

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

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

To mitigate transactional foreign exchange risk, wherever possible, Group companies enter into transactions in their functional currencies with customers and suppliers. When this is not possible, hedging strategies are undertaken through the use of forward currency contracts for up to two years ahead. The forward currency contracts have been designated as cash flow hedges and the effective portion of the mark to market valuation of these derivatives at 31 December 2021 is taken to the hedging reserve within equity. Currency basis spread that is not designated is taken to the income statement.

The Group have designated £21.4 million ($29.0 million) (2020: £19.7 million ($29.0 million)) of loans in a net investment hedge of USD net assets. No ineffectiveness was recorded (2020: £nil) and a gain of £0.3m (2020: £0.7m gain) was taken to the translation reserve. The amount accumulated in this reserve in respect of gains/losses arising on hedging instruments designated in net investment hedges up to 31 December 2021 was an accumulated loss of £0.3 million (2020: accumulated loss of £1.0 million).

The Group's interest rate management policy is to maintain a balance between fixed and floating rates of interest on borrowings and deposits, and to use interest rate derivatives when appropriate and pre-approved by the Treasury Committee. The interest rate hedging instruments are floating to fixed rate interest rate swaps used to manage the Group's interest cost.

At 31 December 2021, the Group had a net derivative financial asset of £2.6 million (2020: £5.7 million net asset).

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Continued

20 Financial risk management continued

Foreign exchange (FX) hedges	Notional Amount (£m)	Average Hedged Rate	Fair value (£m)	Type of hedge
31 December 2021				
USD:CNY	**65.6**	**6.70**	**3.0**	**CFH – Forward rate**
USD:MXN	**23.9**	**22.03**	**0.4**	**CFH – Forward rate**
USD:GBP	**23.3**	**1.35**	**(0.1)**	**CFH – Forward rate**
EUR:GBP	**10.8**	**1.13**	**0.3**	**CFH – Forward rate**
USD:MYR	**8.6**	**4.17**	**–**	**CFH – Forward rate**
CNY:GBP	**6.1**	**9.08**	**(0.3)**	**CFH – Forward rate**
GBP:USD	**5.5**	**1.03**	**(0.1)**	**CFH – Forward rate**
CNY:EUR	**3.4**	**7.89**	**(0.3)**	**CFH – Forward rate**
HKD:CNY	**3.2**	**0.85**	**0.1**	**CFH – Forward rate**
GBP:EUR	**2.7**	**0.87**	**(0.1)**	**CFH – Forward rate**
GBP:SEK	**2.6**	**11.63**	**(0.1)**	**CFH – Forward rate**
Other	**–**	**–**	**0.1**	**CFH – Forward rate**
Total	**155.7**		**2.9**	
31 December 2020				
USD:CNY	62.3	7.02	3.3	CFH – Forward rate
USD:GBP	26.5	0.77	1.2	CFH – Forward rate
USD:MXN	17.8	23.43	2.3	CFH – Forward rate
EUR:GBP	16.9	0.90	(0.1)	CFH – Forward rate
GBP:EUR	9.9	1.12	0.1	CFH – Forward rate
HKD:CNY	7.6	0.89	0.3	CFH – Forward rate
USD:MYR	7.4	4.19	0.2	CFH – Forward rate
GBP:USD	7.3	1.27	(0.4)	CFH – Forward rate
CNY:GBP	6.0	0.11	(0.1)	CFH – Forward rate
Other	4.0		(0.1)	CFH – Forward rate
Total	165.7		6.7	

CFH is an abbreviation for cash flow hedge.

The most common exchange rate risk is the transaction risk the Group takes when it invoices a customer or purchases from suppliers in a different currency to the underlying functional currency of the business. The Group policy is to review transactional foreign exchange exposures and place contracts on a quarterly basis. To the extent the cash flows associated with a transactional foreign exchange risk are committed the Group will hedge 100%. The notional values of the hedged transactions are disclosed in the above table. The group's policy is to hedge these transactions on a 1:1 ratio. Foreign currency basis spread of the derivative item is not designated and is therefore recognised in the income statement. The potential sources of ineffectiveness are timing of forecast transaction and credit risk. There was no hedge ineffectiveness incurred during the period.

The closing value of the hedging reserve in relation to FX hedges on 31 December 2021 was £2.6 million (2020: accumulated gain of £6.4 million). The transactions that have been designated as the hedged item in a cash flow hedge relationship are still considered highly probable forecasted transactions, during the year and at the yearend 31 December 2021.

Hedges with a notional amount of £24.8 million (2020: £42.8 million) are due within 12 months with the remainder maturing within 24 months.

20 Financial risk management continued

Interest rate swaps	Notional amount (£m)	Fair value (£m)	Type of hedge
31 December 2021			
USD	**5.1**	**(0.1)**	**CFH – IBOR**
GBP	**19.0**	**(0.2)**	**CFH – IBOR**
	24.1	**(0.3)**	
31 December 2020			
USD	5.1	(0.3)	CFH – IBOR
GBP	19.0	(0.7)	CFH – IBOR
	24.1	(1.0)	

At the start of the year the Group was exposed to the following interest rate benchmarks within its hedge accounting relationships, which are subject to interest rate benchmark reform: GBP LIBOR and USD LIBOR ("IBORs"). The hedged items are Sterling and US Dollar floating rate debt (see note 19). On 4 January 2022 the Group transitioned away from GBP LIBOR to be replaced by GBP SONIA. There will be no impact of this transition. As USD LIBOR will still be in use up until mid 2023 the Group does not expect to transition away from USD LIBOR in the next 12 months.

The Group hedges approximately 30% of the interest rate exposure of the Group. At 31 December 2021 the Group held interest rate swap instruments to fix the cost of GBP LIBOR and USD LIBOR on borrowings under the bank facility. Under the terms of the swaps on the bank borrowings and excluding the bank margin, the Group will pay a weighted average fixed cost of approximately 1.5% until the swaps terminate in November 2023.

The average cost of the debt for the Group is expected to be approximately 3.3% over the next 12 months. The interest rate swaps are designated as cash flow hedges and were highly effective throughout 2021. The fair value of the contracts as at 31 December 2021 is disclosed in the table above. For the year ending 31 December 2021 an accumulated loss of £0.4 million (2020: £0.2 million) was reclassified from the cash flow hedge reserve and included in the income statement as part of finance costs. A gain on the movement in fair value of the hedging instruments of £0.3 million (2020: loss of £0.7 million) was recognised within other comprehensive income. The closing value of the hedging reserve in relation to interest rate swaps on 31 December 2021 was a debit of £0.3 million (2020: debit of £1.0 million). Swaps with a notional value of £19.0 million and $7.0 million mature in November 2023.

No ineffectiveness was recognised through the Income Statement in 2021 (2020: £nil) or is expected to be recognised in future periods.

Notes to the Consolidated financial statements

Continued

20 Financial risk management continued

b) Foreign exchange risk

Trade receivables are denominated in the currencies in which the Group trades. The Group's policy is that receivables and payables not in the functional currency of the subsidiary concerned are, in the main, hedged through forward foreign currency exchange contracts.

The Group's exposure to foreign currency before the impact of hedging is shown below:

£million	GBP	USD	Euro	Other	Total
31 December 2021					
Trade and other receivables	**0.1**	**21.3**	**2.1**	**0.6**	**24.1**
Cash and cash equivalents	**–**	**4.0**	**1.2**	**1.6**	**6.8**
Borrowings	**–**	**(21.4)**	**–**	**–**	**(21.4)**
Lease liabilities	**–**	**–**	**(0.1)**	**(1.2)**	**(1.3)**
Trade and other payables	**(0.4)**	**(19.5)**	**(1.4)**	**(2.9)**	**(24.2)**
Net Derivative financial instruments	**(0.1)**	**(0.1)**	**(0.3)**	**3.1**	**2.6**
Total	**(0.4)**	**(15.7)**	**1.5**	**1.2**	**(13.4)**
31 December 2020					
Trade and other receivables	–	13.6	1.8	0.6	16.0
Cash and cash equivalents	–	7.8	2.6	1.1	11.5
Borrowings	–	(19.7)	–	–	(19.7)
Lease liabilities	–	–	(0.1)	(1.3)	(1.4)
Trade and other payables	(0.3)	(9.9)	(1.1)	(2.8)	(14.1)
Net Derivative financial instruments	0.1	4.1	(0.1)	1.6	5.7
Total	(0.2)	(4.1)	3.1	(0.8)	(2.0)

A 10% strengthening of GBP against the following currencies at 31 December 2021 would have increased profit after tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. A 10% weakening of GBP against the above currencies at 31 December 2021 would have had an equal but opposite effect on the above currencies to the amount shown above, on the basis that all other variables remain constant.

£million	2021	2020
US dollar	**0.6**	1.2
Euro	**0.2**	0.3

A 10% strengthening of GBP against the following currencies at 31 December 2021 would have decreased equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The Group finances operations by obtaining funding through external borrowings and, where they are in foreign currencies, these borrowings may be designated as net investment hedges. This enables gains and losses arising on retranslation of these foreign currency borrowings to be charged to other comprehensive income, providing a partial offset in equity against the gains and losses arising on translation of the net assets of foreign operations. This has been considered in the analysis below.

£million	2021	2020
US dollar	**(2.1)**	(1.6)
Euro	**(0.0)**	(0.0)

10% weakening of GBP against the above currencies at 31 December 2021 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.

20 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**	**2021 total**
Financial assets				
Trade and other receivables	**–**	**–**	**74.9**	**74.9**
Cash and cash equivalents	**16.0**	**–**	**52.3**	**68.3**
Derivative financial instruments	**–**	**–**	**4.6**	**4.6**
Total financial assets	**16.0**	**–**	**131.8**	**147.8**
Financial liabilities				
Borrowings	**(50.4)**	**(99.1)**	**1.3**	**(148.2)**
Lease liabilities	**–**	**(22.6)**	**–**	**(22.6)**
Trade and other payables	**–**	**–**	**(111.9)**	**(111.9)**
Derivative financial instruments	**(0.3)**	**–**	**(1.7)**	**(2.0)**
Total financial liabilities	**(50.7)**	**(121.7)**	**(112.3)**	**(284.7)**

£million	Floating rate	Fixed rate	Non-interest bearing	2020 total
Financial assets				
Trade and other receivables	–	–	60.2	60.2
Cash and cash equivalents	60.7	3.9	5.6	70.2
Derivative financial instruments	–	–	7.6	7.6
Total financial assets	60.7	3.9	73.4	138.0
Financial liabilities				
Borrowings	(113.8)	(25.5)	1.1	(138.2)
Lease liabilities	–	(15.9)	–	(15.9)
Trade and other payables	–	–	(77.1)	(77.1)
Derivative financial instruments	(1.0)	–	(0.9)	(1.9)
Total financial liabilities	(114.8)	(41.4)	(76.9)	(233.1)

At 31 December 2021, 43% of borrowings was at a fixed rate when including the effect of derivatives (2020: 18% of borrowings including the effect of derivatives and finance leases).

The interest charged on floating rate financial liabilities is based on the relevant benchmark rate (such as LIBOR or SONIA). 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 2021, 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 interest rate, based on the year end floating rate borrowings, with all other variables held constant, is estimated to be £0.3 million (2020: £0.4 million). The impact on equity would be materially the same.

