TT Electronics plc

Results for the year ended 31 December 2020

For further information, please contact:

TT Electronics
Richard Tyson, Chief Executive Officer
Mark Hoad, Chief Financial Officer
Emma Darke, Head of Investor Relations and Communications Tel: +44 (0)1932 827 779

MHP Communications
Tim Rowntree / Rachel Mann Tel: +44 (0)20 3128 8100

A management presentation for analysts and investors will be held today at 08.00 and can be accessed on https://webcasting.brrmedia.co.uk/broadcast/60360fbf1e24d464e23e2667. There will be a conference call and moderated Q&A session following this and to participate you will need to dial +44 (0)330 336 9125, confirmation code 3044155. A recording of the presentation and Q&A session will be available on the website later in the day.

A PDF of this full year announcement is available for download from https://www.ttelectronics.com/investors/investor-highlights/reports-presentations-videos/.

Results for the year ended 31 December 2020

Second half recovery and record order book, started 2021 well

Results Highlights

- Recovery well underway, strengthening in Q4 with increasing order intake and improved production capacity, after Q2 COVID-19 impact
- £60 million investment in R&D and acquisitions; Torotel largely integrated, performing well and bringing exciting business opportunities
- Benefiting from structural growth drivers associated with sustainability, supplying products for a cleaner, smarter and healthier world
- ESG credentials recognised through an improved 'AA' rating in MSCI ESG assessment
- Self-help programme on-track; yielding £2 million benefits in 2020, a further £5 million in 2021 and £11-12 million full run-rate in 2023
- Full year revenue down 9% year-on-year at constant currency after COVID-19 impact; improving trend in H2
- Strong free cash flow of £14.4 million, aided by £3.6 million working capital inflow
- Resumption of dividend payments, reflecting good recovery and positive outlook

Outlook

- Improving business performance and clear path to double-digit margins, supported by self-help actions
- Good trading momentum in 2021 underpinned by record order book
- Revenue in the five months from October 2020 to February 2021 flat organically versus prior year
- Positive structural trends in markets expected to accelerate as a result of COVID-19 impacts

£ million (unless otherwise stated)	Adjusted[1]				Statutory	
	2020	2019 (restated)[2]	Change	Change constant fx	**2020**	2019 (restated)[2]
Revenue	**431.8**	478.2	(10)%	(9)%	**431.8**	478.2
Operating profit	**27.5**	38.1	(28)%	(27)%	**6.6**	16.9
Operating profit margin	**6.4%**	8.0%	(160)bps	(150)bps	**1.5%**	3.5%
Profit before taxation	**23.8**	34.4	(31)%	(30)%	**2.9**	13.2
Earnings per share	**11.7p**	17.8p	(34)%	(34)%	**0.8p**	7.6p
Dividend per share					**4.7p**	2.1p
Return on invested capital	**7.7%**	10.8%				
Cash conversion	**130%**	103%				

	2020	2019
Free cash flow[1]	**14.4**	9.7
Net debt[1]	**83.9**	69.1
Leverage[1]	**1.6x**	1.0x

Richard Tyson, Chief Executive Officer, said:

"We started 2020 with good momentum prior to the COVID-19 outbreak which most impacted our trading performance in the second quarter. Since then our performance has been on a recovering trend, which has strengthened in the fourth quarter of the year. This trend has continued into 2021 on the back of an increasing order intake across all divisions.

We believe that many of the positive, structural trends in our markets will accelerate as a result of the longer-term impacts on society from COVID-19. We see this in a number of areas, but especially in increasing demand for improved healthcare and an acceleration of digital transformation and connectivity. These factors, combined with the steps we have taken to enhance the quality of our businesses, our self-help programme and our record order book position us well for 2021 and give us confidence in an exciting future for TT."

About TT Electronics

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

TT solves electronics challenges for a sustainable world. TT benefits from enduring megatrends in structurally high-growth markets including healthcare, aerospace, defence, electrification and automation. TT invests in R&D to create designed-in products where reliability is mission critical. Products designed and manufactured include sensors, power management and connectivity solutions. TT has design and manufacturing facilities in the UK, North America, Sweden and Asia.

