2017 Interim Results, 11 August 2017

TT Electronics plc

Results for the half-year ended 30 June 2017

For further information, please contact:

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An analyst presentation will be held today at 09:00 at Numis, 10 Paternoster Square, London EC4M 7LT. A replay of the webcast will be available on the investor relations section of our website later today at www.ttelectronics.com.

Interim Results for the half-year ended 30 June 2017

£ million unless otherwise stated	Underlying[1]				Statutory	
	H1 2017	H1 2016	Change	Change constant fx	**H1 2017**	H1 2016
Continuing operations						
Revenue	**180.0**	159.2	13%	6%	**180.0**	159.2
Operating profit	**10.9**	8.3	31%	11%	**6.8**	4.8
Profit before taxation	**9.5**	5.9	61%	28%	**5.4**	2.4
Earnings per share (pence)	**4.6p**	2.3p	100%	53%	**2.4p**	0.6p
Return on invested capital [2,3]	**10.0%**	9.2%				
Cash conversion [4]	**128%**	63%				
Total operations						
Earnings per share (pence)	**7.5p**	5.1p			**5.1p**	2.4p
Free cash flow [5]					**6.8**	(4.9)
Net debt (2016: year-end)					**56.0**	55.4
Dividend per share (pence)					**1.75p**	1.7p

1. Excluding the effect of restructuring and acquisition and disposal related items.
2. Rolling 12 month underlying operating profit return on average invested capital
3. Return on invested capital for full year 2016
4. Underlying operating cash flow (underlying EBITDA less net capital expenditure, capitalised development expenditure, working capital and non-cash movements) divided by underlying operating profit
5. Net cash flow from operating activities less net cash flow from investing activities less interest paid

The non-IFRS financial measures reported in this announcement are explained in note 5.

Strategic Progress

- Proposed sale of TS&C division for £118.8m, making TT a higher margin, higher quality business; shareholder approval received
- Increased financial capacity to accelerate growth through capital investments and acquisitions
- Business structure optimised to allow better coordination of routes to market
- Good progress in continuing operations; further product launches, favourable order momentum, and continued operational efficiency improvements

Financial Headlines

- Strong organic revenue growth reflecting market demand and success in gaining market share
- Underlying operating profit up 11%, underlying PBT up 28%
- Group underlying operating margins now 6.1%
- Strong cash flow performance with excellent cash conversion
- 80 basis point improvement in return on invested capital to 10.0%

Richard Tyson, Chief Executive Officer, said:

"We have been delighted with the performance of the business in the first half. We have reported strong organic revenue growth, an improved operating margin with excellent profit growth and cash conversion.

Most notably, we have taken an important step for TT with the proposed sale of the Transportation division. The disposal will make TT a higher margin, higher quality business, with significantly improved financial capacity. We will deploy our increased investment capacity to drive growth and value creation for the new TT.

Our first half performance and order momentum reinforce our confidence of making further progress in 2017."

H1 2017 OVERVIEW

We delivered a strong performance in the first half, continuing TT's profitable growth momentum. Group revenue increased by 13 per cent to £180.0 million (H1 2016: £159.2 million), or 6 per cent excluding the effects of foreign exchange. On an organic basis, revenue increased by 5 per cent driven by positive market dynamics and share gains in the Sensors and Specialised Components division and strong market demand in Power Electronics including some one off last time buy activity as we move production from Fullerton in the US to our Bedlington facility in the UK. Revenue in Global Manufacturing Solutions declined by 2 per cent organically, but returned to growth in the second quarter supported by contract wins in the US. The Group's order momentum continues to be good across all three divisions.

Underlying operating profit increased by 31 per cent to £10.9 million (H1 2016: £8.3 million) with the improvement largely driven by Sensors and Specialist Components and Power Electronics. Underlying operating profit increased by 11 per cent at constant currency. There was a £1.5 million foreign exchange benefit. At current exchange rates, we are not expecting any further FX benefit in the second half.

Cash performance was excellent, with cash conversion from continuing operations of 128% (H1 2016: 63%). The working capital movement for the continuing operations improved to a £2.0 million inflow (H1 2016: £5.6 million outflow) with the adverse impact of revenue growth on debtors and inventory more than offset by the timing of creditor payments.

The Group's free cash inflow totalled £6.8 million (H1 2016: outflow £4.9 million). Net debt was £56.0 million at 30 June 2017 (31 December 2016: £55.4 million). On a pro-forma basis, taking account of the proceeds of the disposal of the Transportation Sensing and Control (TS&C) division net of fees, net cash at 30 June 2017 would be approximately £55 million.

STRATEGIC PROGRESS

The proposed disposal of the TS&C division is an important step for TT. Shareholder approval has been received and post-completion, we will be in a much stronger position to focus on our strategy of investing in structural growth markets where there is increasing electronic content. Completion is expected in Q4 2017 and remains subject to anti-trust clearance and other conditions as set out in the Circular to shareholders dated 24 July 2017.

Following the disposal, TT will be a higher margin, higher quality business, more balanced across markets and geographies and with increased financial capacity to accelerate growth through capital investments and acquisitions.

We will continue to focus on our chosen markets in areas where increasing electrification is fuelling demand for our high reliability engineered electronics. With the requirement for more data, connected devices and improved precision coupled with the demand for reduced size and weight alongside increased packaging density and power efficiency, we feel confident in the long term growth drivers for our offerings.

We remain focused on our R&D investments to develop solutions for our customers' most complex challenges, and spent £4.9 million on R&D across Sensors and Specialist Components and Power Electronics during the period, up 6 per cent at constant currency. We continue to increase the rate of new product launches, including current sensing and signal conditioning components for battery monitoring applications such as flight computers and hybrid vehicles.

We have started to see savings from actions we have taken to consolidate our suppliers in logistics and freight. We also continue with our operational efficiency activities, selecting production lines for process improvement projects. Our focus on lead time reduction, especially in some of our Sensors and Specialist Component lines, has enabled us to win market share from competitors with longer lead times and take advantage of a short term surge in distributor and OEM demand.