Notes to the Consolidated financial statements

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20 Financial risk management continued

d) Credit risk

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

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

The Group has strict procedures in place to manage the credit risk on trade receivables. Customer credit risk is managed by each operating company within a division but is subject to Group oversight to ensure that each division's customer credit risk management system operates in a prudent and responsible manner. Credit evaluations are performed for all customers and credit limits are established based on internal or external rating criteria. The credit quality of the Group's significant customers is monitored on an ongoing basis. Letters of credit or payments in advance are obtained where customer credit quality is not considered strong enough for open credit. The Group operates the expected credit losses model when applying credit risk to receivables.

During the year there was £1.9 million of impairments of trade receivables as at 31 December 2021 (2020: £0.3 million) recognised within admin expenses. The solvency of the debtor and their ability to repay the receivables were considered in assessing the impairment of such assets.

(i) Risk for trade receivables by geographical regions

The maximum exposure to credit risk for trade receivables at 31 December 2021 by geographic areas was:

£million	**2021**	2020
Europe (including UK)	**32.7**	26.0
North America	**26.7**	22.6
Asia	**13.2**	8.8
Rest of the World	**0.3**	0.8
	72.9	58.2

(ii) Impairment losses

The ageing of trade receivables at 31 December was:

		2021		2020
£million	**Gross**	**Impairment**	Gross	Impairment
Not past due	**66.0**	**(0.2)**	52.9	(0.1)
Past due 1 – 60 days	**6.6**	**–**	4.8	–
Past due 61 – 120 days	**0.3**	**(0.2)**	0.5	(0.2)
More than 120 days	**2.1**	**(1.7)**	0.5	(0.2)
	75.0	**(2.1)**	58.7	(0.5)

20 Financial risk management continued

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

£million	2021	2020
At 1 January	**(0.5)**	(0.4)
Released to income statement	**0.2**	0.2
Charged to income statement	**(1.9)**	(0.3)
Utilised	**0.2**	–
At 31 December	**(2.0)**	(0.5)

(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, amounts owed by non controlling interests and derivative financial instruments arises from the potential default of counterparties. Credit risk arising from balances with banks and financial institutions is monitored by the Group's Treasury department. The Group's policy on investment of cash and deposits are to only hold cash deposits with banks with a credit rating of investment grade and are reviewed on a regular basis to take account of developments in financial markets. Currently the Group has 12 counterparties to which it has credit risk exposure. The credit risk of the counterparties is between AA- and A- on the S&P's long term credit risk scale. The same process is undergone for counterparts with which the Group enters into hedging agreements. As such credit risk on these financial assets (cash and cash equivalents and derivatives) is calculated as £nil.

The expected credit risk model was applied to other receivables as described in note 2o where the credit risk was deemed immaterial.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December was:

£million	2021	2020
Amounts owed by non-controlling interests	**2.0**	2.0
Cash and cash equivalents	**68.3**	70.2
Derivative financial instruments	**4.6**	7.6

Notes to the Consolidated financial statements

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20 Financial risk management continued

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 2021, the Group had £110.1 million of undrawn committed borrowing facilities (2020: £46.6 million) and £38.0 million (2020: £46.6 million) of undrawn uncommitted borrowing facilities.

Contractual cashflows of financial liabilities

The following are the contractual maturities of financial liabilities including contractual future interest payments and commitment fees:

£million	Carrying value	Contractual Cash Flows	On demand	Under 3 months	3 to 12 months	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years
31 December 2021										
Borrowings (excl overdrafts)	**(147.1)**	**(172.0)**	**–**	**(0.7)**	**(4.1)**	**(77.9)**	**(2.2)**	**(2.2)**	**(2.2)**	**(82.7)**
Overdrafts	**(1.1)**	**(1.1)**	**(1.1)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Lease liabilities	**(22.6)**	**(27.0)**	**–**	**(1.2)**	**(3.2)**	**(4.2)**	**(3.4)**	**(2.9)**	**(2.7)**	**(9.4)**
Trade and other payables	**(111.9)**	**(112.1)**	**–**	**(111.3)**	**(0.6)**	**(0.1)**	**(0.1)**	**–**	**–**	**–**
Derivatives settled gross	**(1.7)**	**(41.9)**	**–**	**(5.7)**	**(22.1)**	**(14.1)**	**–**	**–**	**–**	**–**
Interest rate swaps	**(0.3)**	**(1.1)**	**–**	**(0.2)**	**(0.5)**	**(0.5)**	**–**	**–**	**–**	**–**
	(284.7)	**(355.2)**	**(1.1)**	**(119.1)**	**(30.5)**	**(96.8)**	**(5.7)**	**(5.1)**	**(4.9)**	**(92.1)**
31 December 2020										
Borrowings (excl overdrafts)	(137.0)	(146.9)	–	(0.8)	(3.4)	(3.4)	(139.3)	–	–	–
Overdrafts	(1.2)	(1.2)	(1.2)	–	–	–	–	–	–	–
Lease liabilities	(15.9)	(27.0)	–	(1.2)	(3.2)	(4.2)	(3.4)	(2.9)	(2.7)	(9.4)
Trade and other payables	(77.1)	(77.1)	–	(72.9)	(4.2)	–	–	–	–	–
Derivatives settled gross	(0.9)	(26.2)	–	(3.2)	(15.9)	(7.1)	–	–	–	–
Interest rate swaps	(1.0)	(1.7)	–	(0.1)	(0.5)	(0.6)	(0.5)	–	–	–
	(233.1)	(280.1)	(1.2)	(78.2)	(27.2)	(15.3)	(143.2)	(2.9)	(2.7)	(9.4)

f) Fair value of financial assets and liabilities

IFRS 13 "Fair Value Measurement" requires an analysis of those financial instruments that are measured at fair value at the end of the year in a fair value hierarchy. In addition, IFRS 13 requires financial instruments not measured at fair value but for which fair value is disclosed to be analysed in the same fair value hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

20 Financial risk management continued

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements.

£million	Fair value hierarchy	At 31 December 2021 Carrying value	At 31 December 2021 Fair value	31 December 2020 Carrying value	31 December 2020 Fair value
Held at amortised cost					
Cash and cash equivalents	n/a	68.3	68.3	70.2	70.2
Trade and other receivables	n/a	74.9	74.9	60.2	60.2
Trade and other payables	n/a	(111.9)	(111.9)	(77.1)	(77.1)
Borrowings (excluding unsecured loan notes)	2	(73.2)	(73.2)	(138.2)	(138.2)
Unsecured loan notes	3	(75.0)	(71.5)	–	–
Held at fair value					–
Derivative financial instruments (assets)	2	4.6	4.6	7.6	7.6
Derivative financial instruments (liabilities)	2	(2.0)	(2.0)	(1.9)	(1.9)
Deferred consideration for acquisition of Power Partners Inc.	3	–	–	(0.4)	(0.4)
Held at depreciated cost					–
Investment properties	3	–	0.7	1.1	1.8

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 (£4.6 million) and liabilities (£2.0 million) are estimated by discounting expected future cash flows using current market indices such as yield curves and forward exchange rates over the remaining term of the instrument (level 2); and
- the fair value of investment properties are based on market valuations obtained through third party valuations (level 3).
- The fair value of unsecured loan notes has been derived from available market data for borrowings of similar terms and maturity period.

g) Capital management

The overriding objectives of the Group's capital management policy are to safeguard and support the business as a going concern through the business cycle and to maintain an optimal capital structure by reducing the Group's overall cost of capital. The Board considers equity shareholders' funds as capital.

The Group maintains a balance between availability of funding and maximising investment return on cash balances through the use of short-term cash deposits, credit facilities and longer term debt instruments, and management regularly reviews the funding requirements of the Group.

Dividends are paid when the Board consider it appropriate to do so, taking into account the availability of funding. The Group has a progressive dividend policy.

The Group has net debt of £102.5 million (2020: £83.9 million). Included within the debt facilities are certain financial covenants related to IFRS (excluding IFRS 16 update, and after the application of other covenant defined adjustments) net debt divided by adjusted EBITDA. Adjusted EBITDA is EBITDA adjusted to exclude the items not included within adjusted operating profit/net finance charges for which compliance certificates are produced on a 12 month rolling basis every half year. All financial covenants were fully complied with during the year and up to the date of approval of the financial statements.

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21 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 £3.0 million (2020: £3.2 million).

Defined benefit schemes
At 31 December 2021 the Group operated two defined benefit schemes in the UK (the TT Group (1993) Pension Scheme and the Southern & Redfern Ltd Retirement Benefits Schemes) and overseas defined benefit schemes in the USA. These schemes are closed to new members and the UK schemes are closed to future accrual.

The TT Group scheme commenced in 1993 and increased in size in 2006, 2007 and 2019 through the mergers of former UK schemes following a number of acquisitions. The parent company is the sponsoring employer in the TT Group scheme. The TT Group scheme is governed by TTG Pension Trustees Limited (the "Trustee") that has control over the operation, funding and investment strategy in consultation with the Group.

The TT Group 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, but given the material nature of the TT Group scheme, the Group has developed a comprehensive strategy covering the following areas to manage the financial risk associated with it:

- Maintaining a long term working partnership with the Trustee to ensure strong governance of risks within the TT Group scheme. The TT Group scheme is a long term undertaking and is managed accordingly, in order to provide security to members' benefits and value for money to the Group.
- A prudent investment strategy is pursued by seeking risk-rewarded long term returns whilst removing the majority of liability mismatching unrewarded risks. As the scheme's funding position has improved, so the scheme's investment strategy has been gradually de-risked to reduce scheme volatility.
- The Group has in place financial hedging that aims to remove the majority of interest rate and inflation related risks. As the scheme funding has improved the level of hedging has been increased. We are now fully hedged on a self-sufficiency basis, which means that we are now over-hedged on accounting basis. At the current level the approximate impact on the reported accounting position of a 10bps fall in interest rates would be a circa £1 million improvement in the position (which would be otherwise a circa £9 million deterioration if the hedge were not in place) thereby reducing volatility. Conversely, a 10bps rise in interest rates would result in a circa £1 million reduction in accounting surplus, all else equal. This strategy has been in place for a number of years protecting the TT Group scheme's position since December 2013 when yields commenced a prolonged decline. As the scheme's funding position has improved, so the scheme's investment strategy has been gradually de-risked to reduce scheme volatility.
- The Group recognises that seeking rewarded risk returns in its investment strategy could lead to short term fluctuations in funding levels depending on market conditions. The Group considers that by maintaining a good relationship with the Trustee, it will be able to utilise flexibility in the funding regime to even out the impact of short term market underperformance to enhance predictability of Group pension contributions. This creates a suitable balance between the needs of the TT Group scheme, the Group, and the Members.

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 asset classes. With regard to currency risk, where possible the Scheme fully hedges its currency risk with respect to fixed income and alternative assets, through investing in currency-hedged vehicles. The Scheme has equity exposure held on both a hedged, and unhedged basis. Whilst there is no specific currency hedging policy in place, the Scheme aims to hedge between 30-70% of its non-sterling currency exposure with respect to equity investments.

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 has a target to hedge 80% of the interest rate and circa 90% of the inflation linked liabilities measured on an buyout basis. The target hedge level is kept under review and any change would be in consultation with the Group.

The Scheme's investment strategy has been assessed as being low risk as it largely matches changes in the assessed value of the Schemes liabilities due to changes in interest rates and inflationary expectations.

The Trustee does not currently hedge the longevity risk, although prudent assumptions are made regarding anticipated longevity for the purposes of the statutory funding actuarial valuation.

21 Retirement benefit schemes continued

Analysis has shown that the COVID-19 related excess deaths over 2020 and 2021 have typically reduced a pension scheme's liabilities by around 0.1%, with defined benefit pension scheme members often less affected by COVID-19 than the general UK population. Nonetheless, it is possible that the longer term implications of COVID-19 in terms of economic shock, delayed healthcare treatments and long COVID could result in slower longevity improvements than anticipated before the pandemic. These negative impacts could outweigh other potential positive changes such as greater attention to healthcare and healthier individual behaviours. The Trustees and Company keep the potential implications of this risk under review.