Notes

1. *Throughout this announcement we refer to a number of alternative performance measures which provide additional useful information. The Directors have adopted these measures to provide additional information on the underlying trends, performance and position of the Group with further details set out on page 15 to 18. The adjusted measures used are set out in the 'Reconciliation of KPIs and non IFRS measures' section on pages 41 to 47.*
2. *The results for the year ended 31 December 2019 have been restated to reflect prior year adjustments. Further details are set out in note 2.*

CHIEF EXECUTIVE OFFICER'S REVIEW

Introduction

Our purpose is to solve electronic challenges for a sustainable world. We design and manufacture solutions that enable a cleaner, smarter and healthier environment. We create value through supplying products and services that support sustainability in our target markets of healthcare, aerospace & defence and automation & electrification.[1]

Environmental, social and governance (ESG) matters are central to our purpose. We have received an improved rating of 'AA' in the MSCI ESG Ratings assessment, recognising our progress during the year. We have worked hard to reduce our scope 1 and scope 2 carbon emissions. These have decreased by 20% to 12,518 tonnes CO_2e in 2020 from 15,705 tonnes CO_2e in 2019. This improvement is due to our energy efficiency actions and increased use of green electricity as well as the lower production volumes in the year.

We started 2020 with good trading momentum prior to the COVID-19 outbreak. Although COVID-19 did impact trading, particularly in the second quarter, our performance has been on an improving trend in the second half, and this has continued into early 2021. The improving trajectory is being driven by increasing order intake across all divisions, as well as our improved production capacity, as employees have returned to work. All sites are now open following a few temporary closures in the first half of 2020.

As a result of the longer-term impacts on society from the COVID-19 outbreak, we believe that many of the positive, structural trends already evident in our markets will accelerate. These include the digital transformation, increased automation, more demand for remote tracking of assets, a greater prevalence of connectivity and demand for improved healthcare. This gives us confidence in the strong prospects we see for TT.

Alongside a resilient trading performance, we have continued to execute our strategy. During the year we have invested £11.2 million in research and development (R&D), enhancing our pipeline of new products. We have also completed two acquisitions, Torotel and Covina, investing £48.7 million in total, including deferred consideration relating to a prior year acquisition. These acquisitions have advanced our power supply capabilities and market reach in the US. We are also on-track to deliver the £11-12 million of full run-rate benefits in 2023 from our investment in the self-help programme launched in the first half of the year. We are pleased with the progress made so far to deliver this significant programme, which is an important component of our path to double-digit operating margins.

Throughout the year we have prioritised the protection and safety of our employees, our customers, our suppliers and our wider communities. We have greatly appreciated how our employees have responded to the challenges presented. Their skill, dedication and hard work, which they have constantly demonstrated in uniquely difficult conditions, have resulted in them going above-and-beyond to get things done well and on-time. Their flexibility, responsiveness and ability to deliver has strengthened and deepened many of our customer relationships. Together with our critical capabilities and balance sheet strength, this has positioned us well for future work and collaborations.

---

[1] *TT's other market is revenue through the distribution sales channel which accounts for 16 per cent of 2020 revenue.*

Results and operations

Group revenue for the year was £431.8 million, 9 per cent lower than the prior year at constant currency and 12 per cent lower on an organic[2] basis. Organic revenue was 17 per cent lower in the second quarter against the comparable prior year period due to reduced demand and as we shielded staff, reducing capacity. There were also temporary closures of a few sites. However, since then we have continued to see improving momentum across the business. Notably the recovery strengthened during the fourth quarter, when organic revenue was only 5 per cent lower than the prior year. We have seen further improvement at the start of 2021.

This recovery trend has been underpinned by strong order intake across the Group through the fourth quarter of the year. This has continued into 2021 across all divisions. Order intake for full year 2020 was 99 per cent of revenue, and for the second half of 2020 was 103 per cent of revenue. The order book at the end of February 2021 is at record levels.

In recognition of the improving trends we have seen through the second half of the year and our strong cash generation, early in 2021 we repaid the Coronavirus Job Retention Scheme (furlough) payments to the UK Government. The £1.1 million cost of repayment has been provided for in these 2020 results.

Adjusted operating profit for the year was £27.5 million, 27 per cent lower than the prior year at constant currency. The second half adjusted operating margin was 6.5 per cent, including the accrued cost of the furlough repayment. After the impact of adjusting items, including restructuring and acquisition and disposal costs, the Group's full year statutory operating profit was £6.6 million.

During the year end close process, a prior period non-cash timing adjustment was identified, associated with the timing of overhead recognition in one of our sites in Global Manufacturing Solutions. As a result of this adjustment, the previously reported 2019 operating profits have been reduced by £1.9 million and the reported operating profits for 2020 are ahead of management's original expectations by a similar amount. The reported operating profits for 2020 represent the actual performance of the business for the year and no "one-off" benefit has been derived from this adjustment when comparing against restated 2019 results.

We are particularly pleased with our strong cash performance, delivering operating cash conversion of 130 per cent. This was driven by continuing tight control over costs and capital expenditure. In addition, there was a working capital inflow of £3.6 million, which included £4.2 million from a reduction in inventory. On a statutory basis, cash flow from operating activity was £28.2 million (2019: £35.9 million). Our strong operating cash performance helped us deliver increased free cash flow of £14.4 million (2019: £9.7 million), despite the impact of COVID-19 on our profits.