BUSINESS RE-ORGANISATION AND SEGMENTAL RESTATEMENT

We have reorganised our continuing operations to move our circuit protection, current sensing and signal conditioning capabilities from the Advanced Components division into the Industrial Sensing and Control division, with the division being renamed Sensors and Specialist Components. The main driver for bringing these business areas together is to allow a joined-up approach in their routes to market, facilitating key account management with our distributors and to support future growth.

The remainder of the Advanced Components division has been renamed Power Electronics to reflect the change in business mix following the integration of Aero Stanrew into the Group. No change has been made to the Integrated Manufacturing Services division, apart from it being renamed Global Manufacturing Solutions.

DIVISIONAL REVIEWS

SENSORS AND SPECIALIST COMPONENTS (40% of Continuing Group revenue)

The Sensors and Specialist Components division collaborates with customers to develop both standard and custom solutions that improve the precision, speed and reliability of performance-critical applications in the industrial, medical, transportation and aerospace and defence sectors. We design and manufacture highly engineered parts that solve customer challenges. Product offerings include optoelectronics and sensors for torque, position, pressure, flow and temperature, and specialist circuit protection and circuit conditioning components.

	H1 2017	H1 2016	Change	Change constant fx
Revenue	**£71.0m**	£60.6m	17%	6%
Underlying operating profit	**£8.6m**	£7.1m	21%	5%
Underlying operating profit margin	**12.1%**	11.7%	40bps	(20)bps

First half revenue was £71.0 million (H1 2016: £60.6 million), up 17 per cent and up 6 per cent at constant currency. The strong revenue improvement was driven by improving underlying market demand and what we believe to be a short term increase in OEM and distributor demand for our advanced circuit protection, current sensing and signal conditioning components as a result of extending industry lead times. We have captured market share as a result of our operational efficiency improvements, reduced lead times and increased capacity.

Underlying operating profit for the period improved to £8.6 million (H1 2016: £7.1 million). There was a £1.1 million positive foreign exchange benefit, and underlying operating profit was up 5 per cent at constant currency. The benefit of volume increases was partially offset by adverse mix as a result of lower sales of high-margin aftermarket electronic power steering (EPS) sensors. This impact is expected to normalise during the second half. Underlying operating margins improved by 40 basis points to 12.1 per cent (H1 2016: 11.7 per cent).

During the period, the division saw growth in its optoelectronic assemblies which detect light in a number of applications including cash machines, medical devices and industrial automation.

Improved market demand for our advanced circuit protection, current sensing and signal conditioning components has been driven by applications requiring reduced size and weight and increased packaging density and power efficiency. Market demand has been strong for these applications in product areas such as white goods and consumer electrical equipment where customers are requiring ever increasing performance.

New product innovation continues to increase with more new products launched in the first six months of the year than in the same period in 2016. This includes a number of new components with battery monitoring applications with enhanced capabilities including higher rated power and lower temperature sensitivity.

POWER ELECTRONICS (18% of Group revenue)

The Power Electronics division creates specialist, high performance, ultra-reliable, highly engineered electronic components and sub-assemblies for power management, signal conditioning and connectivity applications in harsh environments. It serves customers in the industrial, automotive and aerospace and defence markets and focuses on creating value by developing innovative electronic solutions to challenging problems for our customers' electronic systems.

	H1 2017	H1 2016	Change	Change constant fx
Revenue	**£33.0m**	£26.3m	25%	25%
Underlying operating profit	**£3.4m**	£1.9m	79%	79%
Underlying operating profit margin	**10.3%**	7.2%	310bps	310bps

Revenue for the first half was £33.0 million (H1 2016: £26.3 million), an increase of 25 per cent at constant currency, and 23 per cent organically. The strong revenue growth was a result of continued penetration in the aerospace and defence market, together with one off last time buy activities as we move production from Fullerton in the US to our Bedlington facility in the UK.

There was a £1.5 million constant currency improvement in underlying operating profit for the period to £3.4 million (H1 2016: £1.9 million) with the increase due to the drop-through on increased revenues. Cletronics, acquired during the period, contributed £0.1 million to underlying operating profit. Underlying operating margins improved by 310 basis points to 10.3 per cent (H1 2016: 7.2 per cent).

Following the new contract won in 2016 with a global engine manufacturer to outsource their product lines for Application-Specific Integrated Circuit (ASIC) solutions to TT, we have launched a range of new devices which are used in flight critical aerospace applications. We have now moved production for four customers into the clean room facility in Bedlington, the investment for which was completed last year. The contracts won with these customers will last up to five years.

We have seen increased demand for our connectors being used in rail applications in a significant UK transport infrastructure project. We have also seen good demand from some commercial aerospace engine programmes which have been in ramp up.

During the period we acquired the assets of Cletronics Inc., a small US based manufacturer of electromagnetic components for the aerospace industry for £1.2 million. The acquisition will help to accelerate the strategy for our power electronics capabilities in North America and adds product and technical breadth to the capabilities acquired in 2015 with Aero Stanrew.

GLOBAL MANUFACTURING SOLUTIONS (42% of Group revenue)

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

	H1 2017	H1 2016	Change	Change constant fx
Revenue	**£76.0m**	£72.3m	5%	(2)%
Underlying operating profit	**£2.5m**	£2.4m	4%	(11)%
Underlying operating profit margin	**3.3%**	3.3%	0bps	(30)bps

Revenue for the first half was £76.0 million (H1 2016: £72.3 million), up 5 per cent and down 2 per cent at constant currency. Revenue growth in Asia has continued to be strong. The North American industrial market weakness has subsided and we have won contracts in the first half of the year that were previously deferred, leading to an improved order book and outlook for growth. This has been offset by weaker European customer demand.

Underlying operating profit for the period was £2.5 million (H1 2016: £2.4 million), up 4 per cent but down 11 per cent at constant currency, mainly impacted by the reduction in revenues. Underlying operating margins were 3.3 per cent, flat compared to the previous year (H1 2016: 3.3 per cent).

In light of weaker European demand, management made headcount reductions which are expected to yield benefits in the second half of the year.

After experiencing challenging North American industrial markets during 2016, we have started to see the market strengthen, winning key multi-year awards in aerospace and defence.