The Trustee, in conjunction with the Group, has a duty to ensure that the TT Group scheme has an appropriate funding strategy in place that meets any local statutory requirements. The objective, which has been negotiated and agreed between the Group and the Trustee, is that the TT Group scheme should target and then maintain 100% funding on a basis that should ensure benefits can be paid as they fall due. Any shortfall in the assets relative to the funding target will be financed over a period that ensures the contributions are reasonably affordable to the Group.

The weighted average duration of the TT Group scheme defined benefit obligation is around 16 years.

The Trustee allocates the TT Group scheme'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.

UK legislation requires the Trustee to carry out a statutory funding valuation at least every three years and to target full funding against a basis that prudently reflects the TT Group scheme's risk exposure.

The triennial valuation of the TT Group scheme as at April 2019 showed a net surplus of £0.3 million against the Trustee's statutory funding objective. As the scheme was fully funded at the 2019 triennial valuation date, there is no requirement for the Company to pay pension contributions. In addition to the statutory funding objective, the Trustee and Company agreed to move towards a 'self-sufficiency' funding target, under which once full funding is achieved the likelihood of the Trustee requiring subsequent contributions from the Company is significantly reduced. To support the scheme's long-term funding target of self-sufficiency the Company agreed to pay additional fixed contributions of £5.7 million and £4.4 million in the years 2022 and 2023 respectively. The next triennial valuation of the TT Group scheme is due as at 5 April 2022.

In the year ended 31 December 2021 the Group made contributions of £5.5 million to the TT Group (1993) scheme and £nil to the Southern & Redfern Ltd Retirement Benefits Schemes.

In addition, the Company has set aside £0.6 million under a legal agreement to be utilised in agreement with the Trustee for reducing the long-term liabilities of the TT Group scheme.

The Trustee and Company agreed that the Trustee should undertake an exercise during 2021, whereby eligible current pensioner members were offered an option to exchange their non-statutory pension increase benefits for an additional amount of level pension. In the year ended 31 December 2021, a £1.8 million credit was recognised as a result of this exercise.

An actuarial valuation of the USA defined benefit schemes was carried out by independent qualified actuaries in 2021 using the projected unit credit method. Pension scheme assets are stated at their market value at 31 December 2021.

An analysis of the pension surplus/(deficit) by scheme is shown below:

£million	**2021**	2020
TT Group (1993)	**78.4**	35.4
Southern & Redfern	**–**	–
USA schemes	**(3.9)**	(4.9)
Net surplus	**74.5**	30.5

Given the nature of the Group's control of the TT Group under the Scheme rules, the Group considers that it has an unconditional right to refund of surplus in the event of the Scheme's wind-up. Based on these rights, any pension surpluses have been recognised in full under IFRIC 14.

Notes to the Consolidated financial statements

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21 Retirement benefit schemes continued

The principal assumptions used for the purpose of the actuarial valuations for the Group's primary defined benefit schemes were as follows:

%	TT Group 2021	TT Group 2020
Discount rate	**1.80**	1.40
Inflation rate (RPI)	**3.60**	3.10
Increases to pensions in payment (LPI 5% pension increases)	**3.40**	2.95
Increases to deferred pensions (CPI)	**3.00**	2.40

The mortality tables applied by the actuaries at 31 December 2021 for the TT Group (1993) Scheme were S2 tables with 105% (male)/106% (female) weighting for pensioners and 108% (male)/105% (female) weighting for non-pensioners with a 1.5% long-term rate of improvement in conjunction with the CMI 2020 projection model. The assumptions are equivalent to life expectancies as follows: Current pensioner aged 65: 87 years (male), 89 years (female). Future retiree currently aged 40: 89 years (male), 91 years (female).

Risk and sensitivity

A decrease in the discount rate by 0.1% per annum increases the liabilities by approximately £9.1 million. An increase by 0.1% per annum in the inflation rate increases the liabilities by approximately £2.9 million. An increase in the life expectancy of 1 year increases the liabilities by approximately £25.2 million.

The sensitivities above consider the impact of the single change shown, with the other assumptions unchanged. The inflation sensitivities allow for the consequential impact on the relevant pension increase assumptions. The sensitivity analyses have been determined based on a method that extrapolates the impact on the defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

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

£million		2021	2020
Equities			
UK	Unquoted	**0.9**	6.2
Overseas	Quoted	**4.8**	4.1
	Unquoted	**35.7**	93.2
Government bonds			
UK	Fixed	**149.2**	183.0
	Index-linked	**208.1**	135.0
Overseas		**7.0**	7.3
Corporate bonds		**120.8**	97.1
Cash and cash equivalents		**37.1**	30.0
Derivatives		**20.2**	11.4
Insured assets		**14.9**	15.6
Other		**53.2**	65.8
Fair value of assets		**651.9**	648.7
Present value of defined benefit obligation		**(577.4)**	(618.2)
Net surplus recognised in the consolidated balance sheet		**74.5**	30.5

21 Retirement benefit schemes continued

The schemes' assets are unquoted unless otherwise stated and do not include the Group's financial instruments nor any property occupied by, or other assets used by the Group. All of the funds included in the asset split are pooled investment vehicles for which due diligence has been completed. We have classified all of the Scheme's investments other than the cash held at the custodian, government bonds and the exchange traded funds (ETFs) as unquoted assets. 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	2021	2020
Scheme administration costs	**(1.7)**	(1.7)
Net gain on pension projects (excluded from adjusted operating profit)	**0.3**	–
Net interest credit	**0.9**	0.4

Amounts recognised in the consolidated statement of comprehensive income are a gain of £35.8 million (2020: gain of £8.6 million) which comprises of; the actual return on scheme assets, a gain of £11.3 million (2020: gain of £70.9 million) and the remeasurement of the schemes obligations, a decrease of £24.5 million (increase of £62.3 million).

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

£million	2021	2020
Defined benefit obligation at 1 January	**618.2**	566.5
Past service charge and settlements	**(1.8)**	0.8
Interest on obligation	**9.6**	11.2
Remeasurements:		
Effect of changes in demographic assumptions	**(1.2)**	5.0
Effect of changes in financial assumptions	**(13.2)**	57.3
Effect of experience adjustments	**(10.1)**	–
Benefits paid	**(24.2)**	(22.2)
Exchange	**0.1**	(0.4)
Defined benefit obligation at 31 December	**577.4**	618.2
TT Group (1993)	**564.7**	604.8
Southern & Redfern	**0.9**	1.0
USA schemes	**11.8**	12.4
	577.4	618.2

Notes to the Consolidated financial statements

Continued

21 Retirement benefit schemes continued

Changes in the fair value of the schemes' assets are:

£million	2021	2020
Fair value of schemes' assets at 1 January	**648.7**	583.1
Interest income on defined benefit scheme assets	**10.5**	11.6
Return on scheme assets, excluding interest income	**11.3**	70.9
Contributions by employer	**7.3**	7.2
Pension scheme expenses	**(1.7)**	(1.7)
Annuity purchase loss	**–**	(0.1)
Benefits paid	**(24.2)**	(22.2)
Exchange	**–**	(0.1)
Fair value of schemes' assets at 31 December	**651.9**	648.7

22 Share capital and other reserves

Share capital

£million	2021	2020
Issued and fully paid		
176,244,624 (2020: 174,580,743) ordinary shares of 25p each	**44.1**	43.6

During the period the Company issued 653,834 ordinary shares as a result of share options being exercised under the Sharesave scheme and Share Purchase plans.

The performance conditions of the Long-term Incentive Plan awards issued in 2018 and Restricted Share Plan awards issued in 2019, 2020 and 2021 were met and shares were allocated to award holders from existing shares held by an Employee Benefit Trust for £nil consideration. 191,651 new shares were issued at par value of 25 pence to settle the vesting of part of the 2018 scheme. 818,396 new issue shares were issued at par value of 25 pence in anticipation of vesting of the 2019 scheme in 2022.

The aggregate consideration received for all share issues during the year was £1.4 million, which was represented by a £0.5 million increase in share capital and a £0.9 million increase in share premium.

On the 22 September 2020 the Group issued 10,000,000 ordinary shares to fund the acquisition of Torotel. The consideration received was £19.5 million (after fees of £0.5 million which were recorded within share premium) which was represented by a £2.5 million increase in share capital and a £17.0 million increase in share premium.

22 Share capital and other reserves continued

Other reserves

£million	Share Based Payment Reserve	Employee Benefit Trust	**Share options reserve**	Hedging Reserve	Merger reserve	**Total**
At 1 January 2020	0.2	(2.4)	**(2.2)**	(1.7)	3.4	**(0.5)**
Share based payment charge	1.0	–	**1.0**	–	–	**1.0**
Awards made to employees	(4.0)	2.2	**(1.8)**	–	–	**(1.8)**
Deferred tax on share based payments	(0.3)	–	**(0.3)**	–	–	**(0.3)**
Gain on cash flow hedges taken to equity less amounts taken to income statement	–	–	**–**	7.1	–	**7.1**
At 1 January 2021	(3.1)	(0.2)	**(3.3)**	5.4	3.4	**5.5**
Share based payment charge	3.8	–	**3.8**	–	–	**3.8**
Awards made to employees	(0.2)	0.2	**–**	–	–	**–**
Deferred tax on share based payments	0.5	–	**0.5**	–	–	**0.5**
Issue of new shares	–	(0.3)	**(0.3)**	–	–	**(0.3)**
Loss on cash flow hedges taken to equity less amounts recycled to income statement	–	–	**–**	(3.2)	–	**(3.2)**
Deferred tax on gain on cash flow hedges	–	–	**–**	0.5	–	**0.5**
Other movement	0.3	–	**0.3**	–	–	**0.3**
At 31 December 2021	1.3	(0.3)	**1.0**	2.7	3.4	**7.1**

Notes to the Consolidated financial statements

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23 Share-based payment plans

The Company has the following share-based payment plans in operation at 31 December 2021:

- Long-term Incentive Plan ("LTIP") for senior executives;
- Restricted Share Plan ("RSP") for certain senior executives; and
- Sharesave plans for UK employees and a Share Purchase plan for US employees.

The LTIP and RSP schemes have been classified as equity settled schemes. The terms of the LTIP and RSP schemes state that the Group has the right as to how to settle these awards and it is the Group's intention to settle these with equity. At the date of vesting the Group will settle the awards either with new issue shares or shares purchased on the market at an earlier point in time.

The Group offers the employees the option for the Group to settle the tax liability, which the employee would incur upon receipt of the award, on behalf of the employee with the relevant tax authority. In this circumstance the Group may choose to pay, in cash, the tax liability due on behalf of the employee to the tax authority and the employee would receive the remaining value of their award in equity. In 2021 the Group paid £0.3 million to settle the employees' tax liabilities (2020: £1.5 million). The Group estimates that the future cashflows associated with the above would remain consistent in future years with the 2020 outflows. The Group also offers the employee the option for the Group to sell the remaining shares on the employees' behalf and to forward that cash to the employee, although the Group is not compelled to do so no matter what the employee chooses. In 2021 £36.6 thousand was used for these purposes (2020: £1.8 million). The Group estimates that the future cashflows associated with the above would remain consistent in future years with the 2021 outflows. These arrangements do not change the assessment that the share-based payments are equity settled.