In Asia, we have continued to see strong growth, particularly in medical markets across a number of customers in life sciences and laboratory instrumentation. For one customer where we supply printed circuit board assembly (PCBA), integration box builds and cable assemblies, we have seen increased demand as a result of the fast growing Asian medical market as well as ramping up new contracts won with this customer.

Discontinued operations: TRANSPORTATION SENSING AND CONTROL

The Transportation Sensing and Control division develops both sensors and control solutions for automotive OEMs and tier one suppliers including powertrain providers for passenger cars and trucks. The division develops a wide range of products for multiple applications on a vehicle, from power controls, gear position and pedal sensors to fluid and emission sensors, with almost all of them focused on the safety and driver assistance features required by our customers.

	H1 2017	H1 2016	Change	Change constant fx
Revenue	**£131.9m**	£117.8m	12%	1%
Underlying operating profit	**£6.5m**	£5.4m	20%	8%
Underlying operating profit margin	**4.9%**	4.6%	30bps	30bps

The proposed sale of the TS&C division announced in July 2017 for £118.8 million on a cash free debt free basis is proceeding in line with our expectations. TT shareholders gave their approval for the transaction on 10 August 2017 and the transaction is expected to complete in Q4 2017 subject to anti-trust clearance and other conditions as set out in the Circular to shareholders dated 24 July 2017.

In accordance with IFRS5 'Non-Current Assets Held for Sale and Discontinued Operations' the TS&C division has been classified as 'held for sale' in the period and the results have been separately disclosed in 'discontinued operations'. The assets and liabilities of the division have been separately disclosed on the balance sheet.

Revenue in the first half of 2017 was £131.9 million (H1 2016: £117.8 million), up by 12 per cent and up by 1 per cent at constant currency.

The underlying operating profit of £6.5 million (H1 2016: £5.4 million) resulted in an underlying operating margin of 4.9 per cent (H1 2016: 4.6 per cent) and included a £0.6 million foreign exchange benefit.

OTHER FINANCIAL INFORMATION

Corporate costs were £3.6 million (H1 2016: £3.1 million) with the increase linked to the growth of the business.

The net interest expense of £1.4 million decreased by £1.0 million (H1 2016: £2.4 million) as a result of reduced amortisation of bank fees, reduced pension interest together with improved margins on the new bank facility. Underlying profit before tax improved by 61 per cent to £9.5 million (H1 2016: £5.9 million) representing a 28 per cent increase on a constant currency basis.

The underlying effective tax rate for the continuing group was 20.6 per cent (H1 2016: 35.6 per cent; Full Year 2016: 36.0 per cent). The high effective tax rate shown for continuing operations for 2016 reflects the accounting effects of restating the TS&C activities to discontinued operations. Basic underlying earnings per share increased by 100 per cent to 4.6 pence (H1 2016: 2.3 pence), and by 53 per cent at constant currency.

Profit from continuing operations increased to £3.9 million (H1 2016: £0.9 million) after a charge for items excluded from underlying profit of £4.1 million (H1 2016: £3.5 million). Restructuring costs related to footprint change projects were broadly offset by gains related to a pensions increase exchange (PIE) exercise and profits on the sale of a surplus property. Acquisition and disposal costs of £4.0 million (H1 2016: £1.6 million) related to the disposal of TS&C and £1.5 million of non-cash amortisation of acquisition intangibles. The cash costs relating to these items totalled £4.1 million (H1 2016: £7.8 million).

Profit from discontinued operations increased to £4.4 million (H1 2016: £3.0 million) with the improvement reflecting growth in the underlying operating profit and a £1.2 million reduction in restructuring costs to £0.2 million (H1 2016: £1.4 million), partially offset by an increase in the tax charge.

Net debt at the end of the period was £56.0 million (2016 year-end: £55.4 million). Net debt to Group underlying EBITDA at the end of the first half was 0.9 times (2016 year-end: 1.0 times, H1 2016: 1.5 times).

The net accounting deficit under the Group's defined benefit pension schemes reduced to £2.3 million (2016 year-end: £5.7 million). The improvement in the position of the schemes was due to deficit contributions of £2.3 million made to the UK scheme in the first half, together with a reduction in liabilities arising from a pensions increase exchange exercise.

DIVIDEND

In light of the strong performance in the first half, the Board's confidence in the future prospects for the business, and reflecting the financial impact on the Group of the proposed disposal of the Transportation Sensing and Control division, the Board has declared an interim dividend of 1.75 pence per share. Payment of the dividend will be made on 19 October 2017 to shareholders on the register on 6 October 2017.

OUTLOOK

We have been delighted with the performance of the business in the first half. We have reported strong organic revenue growth, an improved operating margin with excellent profit growth and cash conversion.

Most notably, we have taken an important step for TT with the proposed sale of the Transportation division. The disposal will make TT a higher margin, higher quality business, with significantly improved financial capacity. We will deploy our increased investment capacity to drive growth and value creation for the new TT.

Our first half performance and order momentum reinforce our confidence of making further progress in 2017.

Interim Results for the half-year ended 30 June 2017

GOING CONCERN

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 the foreseeable future. Accordingly the financial statements have been prepared on a going concern basis.

Responsibility statement of the Directors

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS34 "Interim Financial Reporting" as adopted by the EU;
- the interim management report includes a fair review of the information required by DTR 4.2.7R:
  - (i) an indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of financial statements; and
  - (ii) a description of the principal risks and uncertainties for the remaining six months of the year
- the interim management report includes a fair review of the information required by DTR 4.2.8R:
  - (i) related parties transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group in that period; and
  - (ii) any changes in the related parties transactions described in the Annual Report 2016 that could have a material effect on the financial position or performance of the Group in the current period.

By order of the Board

Richard Tyson	**Mark Hoad**
Chief Executive Officer	Chief Financial Officer
10 August 2017	10 August 2017

Cautionary statement

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

Independent review report to TT Electronics plc

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 which comprises the condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of financial position, condensed consolidated statement of changes in equity, condensed consolidated cash flow statement and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2017 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the Disclosure Guidance and Transparency Rules (“the DTR”) of the UK’s Financial Conduct Authority (“the UK FCA”).

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA. The annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Mike Barradell
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
10 August 2017

Condensed consolidated income statement (unaudited)

for the six months ended 30 June 2017

£million (unless otherwise stated)	Note	Six months ended 30 June 2017	Six months ended 30 June 2016*	Year ended 31 December 2016*
Revenue	3	**180.0**	159.2	332.7
Cost of sales		**(133.8)**	(121.0)	(248.8)
Gross profit		**46.2**	38.2	83.9
Distribution costs		**(11.8)**	(11.6)	(23.2)
Administrative expenses		**(28.1)**	(22.4)	(43.0)
Other operating income		**0.5**	0.6	1.1
Operating profit		**6.8**	4.8	18.8
Analysed as:				
Underlying operating profit	3	**10.9**	8.3	20.6
Restructuring and other	5	**(0.1)**	(1.9)	2.0
Acquisition and disposal related costs	5	**(4.0)**	(1.6)	(3.8)
Finance income		**-**	1.5	0.1
Finance costs		**(1.4)**	(3.9)	(4.6)
Profit before taxation		**5.4**	2.4	14.3
Taxation	6	**(1.5)**	(1.5)	(4.8)
Profit from continuing operations		**3.9**	0.9	9.5
Discontinued operations				
Profit from discontinued operations		**4.4**	3.0	7.2
Profit for the period attributable to the owners of the Company		**8.3**	3.9	16.7
EPS attributable to owners of the Company - basic and diluted (p)				
From continuing operations	7	**2.4**	0.6	5.9
From discontinued operations	7	**2.7**	1.8	4.4
		5.1	2.4	10.3

*Re-presented for discontinued operations.

Condensed consolidated statement of comprehensive income (unaudited)

for the six months ended 30 June 2017

£million	**Six months ended 30 June 2017**	Six months ended 30 June 2016	Year ended 31 December 2016
Profit for the period	**8.3**	3.9	16.7
Other comprehensive income/(loss) for the period after tax			
Items that are or may be reclassified subsequently to the income statement:			
Exchange differences on translation of foreign operations	**(4.3)**	12.6	19.4
Gain on hedge of net investment in foreign operations	**0.1**	5.0	7.3
Gain/(loss) on cash flow hedges taken to equity less amounts taken to income statement	**2.4**	(0.7)	(0.5)
Items that will never be reclassified to the income statement:			
Remeasurement of defined benefit pension schemes	**-**	18.1	11.3
Remeasurement of other post-employment benefits	**-**	–	(0.2)
Tax on remeasurement of defined benefit pension schemes	**-**	(3.3)	(2.1)
Total comprehensive income for the period	**6.5**	35.6	51.9

Total comprehensive income for the six months ended 30 June 2017 is entirely attributable to the owners of the Company.

Condensed statement of financial position (unaudited)

at 30 June 2017

£million		Six months ended 30 June 2017	Six months ended 30 June 2016[1]	Year ended 31 December 2016
ASSETS				
Non-current assets				
Property, plant and equipment		**44.0**	89.8	92.2
Goodwill		**102.8**	101.2	106.5
Other intangible assets		**31.6**	36.2	36.7
Deferred tax assets		**5.2**	2.1	6.4
Pensions	9	**0.9**	1.9	–
Total non-current assets		**184.5**	231.2	241.8
Current assets				
Inventories		**58.1**	83.8	79.6
Trade and other receivables		**58.1**	93.3	96.8
Income taxes receivable		**-**	–	0.8
Derivative financial instruments		**1.7**	0.6	0.6
Cash and cash equivalents		**48.6**	44.3	49.8
Assets held for sale	4	**141.4**	5.9	–
Total current assets		**307.9**	227.9	227.6
Total assets		**492.4**	459.1	469.4
LIABILITIES				
Current liabilities				
Borrowings		**0.2**	1.5	1.6
Derivative financial instruments		**0.5**	2.6	2.4
Trade and other payables		**67.3**	95.8	94.8
Income taxes payable		**6.9**	8.0	9.7
Provisions		**6.2**	8.3	7.5
Total current liabilities		**81.1**	116.2	116.0
Non-current liabilities				
Borrowings		**113.9**	113.5	103.6
Deferred tax liability		**6.4**	3.5	6.1
Pensions	9	**3.2**	3.2	5.7
Other non-current liabilities		**0.1**	4.6	4.6
Total non-current liabilities		**123.6**	124.8	120.0
Liabilities directly associated with assets classified as held for sale	4	**51.7**	–	–
Total liabilities		**256.4**	241.0	236.0
Net assets		**236.0**	218.1	233.4
EQUITY				
Share capital		**40.6**	40.6	40.6
Share premium		**2.3**	2.0	2.1
Hedging and translation reserve		**42.5**	35.0	44.3
Other reserves		**11.8**	8.0	9.6
Retained earnings		**136.8**	130.5	134.8
Equity attributable to owners of the Company		**234.0**	216.1	231.4
Non-controlling interests		**2.0**	2.0	2.0
Total equity		**236.0**	218.1	233.4

[1] Updated to reflect re-presentation of certain balances (see note 2 b))

Approved by the Board of Directors on 10 August 2017 and signed on their behalf by:

Richard Tyson — Director

Mark Hoad — Director

Condensed consolidated statement of changes in equity (unaudited)