The Sharesave scheme has also been classified as an equity settled scheme. The rules of this scheme state that the participant must always be paid in equity and that neither party can request settlement in any other way.

a) Long-term Incentive Plans

Details of the LTIP awards outstanding during the year are as follows:

	2021 **Number of share awards**	2020 Number of share awards
At 1 January	**5,031,921**	4,697,301
Granted	**1,806,500**	2,003,776
Forfeited	**(1,246,053)**	(106,490)
Exercised/Vested	**(213,075)**	(1,562,666)
At 31 December	**5,379,293**	5,031,921
Exercisable at 31 December	**–**	–

During 2021 grants of awards were made under the LTIP for the issue of shares in 2024. An award is a contingent right to receive shares in the future, subject to continued employment and the achievement of predetermined performance criteria. The performance targets attached to awards require the achievement of earnings per share ('EPS') and total shareholder return ('TSR') targets as detailed in the Directors' Remuneration Report on page 113.

On 16 March 2021 and 1 October 2021 grants of awards were made under the LTIP for the issue of up to 1,763,817 and 42,683 shares respectively in 2024.

On 13 March 2020 and 17 September 2020 grants of awards were made under the LTIP for the issue of up to 1,981,406 and 22,370 shares respectively in 2023.

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.

23 Share-based payment plans continued

The following table lists the inputs to the model:

Grant date	Number of awards	Fair value at grant date	Share price at grant date	Exercise price	Expected volatility	Vesting period (years)
2021						
16 March 2021	1,763,817	218.4p	256.0p	£nil	39%	3.0
1 October 2021	42,683	215.8p	253.0p	£nil	39%	3.0
2020						
13 March 2020	1,981,406	161.3p	194.5p	£nil	35%	3.0
17 September 2020	22,370	175.8p	212.0p	£nil	35%	3.0

The award of shares is not affected by the risk free rate of interest since no investment is required by the recipient, and therefore no interest could be earned elsewhere. Expected volatility is based on historical share price movements.

On 16 March 2021 49,717 (13 March 2020: 48,070) notional share awards were granted to senior executives which will ultimately be settled in cash. This award is subject to the same vesting criteria as the 16 March 2021 LTIP grant.

The performance conditions of the LTIP grants made in 2018 that reached the end of their performance periods in 2021 were partially met and shares were allocated to award holders from existing shares held by an Employee Benefit Trust for £nil consideration.

b) Restricted Share Plan

During the year the Group granted 1,018,880 shares (2020: 1,367,814) under the restricted plan. Awards are typically subject to continuing employment with no other vesting criteria.

Details of the restricted share plan awards outstanding during the year are as follows:

	2021 Number of share awards	2020 Number of share awards
At 1 January	**1,485,970**	284,106
Granted	**1,018,880**	1,367,814
Forfeited/Lapsed	**(61,862)**	–
Exercised/Vested	**(249,806)**	(165,950)
At 31 December	**2,193,182**	1,485,970
Exercisable at 31 December	**–**	–

Notes to the Consolidated financial statements

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23 Share-based payment plans continued

The following table lists the inputs to the model:

Grant date	Number of awards	Fair value at grant date	Share price at grant date	Exercise price	Expected volatility	Vesting period (years)	Vesting criteria
2021							
21 January 2021	**20,000**	**208.0p**	**208.0p**	**£nil**	**39%**	**2.7**	**Note 1**
3 February 2021	**54,290**	**201.0p**	**201.0p**	**£nil**	**39%**	**0.9**	**Note 2**
5 February 2021	**135,467**	**203.0p**	**203.0p**	**£nil**	**39%**	**1.1**	**Note 2**
16 March 2021	**185,153**	**206.0p**	**206.0p**	**£nil**	**39%**	**3.0**	**Note 1**
16 March 2021	**237,425**	**206.0p**	**206.0p**	**£nil**	**39%**	**3.0**	**Note 1**
18 August 2021	**14,613**	**277.0p**	**277.0p**	**£nil**	**39%**	**1.7**	**Note 1**
24 September 2021	**273,747**	**278.0p**	**278.0p**	**£nil**	**39%**	**3.0**	**Note 1**
1 October 2021	**92,341**	**253.0p**	**253.0p**	**£nil**	**39%**	**3.0**	**Note 1**
1 November 2021	**5,844**	**252.0p**	**252.0p**	**£nil**	**39%**	**3.0**	**Note 1**

Grant date	Number of awards	Fair value at grant date	Share price at grant date	Exercise price	Expected volatility	Vesting period (years)	Vesting criteria
2020							
13 January 2020	79,597	250.0p	250.0p	£nil	35%	1.2	Note 1
17 September 2020	184,321	212.0p	212.0p	£nil	35%	2.0	Note 3
17 September 2020	249,222	212.0p	212.0p	£nil	35%	3.0	Note 4
17 September 2020	141,933	212.0p	212.0p	£nil	35%	2.6	Note 1
24 September 2020	99,891	190.0p	190.0p	£nil	35%	2.0	Note 3
24 September 2020	19,284	190.0p	190.0p	£nil	35%	2.3	Note 4
24 September 2020	531,474	190.0p	190.0p	£nil	35%	3.3	Note 1
5 November 2020	20,000	205.0p	205.0p	£nil	35%	3.0	Note 1

Note 1 – these awards are subject to continuing employment with the Group.

Note 2 – these awards are subject to continuing employment with the Group as well as achievement of certain personal objectives.

Note 3 – these awards are subject to continuing employment with the Group, and its vesting percentage will be reduced by the percentage which the EPS element of the 2018 LTIP scheme vests.

Note 4 – these awards are subject to continuing employment with the Group, and its vesting percentage will be reduced by the percentage which the EPS element of the 2019 LTIP scheme vests.

23 Share-based payment plans continued

c) Sharesave schemes

The Group operates a Sharesave scheme for participating employees in the UK under a three-year plan. Employees may purchase the Group's shares at a 20% discount to the market price on the day prior to the commencement of the offer up to a maximum contribution value of £6,000 in any one year. Monthly contributions are saved with Lloyds Bank plc, via Equiniti Ltd, the Registrars, in the employee's share savings plan and will only be released to employees who remain in the Group's employment for a period of three years from commencement of the savings contract. Options become exercisable on completion of the three-year term or within six months of leaving in certain circumstances. All Sharesave scheme awards are accounted for as equity settled.

Details of the save as you earn share plan awards outstanding during the year are as follows:

	2021 Number of share awards	2020 Number of share awards
At 1 January	**2,760,427**	1,874,080
Granted	**459,495**	1,599,526
Forfeited	**(384,156)**	(341,672)
Exercised	**(370,612)**	(371,507)
At 31 December	**2,465,154**	2,760,427
Exercisable at 31 December	**73,563**	149,172

The fair value of the shares at grant date was as follows:

Date price set	Market price	Option price	Fair value	Options outstanding
31 August 2018	260.0p	215.0p	76.0p	72,966
30 August 2019	237.0p	190.0p	83.5p	608,156
30 August 2020	187.0p	151.0p	84.0p	1,355,936
7 September 2021	271.0p	226.0p	110.9p	466,853

pence	**2021**	2020
Fair value at grant date	**110.9**	84.0

The Group operates a Stock Purchase Plan for participating US employees. Under the plan employees may purchase the Group's shares at a 15% discount to the market price at the date of acquisition, up to a maximum of $6,500 per annum. Employees save on a monthly basis and shares are purchased each quarter.

The total share-based payment charge for the year excluding a social security charge of £0.5 million (2020: £0.1 million credit) arising from the above share scheme plans was £3.8 million (2020: £1.0 million).

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24 Reconciliation of net cash flow to movement in net debt

Net cash of £67.2 million (2020: £69.0 million) comprises cash at bank and in hand of £68.3 million (2020: £70.2 million) and overdrafts of £1.1 million (2020: £1.2 million).

£million	Net cash	Lease liabilities	Borrowings	Net debt
At 1 January 2020	60.2	(17.6)	(111.7)	(69.1)
Cash flow	9.7	–	–	9.7
Businesses acquired		(2.0)	(3.0)	(5.0)
Repayment of borrowings	–	–	27.2	27.2
Proceeds from borrowings	–	–	(49.8)	(49.8)
Payment of lease liabilities	–	4.1	–	4.1
Reassessment of lease liabilities	–	(0.1)	–	(0.1)
New leases	–	(0.5)	–	(0.5)
Amortisation of loan arrangement fees	–	–	(0.4)	(0.4)
Exchange differences	(0.9)	0.2	0.7	–
At 31 December 2020	**69.0**	**(15.9)**	**(137.0)**	**(83.9)**
Cash flow	**(2.8)**	**–**	**–**	**(2.8)**
Repayment of borrowings	**–**	**–**	**86.9**	**86.9**
Proceeds from borrowings	**–**	**–**	**(96.4)**	**(96.4)**
Payment of lease liabilities	**–**	**3.9**	**–**	**3.9**
New leases	**–**	**(10.8)**	**–**	**(10.8)**
Net movement in loan arrangement fees	**–**	**–**	**0.2**	**0.2**
Exchange differences	**1.0**	**0.2**	**(0.8)**	**0.4**
At 31 December 2021	**67.2**	**(22.6)**	**(147.1)**	**(102.5)**

25 Changes in liabilities arising from financing activities

£million	Lease liabilities	Borrowings	Interest rate swaps	Liabilities arising from financing activities
At 1 January 2020	(17.6)	(111.7)	(0.5)	(129.8)
Cash movements				–
Cash flows	4.9	(20.1)	0.2	(15.0)
Non cash movements				–
Businesses acquired	(2.0)	(3.0)	–	(5.0)
Fair value movements	–	–	(0.7)	(0.7)
Interest accrued	(1.4)	(2.9)	–	(4.3)
Exchange differences	0.2	0.7	–	0.9
At 1 January 2021	**(15.9)**	**(137.0)**	**(1.0)**	**(153.9)**
Cash movements				
Cash flows	**4.7**	**(6.7)**	**0.4**	**(1.6)**
Non cash movements				
Fair value movements	**–**	**–**	**0.3**	**0.3**
Interest accrued	**(0.8)**	**(2.6)**	**–**	**(3.4)**
New leases	**(10.8)**	**–**	**–**	**(10.8)**
Exchange differences	**0.2**	**(0.8)**	**–**	**(0.6)**
At 31 December 2021	**(22.6)**	**(147.1)**	**(0.3)**	**(170.0)**

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26 Contingent liabilities

The Group is subject to claims which arise in the ordinary course of business. Other than those for which provisions have been made and included within note 18, the Directors consider the likelihood of any other claims giving rise to a significant liability to be remote.

27 Capital commitments

£million	**2021**	2020
Contractual commitments for the purchase of property, plant and equipment	**3.1**	5.2

28 Leases

The total cash outflow for leases is £4.7 million (2020: £4.9 million) comprising lease repayments of £3.9 million (2020: £4.1 million), interest on lease liabilities of £0.8 million (2020: £0.8 million). The income statement cost of short term and low value leases was £0.1 million (2020: £0.2 million).

Interest on lease liabilities is shown in note 4, the maturity of the lease liabilities is shown in note 20(e) and the corresponding assets to which the lease liabilities relate are shown in note 11.

29 Cash and cash equivalents

Within cash and cash equivalents the Group has set aside £0.6 million (2020: £2.5 million) under a legal agreement to be utilised in agreement with the Trustee for reducing liabilities of the pension scheme. Further details of the scheme are provided in note 21 to the Group financial statements.

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 2021 or 2020 that have affected the financial position or performance of the Group.

Key management personnel and Directors' emoluments are disclosed in note 10.