for the six months ended 30 June 2017

£million	Share capital	Share premium[1]	Hedging and translation reserve	Other reserves[1]	Retained earnings	Sub-total	Non-controlling interest	Total
At 1 January 2017	**40.6**	**2.1**	**44.3**	**9.6**	**134.8**	**231.4**	**2.0**	**233.4**
Profit for the period	-	-	-	-	8.3	8.3	-	8.3
Other comprehensive income								
Exchange differences on translation of foreign operations	–	–	(4.3)	–	–	(4.3)	–	(4.3)
Gain on hedge of net investment in foreign operations	–	–	0.1	–	–	0.1	–	0.1
Gain on cash flow hedges taken to equity less amounts taken to income statement	–	–	2.4	–	–	2.4	–	2.4
Total other comprehensive income	-	-	(1.8)	-	-	(1.8)	-	(1.8)
Transactions with owners recorded directly in equity								
Equity dividends paid by the Company	–	–	–	–	(6.3)	(6.3)	–	(6.3)
Share-based payments	–	–	–	1.8	–	1.8	–	1.8
Deferred tax on share-based payments	–	–	–	0.4	–	0.4	–	0.4
New shares issued	–	0.2	–	–	–	0.2	–	0.2
At 30 June 2017	**40.6**	**2.3**	**42.5**	**11.8**	**136.8**	**234.0**	**2.0**	**236.0**
At 1 January 2016	40.5	1.8	18.1	7.0	118.0	185.4	2.0	187.4
Profit for the period	–	–	–	–	3.9	3.9	–	3.9
Other comprehensive /income:								
Exchange differences on translation of foreign operations	–	–	12.6	–	–	12.6	–	12.6
Gain on hedge of net investment in foreign operations	–	–	5.0	–	–	5.0	–	5.0
Loss on cash flow hedges taken to equity less amounts taken to income statement	–	–	(0.7)	–	–	(0.7)	–	(0.7)
Remeasurement of defined benefit pension schemes	–	–	–	–	18.1	18.1	–	18.1
Tax on remeasurement of defined benefit pension schemes	–	–	–	–	(3.3)	(3.3)	–	(3.3)
Total other comprehensive income	–	–	16.9	–	14.8	31.7	–	31.7
Transactions with owners recorded directly in equity:								
Equity dividends paid by the Company	–	–	–	–	(6.2)	(6.2)	–	(6.2)
Share-based payments	–	–	–	1.0	–	1.0	–	1.0
New shares issued	0.1	0.2	–	–	–	0.3	–	0.3
At 30 June 2016	40.6	2.0	35.0	8.0	130.5	216.1	2.0	218.1

[1] Updated to reflect re-presentation of reserves (see note 2 b))

Condensed consolidated cash flow statement (unaudited)

for the six months ended 30 June 2017

£million	Note	Six months ended 30 June 2017	Six months ended 30 June 2016*	Year ended 31 December 2016*
Cash flows from operating activities				
Profit for the period		**8.3**	3.9	16.7
Taxation		**1.5**	1.5	4.8
Net finance costs		**1.4**	2.4	4.5
Restructuring and other		**0.1**	1.9	(2.0)
Acquisition and disposal related costs		**4.0**	1.6	3.8
Profit from discontinued operations		**(4.4)**	(3.0)	(7.2)
Underlying operating profit		**10.9**	8.3	20.6
Adjustments for:				
Depreciation of property, plant and equipment		**4.5**	4.3	8.7
Amortisation of intangible assets		**2.1**	1.6	3.5
Other items		**1.3**	1.2	1.9
(Increase)/decrease in inventories		**(5.0)**	0.9	5.8
Increase in receivables		**(0.6)**	(8.1)	(10.2)
Increase/(decrease) in payables		**7.6**	1.6	(1.0)
Underlying operating cash flow		**20.8**	9.8	29.3
Operating cash flow from discontinued operations		**9.0**	8.4	20.3
Special payments to pension funds		**(2.3)**	(2.2)	(4.5)
Restructuring, acquisition and disposal related costs		**(4.1)**	(7.8)	(10.8)
Net cash generated from operations		**23.4**	8.2	34.3
Net income taxes paid		**(3.3)**	(3.1)	(7.7)
Net cash flow from operating activities		**20.1**	5.1	26.6
Cash flows from investing activities				
Interest received		**0.1**	0.1	0.2
Purchase of property, plant and equipment		**(10.2)**	(7.4)	(17.4)
Proceeds from sale of property, plant and equipment and grants received		**1.0**	0.4	13.1
Development expenditure		**(1.6)**	(0.5)	(1.5)
Purchase of other intangibles		**(1.4)**	(1.4)	(4.2)
Acquisitions of businesses		**(1.2)**	-	-
Net cash flow from investing activities		**(13.3)**	(8.8)	(9.8)
Cash flows from financing activities				
Issue of share capital		**0.2**	-	0.3
Interest paid		**(1.2)**	(1.2)	(3.0)
Repayment of borrowings		**-**	(93.7)	(113.7)
Proceeds from borrowings		**10.9**	106.8	114.6
Other items		**-**	(0.2)	(0.3)
Finance leases		**(0.1)**	(0.3)	(0.3)
Dividends paid by the Company		**(6.3)**	(6.2)	(8.9)
Net cash flow from financing activities		**3.5**	5.2	(11.3)
Net increase in cash and cash equivalents		**10.3**	1.5	5.5
Cash and cash equivalents at beginning of year	10	**49.8**	40.3	40.3
Cash transferred to assets held for sale	10	**(11.1)**	-	-
Exchange differences	10	**(0.4)**	2.5	4.0
Cash and cash equivalents at end of period	10	**48.6**	44.3	49.8

*Re-presented to show profit and operating cash flow from discontinued operations separately.

Notes to the Condensed consolidated financial statements (unaudited)

1. General information

The Condensed consolidated financial statements for the six months ended 30 June 2017 are unaudited and were authorised for issue in accordance with a resolution of the Board of Directors. They do not constitute statutory financial statements as defined in Section 434 of the Companies Act 2006. The comparative figures for the year ended 31 December 2016 are based on the Group's statutory accounts for that financial year. Those accounts have been reported on by the Group's auditors and delivered to the Registrar of Companies. The report of the auditor was unqualified, did not include a reference to any matter to which the auditors drew attention by way of emphasis without qualifying their report, and did not contain a statement under section 498 of the Companies Act 2006.

2. Basis of preparation

a) Condensed consolidated half-year financial statements

These condensed consolidated half-year financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU. These condensed consolidated half-year financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the 2016 Annual Report.

b) Basis of accounting

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016. Adoption of amendments to published standards and interpretations effective for the Group for the half-year ended 30 June 2017 did not have any impact on the financial position and performance of the Group.

In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", comparatives for prior years have been re-presented for businesses treated as discontinued. During the period to 30 June 2017 the Transportation Sensing and Controls division has been re-presented as a discontinued operation (see note 4).

In addition comparative financial information for the half-year ended 30 June 2016 has been re-presented to transfer £3.4 million on the acquisition of Aero Stanrew Group Limited from share premium to the merger reserve.

c) Estimates

The preparation of half-year condensed consolidated financial statements requires management to make judgements, estimates and assumptions which affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated half-year financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those applied to the consolidated financial statements as at and for the year ended 31 December 2016. These relate to the determination of items of income and expense excluded from operating profit to arrive at underlying operating profit, taxation, property plant and equipment, impairment of goodwill, other intangible assets, provisions and defined benefit pension obligations.

d) Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate resources and financial headroom to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing the condensed consolidated half-year financial statements. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business review above and in note 13.

The Group had net debt of £56.0 million at 30 June 2017 (31 December 2016: £55.4 million) including £9.5 million net funds within assets/liabilities held for sale. The Group had available £43.0 million of undrawn committed borrowing facilities and £55.8 million of undrawn uncommitted borrowing facilities, representing overdraft lines (£25.8 million) and the accordion facility (£30.0 million). Given the considerable financial resources available, together with long term partnerships with a number of key customers and suppliers across different geographic areas and industries, the Directors believe that the Group is well placed to manage its business risks successfully.

The Group continues to manage foreign currency risk at a transactional level through the use of hedges which are monitored by the Group Treasury Committee.

The Treasury Committee regularly reviews counterparty credit risk, and ensures cash balances are held with carefully assessed counterparties with strong credit ratings.

Pages 26 to 27 of the 2016 Annual Report provide details of the Group's policy on managing its operational and financial risks.

3. Segmental reporting

Following the announcement on 1 August 2017, the Group is now organised into three divisions, as shown below, according to the nature of the products and services provided. Each of these divisions represents an operating segment in accordance with IFRS 8 'Operating segments' and there is no aggregation of segments. The chief operating decision maker is the Board of Directors. The operating segments are:

- Sensors and Specialist Components – The Sensors and Specialist Components division collaborates with customers to develop both standard and custom solutions that improve the precision, speed and reliability of performance-critical applications in the industrial, medical, transportation and aerospace and defence sectors. We design and manufacture highly engineered parts that solve customer challenges. Product offerings include optoelectronics and sensors for torque, position, pressure, flow and temperature, and specialist circuit protection and circuit conditioning components.
- Power Electronics – The Power Electronics division creates specialist, high performance, ultra-reliable, highly engineered electronic components and sub-assemblies for power management, signal conditioning and connectivity applications in harsh environments. It serves customers in the industrial, automotive and aerospace and defence markets and focuses on creating value by developing innovative electronic solutions to challenging problems for our customers' electronic systems.
- Global Manufacturing Solutions – The Global Manufacturing Solutions division draws on its manufacturing design engineering capabilities, global facilities and world-class quality standards to provide highly complex electronic manufacturing solutions to customers in the aerospace and defence, medical, and high technology industrial sectors. The business has broad capabilities ranging from printed circuit board assembly to environmental test and full systems integration. This global suite of end-to-end solutions is focused exclusively on low volume, high mix business.

The key performance measure of the operating segments is underlying operating profit. Refer to note 5 for a definition of underlying operating profit.

Corporate costs - In 2016 and prior years central corporate costs were allocated to each of the divisions on the basis of revenue to determine underlying operating profit. For 2017 reporting those costs of the head office which are not related to the operating activities of the trading units are no longer allocated to divisions. Resources and costs managed centrally but deployed in support of the operating units will continue to be allocated to the divisional segments based on a combination of revenue and operating profit. Corporate costs are separately disclosed, equivalent to the segment disclosure information, so that reporting is consistent with the format that is now used for review by the chief operating decision maker. This gives greater transparency of the underlying operating profits for each segment. As required by IFRS8, comparative amounts have been restated to reflect this change.

The accounting policies of the reportable segments are the same as the Group's accounting policies and are as published in the 2016 Annual Report.

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 within the segment of which it is a part.

Income statement information

	Six months ended 30 June 2017					
£million	**Sensors and Specialist Components**	**Power Electronics**	**Global Manufacturing Solutions**	**Total Operating Segments**	**Corporate**	**Total**
Sales to external customers	**71.0**	**33.0**	**76.0**	**180.0**	**-**	**180.0**
Underlying operating profit	**8.6**	**3.4**	**2.5**	**14.5**	**(3.6)**	**10.9**
Adjustments to underlying operating profit (note 5)						**(4.1)**
Operating profit						**6.8**
Net finance costs						**(1.4)**
Profit before taxation						**5.4**

	Six months ended 30 June 2016 (re-presented)					
£million	Sensors and Specialist Components	Power Electronics	Global Manufacturing Solutions	Total Operating Segments	Corporate	Total
Sales to external customers	60.6	26.3	72.3	159.2	-	159.2
Underlying operating profit	7.1	1.9	2.4	11.4	(3.1)	8.3
Adjustments to underlying operating profit (note 5)						(3.5)
Operating profit						4.8
Net finance costs						(2.4)
Profit before taxation						2.4

£million	Sensors and Specialist Components	Power Electronics	Global Manufacturing Solutions	Total Operating Segments	Corporate	Total
	Year ended 31 December 2016 (re-presented)					
Sales to external customers	129.5	56.2	147.0	332.7	-	332.7
Underlying operating profit	15.6	5.0	6.3	26.9	(6.3)	20.6
Adjustments to underlying operating profit (note 5)						(1.8)
Operating profit						18.8
Net finance costs						(4.5)
Profit before taxation						14.3

There is no significant revenue between segments.

Analysis of revenue by destination – continuing operations

£million	**Six months ended 30 June 2017**	Six months ended 30 June 2016 (re-presented)	Year ended 31 December 2016 (re-presented)
United Kingdom	**47.0**	45.7	94.6
Rest of Europe	**31.8**	28.9	60.5
North America	**56.3**	46.9	98.1
Central and South America	**0.3**	0.3	0.5
Asia	**43.3**	34.7	74.5
Rest of the World	**1.3**	2.7	4.5
Continuing operations	**180.0**	159.2	332.7

4. Discontinued operations and assets held for sale

On 19 July 2017 the Group announced the proposed disposal of the Transportation Sensing and Control division to AVX Corporation for £118.8 million in cash. As the Directors were committed to the disposal prior to 30 June 2017 the business has been classified as a discontinued operation, with the assets and related liabilities shown as being held for sale at the balance sheet date.