31 Subsequent events

On 7 January 2022 the Group acquired the Power and Control business of Ferranti Technologies Ltd, from Elbit System UK Ltd. Cash consideration of £9.0 million and an initial adjustment of £1.0 was paid in January 2022 and the acquisition is subject to further adjustments dependant on the level of working capital.

Ferranti Power and Control, based in Oldham, Greater Manchester, designs and manufactures mission-critical complex power and control sub-assemblies for blue chip customers in high-reliability and high-performance end markets, primarily aerospace and defence. The acquisition brings highly skilled employees who provide full-service capabilities from design, assembly, manufacturing, and testing including environmental stress screening and inspection through to service. Ferranti Power and Control adds further technology capability, IP and scale to our Power business with valuable long-term customer relationships and programmes with leading global aerospace, defence and industrial OEMs operating in highly regulated markets with significant barriers to entry through necessary industry accreditations and customer approvals.

The provisional fair values of the identifiable assets and liabilities include goodwill (representing the Group's view of the future earning's growth potential) and intangible assets of £8 million, inventory of £3 million, accounts receivable of £2 million and accounts payable of £3 million.

Given the limited time between the acquisition and the signing of these accounts, the fair valuation of acquired assets and liabilities is incomplete at the date of these financial statements.

Company statement of financial position

at 31 December 2021

£million	Note	2021	2020
Non current assets			
Right-of-use assets	2	**0.6**	0.8
Property, plant and equipment	2	**0.6**	0.8
Intangible assets	2	**1.6**	2.5
Investments	3	**174.2**	174.2
Deferred tax asset	11	**3.4**	3.1
Pensions	10	**78.4**	35.4
Debtors	4	**113.7**	–
Total fixed assets		**372.5**	216.8
Current assets			
Debtors	4	**14.4**	197.7
Cash at bank and in hand	13	**2.3**	3.9
Total current assets		**16.7**	201.6
Current liabilities			
Lease liabilities	6	**0.2**	0.2
Creditors	5	**9.0**	121.9
Total current liabilities		**9.2**	122.1
Net current assets		**7.5**	79.5
Non current liabilities			
Lease liabilities	6	**0.6**	0.8
Deferred tax liability	11	**19.6**	6.6
Total non current liabilities		**20.2**	7.4
Net assets		**359.8**	288.9
Capital and reserves			
Called up share capital	7	**44.1**	43.6
Share premium account	7	**22.6**	21.7
Share options reserve	8	**1.0**	(3.3)
Merger reserve		**3.4**	3.4
Profit and loss account	9	**288.7**	223.5
Shareholders' funds		**359.8**	288.9

The Company reported a profit for the financial year ended 31 December 2021 of £53.1 million (2020: loss of £14.9 million).

Approved by the Board of Directors on 8 March 2022 and signed on their behalf by:

Richard Tyson
Director

Mark Hoad
Director

Company statement of changes in equity

for the year ended 31 December 2021

£million	Share capital	Share premium	Merger reserve	Share options reserve	Profit and loss account	Total
At 1 January 2020	41.0	4.1	3.4	(2.2)	231.1	277.4
Profit for the year	–	–	–		(14.9)	(14.9)
Other comprehensive income						
Remeasurement of defined benefit pension schemes	–	–	–	–	9.5	9.5
Tax on remeasurement of defined benefit pension schemes	–	–	–	–	(2.2)	(2.2)
Total comprehensive income	–	–	–	–	(7.6)	(7.6)
Transactions with owners recorded directly in equity						
Share-based payments	–	–	–	(0.8)	–	(0.8)
Deferred tax on share-based payments	–	–	–	(0.3)	–	(0.3)
New shares issued	2.6	17.6	–	–	–	20.2
At 31 December 2020	**43.6**	**21.7**	**3.4**	**(3.3)**	**223.5**	**288.9**
Profit for the year	**–**	**–**	**–**		**53.1**	**53.1**
Other comprehensive income						
Remeasurement of defined benefit pension schemes	**–**	**–**	**–**	**–**	**34.8**	**34.8**
Tax on remeasurement of defined benefit pension schemes	**–**	**–**	**–**	**–**	**(11.3)**	**(11.3)**
Total comprehensive income	**–**	**–**	**–**	**–**	**76.6**	**76.6**
Transactions with owners recorded directly in equity						
Dividends paid by the Company	**–**	**–**	**–**	**–**	**(11.4)**	**(11.4)**
Share-based payments	**–**	**–**	**–**	**3.8**	**–**	**3.8**
Deferred tax on share-based payments	**–**	**–**	**–**	**0.5**	**–**	**0.5**
New shares issued	**0.5**	**0.9**	**–**	**–**	**–**	**1.4**
At 31 December 2021	**44.1**	**22.6**	**3.4**	**1.0**	**288.7**	**359.8**

Notes to the Company financial statements

1 Significant accounting policies

a) Basis of preparation

The financial statements of TT Electronics plc (the "Company") were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards, but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- disclosures in respect of transactions with wholly owned subsidiaries;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs;
- disclosures in respect of the compensation of key management personnel;
- comparable movement tables for tangible and intangible fixed assets; and
- disclosures in respect of leases

The accounting policies set out in Note 2 of the Consolidated financial statements have, unless otherwise stated, been applied in the preparation of the Company financial statements.

Change in accounting policy

There have been no changes to accounting policies during the year. Adoption of new and amendments to published standards and interpretations effective for the Group for the year ended 31 December 2021 did not have any impact on the financial position or performance of the Group.

b) Estimation uncertainty

Judgements made by the Directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are as follows:

- Note 10 – Defined benefit pension obligations. The defined benefit obligations in respect of the plans are discounted at rates set by reference to market yields on high quality corporate bonds. Significant estimation is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds to include are the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded. In addition, assumptions are made in determining mortality and inflation rates to be used when valuing the plan's defined benefit obligations. Whilst actual movements might be different to sensitivities shown, there is a reasonably possible change that could occur. At 31 December 2021, the retirement benefit plan was in a surplus of £78.4 million (31 December 2020: £35.4 million). Note 21 of the Consolidated financial statements outlines the significant assumptions and associated sensitivities. The pension surplus has been calculated using the assumptions set out in note 21 of the Consolidated financial statements;

Details of the Directors' assessment of the Company's ability to continue in operational existence for at least twelve months from the date of signing these financial statements are shown in note 1 of the Consolidated financial statements and in the Governance and Directors' Report on page 86.

c) Investments

Fixed asset investments in subsidiaries are carried at cost less provision for impairment.

d) Own shares held by Employee Benefit Trust

Transactions of the Company-sponsored Employee Benefit Trust are treated as being those of the Company and are therefore reflected in the Company's financial statements. In particular, the Trust's purchases of shares in the Company are debited directly to equity.

Notes to the Company financial statements

Continued

2 Non Current Assets

£million	Intangible Assets	Plant, equipment and vehicles	Right-of-use assets
Cost			
At 1 January 2021	19.2	1.2	1.2
Additions	0.2	–	–
At 31 December 2021	**19.4**	**1.2**	**1.2**
Depreciation			
At 1 January 2021	16.7	0.4	0.4
Depreciation charge	1.1	0.2	0.2
At 31 December 2021	**17.8**	**0.6**	**0.6**
Net book value			
At 31 December 2021	**1.6**	**0.6**	**0.6**
At 31 December 2020	2.5	0.8	0.8

Intangible assets solely relate to software, within this balance is software which is under construction of £0.2 million.

3 Investments

£million	Subsidiary undertakings
Cost	
At 1 January 2021	253.0
At 31 December 2021	**253.0**
Provisions	
At 1 January 2021	78.8
At 31 December 2021	**78.8**
Net book value	
At 31 December 2021	**174.2**
At 31 December 2020	174.2

The Company's subsidiary undertakings and their locations are shown in note 15. Shareholdings are held indirectly for all principal operating subsidiary undertakings.

4 Debtors

£million	2021	2020
Current debtors		
Amounts owed by subsidiary undertakings	**13.3**	195.6
Prepayments, accrued income and other receivables	**1.1**	2.1
Amounts due within one year	**14.4**	197.7
Non Current debtors		
Amounts owed by subsidiary undertakings	**113.7**	–
Amounts due later than one year	**113.7**	–
Total	**128.1**	197.7

4 Debtors continued

'Amounts owed by subsidiary undertakings' have been considered for impairment using the 12 months expected credit loss model because there was no change in credit risk since initial recognition. The expected credit loss is considered immaterial because the probability of default is negligible.

As at 31 December 2021 £113.7 million of debtors have been classified as non current due to management's expectation that these will not be settled within 12 months. As at 31 December 2020 £197.7 million of debtors were classified as current based on management's expectation that all debts due from subsidiaries would be settled within the next 12 months due to managements plan to reduce the intercompany balances between subsidiaries within the Group within the next financial year.

5 Creditors

£million	2021	2020
Amounts falling due within one year		
Trade creditors	**2.1**	2.3
Amounts owed to subsidiary undertakings	**1.3**	115.5
Taxation and social security	**0.9**	0.8
Accruals and deferred income	**4.7**	3.3
	9.0	121.9

6 Lease obligations

£million	Current lease liabilities	Non-current lease liabilities	Total
At 31 December 2020	0.2	0.8	1.0
Capital repayments	–	(0.2)	(0.2)
At 31 December 2021	**0.2**	**0.6**	**0.8**

7 Share capital

£million	2021	2020
Issued, called up and fully paid		
176,244,624 (2020: 174,580,743) ordinary shares of 25p each	**44.1**	43.6

During the period the Company issued 653,834 ordinary shares as a result of share options being exercised under the Sharesave scheme and Share Purchase plans.

The performance conditions of the Long-term Incentive Plan awards issued in 2018 and Restricted Share Plan awards issued in 2019, 2020 and 2021 were met and shares were allocated to award holders from existing shares held by an Employee Benefit Trust for £nil consideration. 191,651 new shares were issued at par value of 25 pence to settle the vesting of part of the 2018 scheme. 818,396 new issue shares were issued at par value of 25 pence in anticipation of vesting of the 2019 scheme in 2022.

The aggregate consideration received for all share issues during the year was £1.4 million, which was represented by a £0.5 million increase in share capital and a £0.9 million increase in share premium.

On the 22 September 2020 the Group issued 10,000,000 ordinary shares to fund the acquisition of Torotel. The consideration received was £19.5 million (after fees of £0.5 million which were recorded within share premium) which was represented by a £2.5 million increase in share capital and a £17.0 million increase in share premium.

Notes to the Company financial statements

Continued

8 Share-based payments

Details of share-based payments are shown in note 23 of the Consolidated financial statements. Any charge associated with share-based payments made to employees of subsidiaries are recharged out to the relevant subsidiaries within the same financial year.

9 Profit for the year

As permitted by Section 408 of the Companies Act 2006, the Company has elected not to present its profit and loss account for the year. The profit after tax of the Company for the year was £53.1 million (2020: loss of £14.9 million). The auditor's remuneration for audit services is disclosed in note 5 to the Consolidated financial statements.

10 Pension schemes

Defined benefit scheme

The triennial valuation of the TT Group scheme as at April 2019 showed a net surplus of £0.3 million against the Trustee's funding objective compared with a deficit of £46.0 million at April 2016. As the scheme was fully funded at the 2019 triennial valuation date, there is no requirement for the Company to pay pension contributions. In addition to the statutory funding objective, the Trustee and Company have agreed to move towards a 'self-sufficient' funding target, under which once full funding is achieved the likelihood of the Trustee requiring subsequent contributions from the Company is significantly reduced. To support the scheme's long-term funding target of self-sufficiency the Company has agreed to pay additional fixed contributions extending to 2023 to the TT Group scheme. These planned contributions amount to £5.7 million and £4.4 million to be paid in the years 2022 and 2023.

In the year ended 31 December 2021 the Group made contributions of £5.5 million (2020: £5.3 million) to the TT Group scheme.

In addition, the Company has set aside £0.6 million (2020: £2.5 million) under a legal agreement 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 21 to the Consolidated 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 2021 were £0.6 million (2020: £0.6 million).

11 Deferred tax

The deferred tax asset of £3.4 million comprises £1.8 million in respect of share-based payments (2020: £0.7 million) the movement in which has been recognised in equity (£0.5 million) and profit (£0.6 million) ; £1.1 million in respect of non-current assets (2020: £1.3 million) the movement in which has been recognised in profit (£0.2 million); and £0.5 million in respect of tax losses (2020: £1.1 million) the movement in which has been recognised in profit (£0.6 million).

The deferred tax liability of £19.6 million is in respect of the pension asset (2020: £6.6 million), the movement in which has been recognised in equity (£11.3 million) and profit (£1.7 million).

12 Employee information

The average number of full time equivalent employees (including Directors) during the year was 65.

13 Cash at bank and in hand

Within cash and cash equivalents the Group has set aside £0.6 million (2020: £2.5 million) under a legal agreement to be utilised in agreement with the Trustee for reducing liabilities of the pension scheme. Further details of the scheme are provided in note 21 to the Group financial statements.

14 Related party transactions

During 2021 and 2020, the Company did not have any related party transactions other than with wholly owned subsidiaries.

15 Subsidiary undertakings

The following entities are 100% owned with only ordinary shares in issue, unless otherwise stated. The country of incorporation matches the country in which the registered office/principal place of business is located.

Name of subsidiary undertaking	Registered office/principal place of business
TT Electronics Ltd	(1)
Dongguan Arlec Electrical Products Co. Limited (capital contribution)	(2)
Shanghai Hongbian Electronics Co. Limited (capital contribution)	(3)
TT Electronics Integrated Manufacturing Services (Suzhou) Co., Ltd	(4)
Ying Si Ke Electrical Products Co. Limited (capital contribution)	(2)
TT Electronics SAS	(5)
TT Electronics GmbH	(6)
Precision International Holdings Limited	(7)
Stadium Asia Limited	(8)
STMC Limited	(8)
TT Electronics Srl	(9)
BI Technologies Corporation SDN BHD (ordinary and preference shares)	(10)
BI Technologies S.A. de C.V.	(11)
Optron de Mexico S.A. de C.V.	(12)
TT Electronics Asia Pte Ltd	(13)
TT Electronics Sweden AB	(14)
AB Connectors Limited	(15)
AB Electronic Components Limited	(16)
Abtest Limited	(17)
Aero Stanrew Group Limited (ordinary and preference shares) [1, 2]	(18)
Aero Stanrew Limited	(18)
Automotive Electronic Systems Limited [1]	(16)
BI Technologies Limited [2]	(16)
Commendshaw Limited [1]	(16)
Controls Direct Limited [2]	(16)
Crystalate Electronics Limited	(16)
Dale Electric International Limited [1, 2]	(16)
Deltight Washers Limited [2]	(16)
Ferrus Power Limited [2]	(16)
Fox Industries Limited [2]	(16)
Hale End Holdings Limited [2]	(16)
Kingslo Limited [2]	(16)
KRP Power Source (UK) Limited [2]	(16)
Linton and Hirst Group Limited [2]	(16)
Midland Electronics Limited	(16)
MMG Linton and Hirst Limited [2]	(16)
Nulectrohms Limited [2]	(16)
Rodco Limited (60% owned) [1,2]	(16)
Roxspur Measurement & Control Limited	(16)
Semelab Limited	(19)
Sensit Limited [2]	(16)
Stadium Electrical Holdings Limited [2]	(16)
Stadium Electronics Limited [2]	(16)
Stadium IGT Limited	(16)
Stadium Power Limited [2]	(16)

Notes to the Company financial statements

continued

15 Subsidiary undertakings continued

Name of subsidiary undertaking	Registered office/principal place of business
Stadium United Wireless Limited [2]	(16)
Stadium Wireless Devices Limited [2]	(16)
Stadium Zirkon UK Limited [2]	(16)
Stontronics Limited [2]	(16)
The Brearley Group Limited [2]	(16)
TT Asia Holdings Limited	(16)
TT Automotive Electronics Limited [2]	(16)
TT Electronics Europe Limited [1,2]	(16)
TT Electronics Fairford Limited	(20)
TT Electronics Group Holdings Limited [1]	(16)
TT Electronics Holdco Limited	(16)
TT Electronics Integrated Manufacturing Services Limited	(16)
TT Electronics IoT Solutions Limited [1]	(16)
TT Electronics Power Solutions (UK) Limited	(16)
TT Group Limited [2]	(16)
TT Power Solutions Limited [2]	(16)
TTE Trustees Limited [1,2]	(16)
TTG Investments Limited [1]	(16)
TTG Nominees Limited 1,2	(16)
TTG Pension Trustees Limited [1,2]	(15)
TTG Properties Limited [1]	(19)
Valuegolden Limited [2]	(15)
Welwyn Components Limited	(15)
Welwyn Electronics Limited [2]	(16)
Wolsey Comcare Limited [2]	(21)
Zirkon Holdings Limited [2]	(16)
AB Interconnect, Inc.	(16)
Apsco Holdings, Inc	(16)
BI Technologies Corporation	(22)
Cletronics N.A. Inc,	(23)
International Resistive Company Inc	(22)
International Resistive Company of Texas, LLC	(24)
Optek Technology Inc	(22)
Power Partners, Inc	(25)
Precision, Inc	(26)
Torotel, Inc	(27)
Torotel Products, Inc	(27)
TT Electronics Integrated Manufacturing Services, Inc	(28)
TT Electronics Power Solutions (US), Inc	(23)
TT Group Industries, Inc.	(22)

15 Subsidiary undertakings continued

(1) Newton Industrial Park, Christchurch, Barbados, West Indies
(2) 4th Building, F Zone, Zheng Wei Science Park, Dongkeng Town, Dongguan City, Guangdong, China
(3) Room 404-A69, East of Building 1, 29 Jia Tai Road, China (Shanghai) Pilot Free Trade Zone, China
(4) 158-24 Hua Shan Road, Snd Suzhou, 215129, China
(5) 4 place Louis Armand, 75012 Paris, France
(6) Max-Lehner-Strasse 31, 85354, Freising, Germany
(7) Room RA21, 6th Floor, Woon Lee Commercial Building, No. 7-9 Austin Avenue, Tsim Sha Tsui, Kowloon, Hong Kong
(8) Unit A, 3/F, Bamboos Centre, 52 Hung To Road, Kwun Tong, Kowloon, Hong Kong
(9) Via Santa Redegonda N. 11, Milano, Italy
(10) Lot 6.05, Level 6, KPMG tower, 8 First Avenue, Bandar Utama 47800 Petaling Jaya, Selangor, Darul Ehsan, Malaysia
(11) Ave Circulo de la Amistad No.102, Parque Industrial Mexicali IV, Mexico
(12) Ave Rio Bravo 1551-a, Parque Industrial Rio Bravo, CD. Juarez Chihuahua, Mexico
(13) 2 Shenton Way, #18-01 SGX Centre 1, 068804, Singapore
(14) Gullfossgatan 3, 164 40 Kista, Sweden
(15) Abercynon, Mountain Ash, Rhondda Cynon Taff, CF45 4SF, Wales
(16) Fourth Floor, St Andrews House, West Street, Woking, Surrey, GU21 6EB, England
(17) Unit 1, Tregwilym Industrial Estate, Rogerstone, Newport, Gwent, NP10 9YA, Wales
(18) Unit 1 Gratton Way, Roundswell Business Park, Barnstaple, Devon, EX31 3AR, England
(19) Coventry Road, Lutterworth, Leicestershire, LE17 4JB, England
(20) London Road, Fairford, Gloucestershire, GL7 4DS, England
(21) Welwyn Electronics Park, Bedlington, Northumberland, NE22 7AA, England
(22) Corporation Service Company, 251 Little Falls Drive, Wilmington, DE 19808, United States
(23) CT Corporation System, Corporation Trust Center, 1209 Orange Street, Wilmington, DE 19801, United States
(24) Corporation Service Company, 211 East 7th Street, Suite 620, Austin, TX 78701-3218, United States
(25) 43 Broad Street, Suite B206, Hudson, MA01749, United States
(26) 1700 Freeway Boulevard, Minneapolis, MN 55430, United States
(27) 520 N Rogers Road, Olathe, KS66062, United States
(28) CT Corporation System, 4400 Easton Commons Way, Suite 125, Columbus, OH43219, United States

1 Shares held directly by TT Electronics plc
2 Dormant UK subsidiary

UK Registered Subsidiaries exempt from audit

The following UK subsidiaries will take advantage of the audit exemption set out within section 479A of the Companies Act 2006 for the year ended 31 December 2021. The following entities are 100% owned and have a single class of ordinary share with a nominal value of £1, unless otherwise stated. All subsidiaries below are registered at Fourth floor, St Andrews House, West Street, Woking GU21 6EB, United Kingdom.

Name of subsidiary undertaking	Company number
AB Electronic Components Limited	00578077
Automotive Electronic Systems Limited [1]	01518303
Crystalate Electronics Limited	00691591
Midland Electronics Limited	00675333
TT Asia Holdings Limited	02464046
TT Electronics Group Holdings Limited [1, 2]	00299275

1 Shares held directly by TT Electronics plc
2 Single class of ordinary share with a nominal value of £0.25.

Five year record

£million (unless otherwise stated)	**2021**	2020	2019 [3,4]	2018 [3]	2017 [2]
Revenue	**476.2**	431.8	478.2	429.5	361.1
Operating profit [2]	**19.3**	6.6	16.9	16.5	20.0
Adjusted operating profit [1]	**34.8**	27.5	38.1	33.4	24.3
Profit before taxation [3]	**16.0**	2.9	13.2	14.6	17.7
Adjusted profit before taxation [1, 4]	**31.5**	23.8	34.4	31.5	22.0
Earnings (continuing) [3]	**12.8**	1.3	12.4	13.0	15.7
Adjusted earnings [1, 4]	**25.3**	19.5	29.0	26.2	19.4
Earnings per share – continuing (pence) [3]	**7.3**	0.8	76.0	8.0	9.7
Adjusted earnings per share (pence) [1, 4]	**14.5**	11.7	17.8	16.2	10.9
Dividends – paid and proposed	**9.9**	8.2	11.4	10.5	9.4
Dividend per share – paid and proposed (pence)	**5.6**	4.7	7.0	6.5	5.8
Average number of shares in issue	**174.8**	166.5	163.1	161.8	161.7
Net (debt)/funds	**(102.5)**	(83.9)	(69.1)	(41.7)	47.0
Total equity [3, 4]	**330.0**	298.0	268.0	280.1	267.5

1 Adjusted operating profit, profit before taxation, adjusted earnings and adjusted earnings per share exclude the impact of restructuring costs, asset impairments and acquisition and disposal related costs.
2 Results for 2017 have been re-presented for IFRS 15
3 Profit measures for 2019 and equity for 2019 and 2018 have been restated.
4 Equity for 2019 has been restated for an adjustment to the assessment of IFRS15.

Reconciliation of KPIs and non IFRS measures

In accordance with the Guidelines on APMs issued by the European Securities and Markets Authority (ESMA), additional information is provided on the APMs used by the Group below.