Income statement

The results from discontinued operations for the period shown in the Condensed consolidated income statement are shown below:

£million	Six months ended 30 June 2017	Six months ended 30 June 2016 (re-presented)	Year ended 31 December 2016 (re-presented)
Revenue	**131.9**	117.8	237.2
Cost of sales	**(116.7)**	(105.5)	(212.8)
Gross profit	**15.2**	12.3	24.4
Distribution costs	**(4.5)**	(4.5)	(8.8)
Administrative expenses	**(4.4)**	(3.8)	(6.8)
Operating profit	**6.3**	4.0	8.8
Analysed as:			
Underlying operating profit	**6.5**	5.4	10.7
Restructuring	**(0.2)**	(1.4)	(1.9)
Finance income	**-**	0.1	0.1
Profit before taxation	**6.3**	4.1	8.9
Taxation	**(1.9)**	(1.1)	(1.7)
Profit from discontinued operations	**4.4**	3.0	7.2

Balance sheet

The major classes of assets and liabilities classified as held for sale at 30 June 2017 were as follows:

	£million
Assets	
Property, plant and equipment	**48.8**
Goodwill	**0.7**
Other intangibles	**4.7**
Deferred tax assets	**1.5**
Inventories	**27.8**
Trade and other receivables	**46.8**
Cash and cash equivalents	**11.1**
Assets classified as held for sale	**141.4**
Liabilities	
Borrowings	**1.6**
Derivative financial instruments	**0.2**
Trade and other payables	**42.4**
Income taxes payable	**1.5**
Provisions	**1.4**
Deferred tax liability	**0.1**
Other non-current liabilities	**4.5**
Liabilities directly associated with assets classified as held for sale	**51.7**
Net assets classified as held for sale	**89.7**

Cash flows

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

£million	**Six months ended 30 June 2017**	Six months ended 30 June 2016 (re-presented)	Year ended 31 December 2016 (re-presented)
Operating activities	**9.0**	8.4	20.3
Investing activities	**(5.1)**	(4.2)	(8.5)
Net cash flow	**3.9**	4.2	11.8

5. Alternative performance measures

The Condensed consolidated financial statements include alternative performance measures that are not prepared in accordance with IFRS. These alternative performance measures have been selected by management 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.

Alternative performance measures are presented in these Condensed consolidated financial statements as management believe they provide investors with a means of evaluating performance of the Group on a consistent basis, similar to the way in which management evaluates performance, that is not otherwise apparent on an IFRS basis, given that certain non-recurring, infrequent or non-cash items that management does not believe are indicative of the underlying operating performance of the Group are included when preparing financial measures under IFRS.

The Directors consider there to be four main alternative performance measures: underlying operating profit, free cash flow, underlying EPS (see note 7) and underlying effective tax rate.

Underlying operating profit

This has been defined as operating profit from continuing operations excluding the impacts of significant restructuring programmes, significant one-off asset impairments and business acquisition and divestment related activity. Business acquisition and divestment related items include the amortisation of intangible assets recognised on acquisition, the writing off of the pre-acquisition profit element of inventory written up on acquisition, other direct costs associated with business combinations and adjustments to contingent consideration related to acquired businesses. Items related to significant restructuring programmes include the impact of the Operational Improvement Plan initiated in 2014, other significant changes in footprint (including movement of production facilities and sale of properties) and significant costs of management changes.

£million	Six months ended 30 June 2017		Six months ended 30 June 2016 (re-presented)		Year ended 31 December 2016 (re-presented)	
	Operating profit	Tax	Operating profit	Tax	Operating profit	Tax
As reported	**6.8**	**(1.5)**	4.8	(1.5)	18.8	(4.8)
Restructuring and other						
Operational Improvement Plan	**(0.4)**	**0.1**	(0.8)	–	(1.0)	0.2
Other restructuring	**(0.7)**	**0.3**	(1.1)	0.2	(1.3)	0.6
Property items	**0.2**	**–**	–	–	4.3	(0.7)
Pensions increase exchange past service credit	**0.8**	**(0.2)**	–	–	–	–
	(0.1)	**0.2**	(1.9)	0.2	2.0	0.1
Acquisition and disposal related costs						
Release of divestment provision	**–**	**–**	–	–	0.9	–
Release of surplus fair value inventory provision	**–**	**–**	0.9	–	–	–
Amortisation of intangible assets arising on business combinations	**(1.5)**	**0.3**	(1.8)	0.4	(3.5)	0.7
Other acquisition and disposal related costs	**(2.5)**	**-**	(0.7)	–	(1.2)	0.2
	(4.0)	**0.3**	(1.6)	0.4	(3.8)	0.9
Total items excluded from underlying measure	**(4.1)**	**0.5**	(3.5)	0.6	(1.8)	1.0
Underlying measure	**10.9**	**(2.0)**	8.3	(2.1)	20.6	(5.8)

Restructuring costs charged in the period relate to further costs incurred on the Operational Improvement Plan initiated in a previous period (£0.4 million) as well as costs associated with other site restructuring (£0.7 million). Credits were recognised in respect of a pension past service adjustment under which members agreed to exchange future pension increases for an additional amount of initial pension (£0.8 million net of £0.2 million costs) and a profit arising on the sale of certain properties (£0.2 million)

Acquisition and disposal related costs include amortisation of acquired intangible assets (£1.5 million) and other costs (£2.5 million) largely relating to the proposed disposal of the Transportation Sensing and Control division.

Free cash flow

This has been defined as net cash flow from operating activities less cash flow from investing activities (excluding acquisitions and disposal proceeds) less interest paid.

£million	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
Net cash flow from operating activities	**20.1**	5.1	26.6
Net cash flow from investing activities	**(13.3)**	(8.8)	(9.8)
Acquisition of business	**1.2**	-	-
Interest paid	**(1.2)**	(1.2)	(3.0)
Free cash flow	**6.8**	(4.9)	13.8

Underlying earnings per share

This is the profit for the year attributable to the owners of the Company adjusted to exclude the items not included within underlying operating profit divided by the weighted average number of shares in issue during the year. See note 7 for the calculation of underlying earnings per share.

Underlying effective tax charge

This is the tax charge adjusted to exclude items not included within underlying operating profit.

£million	**Six months ended 30 June 2017**	Six months ended 30 June 2016	Year ended 31 December 2016
Underlying operating profit	**10.9**	8.3	20.6
Net interest	**(1.4)**	(2.4)	(4.5)
Underlying profit before tax	**9.5**	5.9	16.1
Underlying tax	**2.0**	2.1	5.8

6. Taxation

The half-year tax charge is based on a forecast effective tax rate of 24.2% (20.6% for continuing operations) on profit excluding restructuring, asset impairments and acquisition related costs.

The enacted UK corporation tax rate applicable from 1 April 2015 is 20%, from 1 April 2017 is 19% and from 1 April 2020 is 17%.

7. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of shares in issue during the period. The weighted average number of shares in issue is 162.4 million (30 June 2016: 162.1 million, 31 December 2016: 162.2 million).
Underlying earnings per share is based on the underlying profit after interest and tax.

Pence	**Six months ended 30 June 2017**	Six months ended 30 June 2016 (re-presented)	Year ended 31 December 2016 (re-presented)
Basic and diluted earnings per share			
Continuing operations	**2.4**	0.6	5.9
Discontinued operations	**2.7**	1.8	4.4
Total	**5.1**	2.4	10.3

The numbers used in calculating underlying earnings per share are shown below:

£million	**Six months ended 30 June 2017**	Six months ended 30 June 2016 (re-presented)	Year ended 31 December 2016 (re-presented)
Continuing operations			
Profit for the period attributable to owners of the Company	**3.9**	0.9	9.5
Restructuring and other	**0.1**	1.9	(2.0)
Acquisition and disposal related costs	**4.0**	1.6	3.8
Tax effect of above items (see note 5)	**(0.5)**	(0.6)	(1.0)
Underlying earnings	**7.5**	3.8	10.3
Underlying earnings per share (pence)	**4.6**	2.3	6.4

8. Dividends

	2017 pence per share	2017 £million	2016 pence per share	2016 £million
Final dividend for prior year	**3.9**	**6.3**	3.8	6.2
Interim dividend for current year	**-**	**-**	1.7	2.7
	3.9	**6.3**	5.5	8.9

The Directors have declared an interim dividend of 1.75 pence per share which will be paid on 19 October 2017 to shareholders on the register on 6 October 2017. Shares will become ex-dividend on 5 October 2017. The Group has a progressive dividend policy.

9. Retirement benefit schemes

The Group operates one significant defined benefit scheme in the UK and overseas defined benefit schemes in the USA. These schemes are closed to new members and the UK scheme is closed to future accrual.

The amounts recognised in the condensed consolidated balance sheet are:

£million	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
Fair value of assets	**549.8**	525.4	546.2
Present value of funded obligation	**(552.1)**	(526.7)	(551.9)
Net liability recognised in the balance sheet	**(2.3)**	(1.3)	(5.7)
Represented by			
Schemes in net surplus	**0.9**	1.9	-
Schemes in net deficit	**(3.2)**	(3.2)	(5.7)

The costs recognised in the condensed consolidated income statement are:

£million	Six months ended 30 June 2017	Six months ended 30 June 2016	Year ended 31 December 2016
Scheme administration costs	**0.6**	0.5	1.2
Past service credit (non-underlying)	**1.0**	-	-
Net interest cost	**0.1**	0.3	0.7
Settlements and curtailments	**-**	-	(0.6)

The triennial valuation of the UK scheme as at April 2016 showed a deficit of £46.0 million against the Trustee's funding objective compared with £19.1 million at April 2013. The Company has agreed fixed contributions through to 2020 based on the actuarial deficit at April 2016.

These planned contributions amount to £4.7 million (of which £2.3 million had been paid in the first half of the year), £4.9 million, £5.1 million and £3.9 million to be paid over the next four years. In addition, the Group has set aside £3.0 million to be utilised in agreement with the Trustee for reducing the long-term liabilities of the scheme.

10. Reconciliation of net cash flow to movement in net debt

£million	Net cash	Borrowings and finance leases	Net debt
At 1 January 2016	40.3	(96.4)	(56.1)
Cash flow	1.5	(12.9)	(11.4)
Non-cash items	-	(1.8)	(1.8)
Exchange differences	2.5	(3.9)	(1.4)
At 1 July 2016	44.3	(115.0)	(70.7)
Cash flow	4.0	12.3	16.3
Exchange differences	1.5	(2.5)	(1.0)
At 1 January 2017	49.8	(105.2)	(55.4)
Cash flow	10.3	(10.8)	(0.5)
Non-cash items	-	(0.2)	(0.2)
Transferred to assets / liabilities held for sale	(11.1)	1.6	(9.5)
Exchange differences	(0.4)	0.5	0.1
At 30 June 2017	48.6	(114.1)	(65.5)
Amounts included in assets / liabilities held for sale	11.1	(1.6)	9.5
At 30 June 2017	**59.7**	**(115.7)**	**(56.0)**

Net cash includes overdraft balances of £nil (30 June 2016 and 31 December 2016: £nil).

11. Share capital

During the period the Company issued 124,112 ordinary shares as a result of share options being exercised under the Sharesave scheme and Share Purchase plans. The aggregate consideration received was £0.2 million, which was represented by a £0.2 million increase in share premium.

12. 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 during the six months ended 30 June 2017 that have affected the financial position or performance of the Group.

13. Principal risks and uncertainties

As described on pages 26 to 27 of the 2016 Annual Report, the Group continues to be exposed to a number of operational and financial risks and has an established, structured approach to identifying, assessing and managing those risks. These risks relate to the following areas:

General economic downturn; contractual risks; pricing and margin pressures; research and development; people and capability; supplier resilience; and legal and regulatory compliance.

In addition to these risks, the Directors believe that the group now faces risks relating to the proposed disposal of the Transportation Sensing and Control division. These risks relate to customary warranties and indemnities in the sale agreement; occurrence of events or developments due to a delay between signing and completion; unexpected costs arising due to the complexity of the separation of the business from the continuing group; and potential termination fees and other transaction costs.