To assist with the understanding of earnings trends, the Group has included within its financial statements APMs including adjusted operating profit and adjusted profit. The APMs used are not defined terms under IFRS and therefore may not be comparable to similar measures used by other companies. They are not intended to be a substitute for, or superior to, GAAP measures.

Management uses adjusted measures to assess the operating performance of the Group, having adjusted for specific items as detailed in note 6. They form the basis of internal management accounts and are used for decision making, including capital allocation, with a subset also forming the basis of internal incentive arrangements. By using adjusted measures in segmental reporting, this enables readers of the financial statements to recognise how incentive performance is targeted. Adjusted measures are also presented in this announcement because the Directors believe they provide additional useful information to shareholders on comparable trends over time. Finally, this presentation allows for separate disclosure and specific narrative to be included concerning the adjusting items; this helps to ensure performance in any one year can be more clearly understood by the user of the financial statements.

Income statement measures:

Alternative Performance Measure	Closest equivalent statutory measure	Note reference to reconciliation to statutory measure	Definition and purpose
Adjusted operating profit	Operating profit	Adjusting items as disclosed in note 6	Operating profit from continuing operations excluding the impacts of significant restructuring programmes; significant one-off items including property disposals, business acquisition and divestment related activity; and the amortisation of intangible assets recognised on acquisition. Business acquisition and divestment related items include the writing off of the pre-acquisition profit element of inventory written up on acquisition, other direct costs associated with business combinations and adjustments to contingent consideration related to acquired businesses. Costs arising from significant changes in footprint (including movement of production facilities) and significant costs of management changes are also excluded. To provide a measure of the operating profits excluding the impacts of significant items such as restructuring or acquisition related activity and other items such as amortisation of intangibles which may not be present in peer companies which have grown organically.
Adjusted operating margin	Operating profit margin	Adjusting items as disclosed in note 6	Adjusted operating profit as a percentage of revenue. To provide a measure of the operating profits excluding the impact of significant items such as restructuring or acquisition related activity and other items such as amortisation of intangibles which may not be present in peer companies which have grown organically.
Adjusted earnings per share	Earnings per share	See note 9 for the reconciliation and calculation of adjusted earnings per share	The profit for the year attributable to the owners of the Group adjusted to exclude the items not included within adjusted operating profit divided by the weighted average number of shares in issue during the year. To provide a measure of Earnings per Share excluding the impacts of significant items such as restructuring or acquisition related activity and other items such as amortisation of intangibles which may not be present in peer companies which have grown organically.

Reconciliation of KPIs and non IFRS measures

Continued

Income statement measures continued:

Alternative Performance Measure	Closest equivalent statutory measure	Note reference to reconciliation to statutory measure	Definition and purpose
Adjusted diluted earnings per share	Diluted earnings per share	See note 9 for the reconciliation and calculation of adjusted diluted earnings per share	The profit for the year attributable to the owners of the Group adjusted to exclude the items not included within adjusted operating profit divided by the weighted average number of shares in issue during the year, adjusted for the effects of any potentially dilutive options. To provide a measure of Earnings per Share excluding the impacts of significant items such as restructuring or acquisition related activity and other items such as amortisation of intangibles which may not be present in peer companies which have grown organically.
Organic revenue	Revenue	See note APM 1	This is the percentage change in revenue from continuing operations in the current year compared to the prior year, excluding the effects of currency movements, acquisitions and disposals. This measures the underlying growth or decline of the business. To provide a comparable view of the revenue growth of the business from period to period excluding acquisition and foreign exchange impacts.
Adjusted effective tax charge	Effective tax charge	See note APM 2	Tax charge adjusted to exclude tax on items not included within adjusted operating profit divided by adjusted profit before tax, which is also adjusted to exclude the items not included within adjusted operating profit. To provide a tax rate which excludes the impact of adjusting items such as restructuring or acquisition related activity and other items such as amortisation of intangibles which may not be present in peer companies which have grown organically.
Return on invested capital	None	See note APM 3	Adjusted operating profit for the year divided by average invested capital for the year. Average invested capital excludes pensions, provisions, tax balances, derivative financial assets and liabilities, cash and borrowings and is calculated at average rates taking 12 monthly balances. This measures how efficiently assets are utilised to generate returns with the target of exceeding the cost to hold the assets.

Statement of financial position measures:

Alternative Performance Measure	Closest equivalent statutory measure	Note reference to reconciliation to statutory measure	Definition and purpose
Net debt	Cash and cash equivalents less borrowings and lease liabilities	Reconciliation of net cash flow to movement in net debt (note 24)	Net debt comprises cash and cash equivalents and borrowings including lease liabilities. This is additional information provided which may be helpful to the user in understanding the liquidity and financial structure of the business.
Leverage (bank covenant)	Cash and cash equivalents less borrowings	N/A	Leverage is the net debt defined as per the banking covenants (net debt (excluding lease liabilities) adjusted for certain terms as per the bank covenants) divided by EBITDA excluding items removed from adjusted profit and further adjusted for certain terms as per the bank covenants. Provides additional information over the Group's financial covenants to assist with assessing solvency and liquidity.
Net capital and development expenditure (net capex)	None	See note APM 4	Purchase of property, plant and equipment net of government grants (excluding property disposals), purchase of intangibles (excluding acquisition intangibles) and capitalised development. A measure of the Group's investments in capex and development to support longer term growth.
Dividend per share	Dividend per share	Not applicable	Amounts payable by dividend in terms of pence per share. Provides the dividend return per share to shareholders.

Reconciliation of KPIs and non IFRS measures

Continued

Statement of cash flows measures:

Alternative Performance Measure	Closest equivalent statutory measure	Note reference to reconciliation to statutory measure	Definition and purpose
Adjusted operating cash flow	Operating cash flow	See note APM 5	Adjusted operating profit, excluding depreciation of property, plant and equipment (depreciation of right-of-use assets is not excluded) and amortisation of intangible assets (amortisation of acquisition intangibles is not excluded) less working capital and other non-cash movements. An additional measure to help understand the Group's operating cash generation.
Adjusted operating cash flow post capex	Operating cash flow	See note APM 6	Adjusted operating cash flow less net capital and development expenditure. An additional measure to help understand the Group's operating cash generation after the deduction of capex.
Working capital cashflow	Cashflow – inventories payables, provisions and receivables	See note APM 7	Working capital comprises of three statutory cashflow figures: (increase)/decrease in inventories, increase/(decrease) in payables and provisions, and (increase)/decrease in receivables. To provide users a measure of how effectively the group is managing its working capital and the resultant impact on liquidity.
Free cash flow	Net increase/ decrease in cash and cash equivalents	See note APM 8	Free cash flow represents cash generated from trading after all costs including restructuring, pension contributions, tax and interest payments. Cashflows to settle LTIP schemes are excluded. Free cash flow provides a measure of how successful the company is in creating cash during the period which is then able to be used by the Group at its discretion.
Cash conversion	None	See note APM 9	Adjusted operating cash flow post capex (less any property disposals which were part of restructuring programmes) divided by adjusted operating profit. Cash conversion measures how effectively we convert profit into cash and tracks the management of our working capital and capital expenditure.
R&D cash spend as a percentage of revenue	None	See note APM 10	R&D cash spend and R&D investment as a percentage of revenue excludes Global Manufacturing Solutions which is a manufacturing services business and therefore has no R&D. To provide a measure of the company's expenditure on R&D relative to its overall size which may be helpful in considering the Group's longer term investment in future product pipeline.

Non-financial measures:

Alternative Performance Measure	Closest equivalent statutory measure	Note reference to reconciliation to statutory measure	Definition
Employee engagement	Not applicable	Not applicable	We use our employee survey to measure how our employees feel about working in TT using a scale of 1 (low) to 7 (high) against eight factors (as surveyed by Best Companies Ltd). A company is awarded between zero and three stars based on the employee feedback. Provides a measure of employee sentiment and engagement.
Safety performance	Not applicable	Not applicable	Safety performance is defined as the number of occupational injuries resulting in three or more days' absence per 1,000 employees. This KPI allows us to compare our performance with that of our peers. We use a UK benchmark published by the Health and Safety Executive and apply this to all our facilities worldwide, reflecting our commitment to raising standards globally. Provides users additional information about the Group's commitment and achievements in the area of health and safety.

APM 1 – Organic revenue:

£million	**Power and Connectivity**	**Global Manufacturing Solutions**	**Sensors and Specialist Components**	Total
2021 revenue	140.2	220.1	115.9	**476.2**
Acquisitions	15.2	–	–	**15.2**
2021 revenue (excluding acquisitions)	125.0	220.1	115.9	**461.0**
2020 revenue	125.1	197.5	109.2	**431.8**
Foreign exchange impact	(3.4)	(4.1)	(5.2)	**(12.7)**
2020 revenue at 2021 exchange rates	121.7	193.4	104.0	**419.1**
Organic revenue increase (%)	**3%**	**14%**	**11%**	**10%**

£million	Power and Connectivity	Global Manufacturing Solutions	Sensors and Specialist Components	Total
2020 revenue	125.1	197.5	109.2	431.8
Acquisitions	11.1	–	–	11.1
2020 revenue (excluding acquisitions)	114.0	197.5	109.2	420.7
2019 revenue	138.2	213.2	126.8	478.2
Foreign exchange impact	(0.1)	(1.1)	(0.2)	(1.4)
2019 revenue at 2020 exchange rates	138.1	212.1	126.6	476.8
Organic revenue decline (%)	(17%)	(7%)	(14%)	(12%)

Reconciliation of KPIs and non IFRS measures

Continued

APM 2 – Effective tax charge:

£million	2021	2020
Adjusted operating profit	**34.8**	27.5
Net interest	**(3.3)**	(3.7)
Adjusted profit before tax	**31.5**	23.8
Adjusted tax	**(6.2)**	(4.3)
Adjusted effective tax rate	**19.6%**	18.1%

APM 3 – Return on invested capital:

£million	2021	2020
Adjusted operating profit	**34.8**	27.5
Average invested capital	**382.4**	357.3
Return on invested capital	**9.1%**	7.7%

APM 4 – Net capital and development expenditure (net capex):

£million	2021	2020
Purchase of property, plant and equipment	**(14.6)**	(9.3)
Proceeds from sale of investment property, plant and equipment and capital grants received	**9.3**	3.4
Capitalised development expenditure	**(1.9)**	(3.3)
Purchase of other intangibles	**(0.5)**	(0.8)
Net capital and development expenditure	**(7.7)**	(10.0)

APM 5 – Adjusted operating cash flow:

£million	2021	2020
Adjusted operating profit	**34.8**	27.5
Adjustments for:	**–**	–
Depreciation	**13.6**	14.0
Amortisation of intangible assets	**2.5**	3.0
Impairment of property, plant and equipment and intangible assets	**–**	0.2
Other items	**1.1**	0.7
(Increase)/decrease in inventories	**(42.6)**	4.2
(Increase)/decrease in receivables	**(15.7)**	11.2
Increase/(decrease) in payables and provisions	**42.0**	(11.8)
Adjusted operating cash flow	**39.5**	49.0
Special payments to pension funds	**(5.5)**	(5.4)
Restructuring and acquisition related costs	**(15.0)**	(15.1)
Net cash generated from operations	**19.0**	28.5
Net income taxes paid	**(4.7)**	(0.3)
Net cash flow from operating activities	**14.3**	28.2

APM 6 – Adjusted operating cash flow post capex:

£million	2021	2020
Adjusted operating cash flow	**39.5**	49.0
Purchase of property, plant and equipment	**(14.6)**	(9.3)
Proceeds from sale of property, plant and equipment and government grants received	**9.3**	3.4
Capitalised development expenditure	**(1.9)**	(3.3)
Purchase of other intangibles	**(0.5)**	(0.8)
Adjusted operating cash flow post capex	**31.8**	39.0

APM 7 – Working capital cashflow:

£million	2021	2020
(Increase)/decrease in inventories	**(42.6)**	4.2
(Increase)/decrease in receivables	**(15.7)**	11.2
Increase/(decrease) in payables and provisions	**42.0**	(11.8)
Items reported within other items in the statutory cashflow:		
Increase in provisions over trade receivables	**1.6**	–
Working capital cashflow	**(14.7)**	3.6

APM 8 – Free cash flow:

£million	2021	2020
Net cash flow from operating activities	**14.3**	28.2
Add back: Bonus paid to employees of Torotel which crystallised upon acquisition	**–**	3.8
Net cash flow from investing activities	**(8.2)**	(51.9)
Add back: Acquisition of business	**0.5**	43.3
Add back: Cash with acquired businesses	**–**	(1.4)
Payment of lease liabilities	**(3.9)**	(4.1)
Interest paid	**(4.0)**	(3.5)
Free cash flow	**(1.3)**	14.4

APM 9 – Cash conversion:

£million	2021	2020
Adjusted operating profit	**34.8**	27.5
Adjusted operating cash flow post capex	**31.8**	39.0
Exclude: Property disposal proceeds as part of restructuring programmes	**(9.1)**	(3.2)
Adjusted operating cash flow post capex and excluding property disposals	**22.7**	35.8
Cash conversion	**65%**	130%

APM 10 – R&D cash spend as a percentage of revenue:

£million	2021	2020
Revenue (excluding GMS)	**256.1**	234.3
R&D cash spend	**11.4**	11.2
R&D cash spend as a percentage of revenue	**4.5%**	4.8%

SHAREHOLDER INFORMATION

Ex-dividend date for final dividend
28 April 2022

Record date for final dividend
29 April 2022

AGM and trading update
13 May 2022

Final dividend payment
20 May 2022

2022 half-year results
4 August 2022

Preliminary announcement of 2022 results
March 2023

Annual Report 2022
April 2023

Dividends

See page 40 for details on the dividend amount per share.

Annual General Meeting (AGM)

In 2021, compulsory measures imposed by the UK Government limiting non-essential travel and sizable gatherings meant that attendance at the AGM was restricted to a limited number of shareholders (being shareholder Directors of the Company and the Company Secretary, sufficient in number to form the necessary quorum), with other shareholders being encouraged to vote by proxy and to submit questions in advance by email. The next AGM will be held on 13 May 2022 at 10.00 a.m. Details of the AGM procedure for 2022 are set out in detail in the enclosed Notice of Annual General Meeting.

Articles of Association

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

Share capital

The Company's issued share capital comprises a single class of share capital divided into ordinary shares of 25 pence each. All issued shares are fully paid. The share capital during the year is shown in Note 22 to the consolidated financial statements. The rights and obligations attaching to the Company's ordinary shares are set out in the Company's Articles of Association, a copy of which can be obtained from Companies House in the United Kingdom or by writing to the Group General Counsel and Company Secretary. Subject to applicable statutes, shares may be issued with such rights and restrictions as the Company may decide by ordinary resolution, or (if there is no such resolution or so far as it does not make specific provision) as the Board may decide.

Holders of ordinary shares are entitled to speak at general meetings of the Company, to appoint one or more proxies and, if they are corporations, to appoint corporate representatives and to exercise voting rights. Holders of ordinary shares may also receive a dividend, and on a liquidation may share in the assets of the Company. In addition, holders of ordinary shares are entitled to receive the Company's Annual Report and Accounts. Subject to meeting certain thresholds, holders of ordinary shares may require a general meeting of the Company to be held or the proposal of resolutions at Annual General Meetings.

Voting rights and restrictions on transfer of shares

On a show of hands at a general meeting of the Company, every holder of ordinary shares present in person or by proxy, and entitled to vote, has one vote and on a poll, every member present in person or by proxy, and entitled to vote, has one vote for every ordinary share held. You can find further details regarding voting at the Annual General Meeting in the Notice of the Annual General Meeting which accompanies this document. None of the ordinary shares carries any special rights with regard to control of the Company. Electronic and paper proxy appointments and voting instructions must be received by the Company's Registrars not later than 48 hours before a general meeting. A shareholder can lose their entitlement to vote at a general meeting where that shareholder has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares. The Directors may refuse to register a transfer of a certificated share which is not fully paid, provided the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis.

The Directors may also refuse to register a transfer of a certificated share unless the instrument of transfer: (i) is lodged, duly stamped (if stampable), at the registered office of the Company or any other place decided by the Directors accompanied by the certificate for the share to which it relates and/or such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; (ii) is in respect of only one class of shares; (iii) is in favour of a person who is not a minor, bankrupt or a person in respect of whom an order has been made on the grounds that such person is suffering from a mental disorder or is otherwise incapable of managing their affairs; or (iv) is in favour of not more than four transferees.

Transfers of uncertificated shares must be carried out using CREST and the Directors can refuse to register a transfer of an uncertificated share in accordance with the regulations governing the operation of CREST.

The Directors may decide to suspend the registration of transfers for up to 30 days a year, by closing the register of shareholders. The Directors cannot suspend the registration of transfers of any uncertificated shares without obtaining consent from CREST.

There are no other restrictions on the transfer of ordinary shares in the Company except: certain restrictions may from time to time be imposed by laws and regulations (for example, insider trading laws or the Market Abuse Regulations 2015); pursuant to the Company's share dealing code whereby the Directors and certain employees of the Group require approval to deal in the Company's shares; and where a shareholder with at least a 0.25 per cent interest in the Company's certificated shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares.

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

Share dealing services

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

Log on to www.shareview.co.uk/dealing or call 03456 037 037 between 8.00 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 daily postal dealing service is also available and a form, together with terms and conditions, can be obtained by calling 0371 384 2248*. Commission is 1.90 per cent with a minimum charge of £70.

ShareGift

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

Multiple accounts on the shareholder register

If you have received two or more copies of this document, this means that there is more than one account in your name on the shareholder register. This may be caused by either your name or address appearing on each account in a slightly different way. For security reasons, the Registrars will not amalgamate the accounts without your written consent.

If you would like any multiple accounts combined into one account, please write to Equiniti Limited at the address given on this page.

Substantial shareholding notifications

The Company had been notified of the following voting rights attaching to TT Electronics plc shares in accordance with the Disclosure and Transparency Rules at 7 March 2022 and 31 December 2021.

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.

Shareholder enquiries

Equiniti maintains 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 0371 384 2396* (or +44 121 415 7047 if calling from outside the United Kingdom)

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

Website

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

* Lines are open from 8.30 am to 5.30 pm, Monday to Friday (except bank holidays).

	7 March 2022		31 December 2021	
	Number	%	Number	%
BlackRock, Inc	16,966,544	9.7	16,966,544	9.7
Aberforth Partners LLP	14,832,779	9.1	14,832,779	9.1
Schroders plc	8,942,311	5.1	8,942,311	5.1
Slater Investments Ltd	8,915,000	5.1	–	–
M&G plc	8,764,166	5.0	8,764,166	5.0
Polar Capital LLP	8,539,130	4.9	8,539,130	4.9
Aberdeen Asset Management Ltd	7,835,077	4.8	7,835,077	4.8
NN Group N.V.	7,815,000	4.8	7,815,000	4.8
Franklin Templeton Management Ltd	7,590,000	4.6	7,590,000	4.6

GLOSSARY

AC	Alternating Current
AGM	Annual General Meeting
APM	Alternative Performance Measure
B-21	B-21 Raider aircraft
BE Inspired	a TT employee performance initiative
BEIS	Department for Business, Energy & Industrial Strategy
BE Lean	a TT initiative to improve operational efficiency
BE TT	Build Expertise in TT
bn	billion
bps	basis point
CAGR	Compound annual growth rate
CDP	Carbon Disclosure Project
COO	Chief Operating Officer
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CGU	Cash Generating Unit
CI	Continuous Improvement
CPI	Consumer Prices Index
CREST	Certificateless Registry for Electronic Share Transfer
DC	Direct Current
DDTC	Directorate of Defense Trade Controls
DoD	Department of Defense
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortisation
EBT	Employee Benefit Trust
ED&I	Equality, Diversity and Inclusion
EICC	Electronics Industry Citizenship Coalition
ELT	Executive Leadership Team
EPS	Earnings Per Share
ERP	Enterprise Risk Management
ESG	Environmental, Social and Governance
EU	European Union
EV	Electric Vehicle
EVP	Executive Vice President
FBU	Fair, Balanced and Understandable
FCA	Financial Conduct Authority
FRC	Financial Reporting Council
FRS	Financial Reporting Standards
FTSE	Financial Times Stock Exchange
FX	Foreign Exchange
FY	Financial Year
GAAP	Generally Accepted Accounting Principles
GBP	Pounds Sterling (£)
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
GMP	Guaranteed Minimum Pension
GHG	Greenhouse Gas
GMS	Global Manufacturing Solutions
H&S	Health and safety
H	Half (year)
HFM	Hyperion Financial Management
HMI	Human Machine Interface
HR	Human Resources
HSE	Health Safety & Environmental
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFRS	International Financial Reporting Standards
IoT	Internet of Things
IR	Investor Relations
ISO	International Organisation for Standardisation
IT	Information Technology
JSF	Joint Strike Fighter aircraft
KPI	Key Performance Indicator
LIBOR	London Interbank Offered Rate
LLP	Limited liability partnership
LTIP	Long Term Incentive Plan
M&A	Mergers and Acquisitions
M/m	million
MHRA	Medicines and Healthcare products Regulatory Agency
MRI	Magnetic Resonance Imaging
MSCI	Morgan Stanley Capital International
MWh	Megawatt-hour
NED	Non-Executive Director
OECD	Organisation for Economic Co-operation and Development
OEM	Original Equipment Manufacturer
PBT	Profit Before Tax
PCBA	Printed Circuit Board Assembly
PLC	Public Limited Company
PMI	Purchasing Managers' Index
PP	Private Placement
PSEE	People, Social, Environmental and Ethics
Q	Quarter (year)
R&D	Research and Development
RBA	Responsible Business Alliance
RCF	Revolving Credit Facility
RMB	Chinese Yuan
RNS	Regulatory News Service
ROCE	Return On Capital Employed
ROIC	Return on Invested Capital
RPI	Retail Price Index
RSP	Restricted Share Plan
S&SC	Sensors & Specialist Components
SAYE	Save As You Earn
SEC	Securities Exchange Commission
SECR	Streamlined Energy and Carbon Reporting
SID	Senior Independent Director
SIOP	Sales, Inventory and Operations Planning
STIP	Short Term Incentive Plan
STEM	Science, Technology, Engineering and Mathematics
TFCD	Task Force on Climate-related Financial Disclosures
the Board	The Board of Directors of TT Electronics plc
the Code	UK Corporate Governance Code
the Company	TT Electronics plc
the Directors	The Directors of TT Electronics plc
the Group	TT Electronics plc and its subsidiaries
TSR	Total Shareholder Return
TT	TT Electronics plc
TT Way	TT's values
UK	United Kingdom of Great Britain and Northern Ireland
UN	United Nations
Underlying EBITDA	Underlying Earnings Before Interest, Taxes, Depreciation and Amortisation
US/USA	United States of America
WACC	Weighted Average Cost of Capital

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For more information on
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