We ended the year with net debt of £83.9 million (2019: £69.1 million), including IFRS 16 lease liabilities of £15.9 million (2019: £17.6 million). We have a strong balance sheet, and this includes a defined benefit pension scheme fully funded on an actuarial basis. At 31 December 2020 leverage was 1.6 times (2019: 1.0 times), within the Board's target leverage range of 1-2 times.

Our return on invested capital has declined to 7.7 per cent in 2020 due to the volume driven profit reduction and this will recover as business momentum increases.

[2] *See 'Reconciliation of KPIs and non-IFRS measures' on page 41*

Dividend

Given the good recovery we are seeing and the positive outlook for 2021 and beyond, we are resuming dividends as planned, with the Board proposing a final dividend of 4.7 pence per share. The total cash cost of this dividend will be approximately £8.2 million. Payment of the dividend will be made on 21 May 2021, to shareholders on the register at 30 April 2021.

Our markets

We focus on creating value through our sustainable products in our target markets of healthcare, aerospace & defence and automation & electrification, where there are advanced technology requirements. We believe that many of the positive, structural trends already evident in our markets will accelerate as a result of the COVID-19 outbreak.

In healthcare (25 per cent of Group revenue) growth is driven by increasing global incomes leading to demand for improved healthcare, alongside ageing populations and new preventative care technologies. In 2020 the usual market trends have been impacted by the pandemic and we have supported new and existing customers to provide products to counter the virus. Pent-up demand for deferred elective surgery and for large installations for hospital or life science applications are expected to be supportive of growth over the next few years. COVID-19 has also reinforced the need for a number of TT specialisms, including interventional healthcare devices, patient monitoring and laboratory equipment.

In aerospace and defence (22 per cent of Group revenue), growth is driven by increasing electrification of platforms, which supports fuel efficiency and safety as well as, over the longer term, increasing passenger numbers. Currently, with less passenger-driven demand due to COVID-19, commercial aerospace production has found a new, lower level. Rates are now largely re-set and we have proactively reduced our cost base to match. We anticipate a gradual recovery in aircraft production over several years, as long-term growth resumes. The defence market has been seen by governments as an essential business activity through 2020. It has continued to show strong growth, with heightened global security tensions also remaining a driver behind spending. Our ability to design and manufacture smaller, lighter and more efficient products helps our customers improve efficiency and reduce carbon emissions, positioning us well in the market.

In automation and electrification markets (37 per cent of Group revenue), growth is being driven by factors including demand for sustainable solutions to improve energy efficiency, the use of robotics to improve productivity and the increasing use of remote asset tracking. There has been an improving demand trend in the second half of the year, with orders and visibility increasing. The positive long-term growth drivers in this market give us confidence that demand will increase for our power, sensing and connectivity solutions.

Creating value through technology investment

R&D is one of our top capital allocation priorities, given its critical contribution to the ongoing health of the business. Our investment in R&D is focused on bringing higher growth, more sustainable products to market. These typically yield higher returns and development is often undertaken in partnership with our customers. Our investment strategy includes leveraging acquired complementary capabilities targeted through mergers and acquisitions (M&A).

During the year, we have continued to invest in line with our target of 5 per cent of product sales. Our R&D cash investment was £11.2 million (2019: £13.5 million), representing 4.8 per cent (2019: 5.1 percent) of the aggregate revenue of our product businesses.

We continue to bring a pipeline of exciting new products to market, including in areas where we have extended our technical capabilities through acquisition. Examples include:

- Following two years of development, we received qualification orders at our Minneapolis, Minnesota site (Precision Inc, acquired in 2018) from a healthcare customer for a miniature high voltage transformer/inductor power assembly for an implantable defibrillator programme. Initial qualification examples are expected to be delivered in the second quarter of 2021. The product has been developed in close collaboration with the customer with work undertaken at the customer's engineering laboratories;

- As a result of investment in a power supply for a ground-vehicle laser warning system, the product has been selected for a US military programme. This followed an initial approach from a long-standing customer. Deliveries will start in late 2021, as a result of successful live-fire demonstrations, having been developed at our Covina, California site (acquired in January 2020). The product is based on an existing, proprietary TT design used across a number of airborne applications;

- We have launched a new range of metal foil sensor chips which offer improved surge tolerance and self-heating characteristics. These are intended to service the market for products that require control and monitoring of energy consumption, including healthcare and automation and electrification applications.

During the year we were appointed exclusive manufacturing partner by iAbra for Virolens,® a rapid COVID-19 screening device. Evaluation trials of the product are continuing, and iAbra is making good progress with the regulatory approvals process. There continues to be a role for COVID-19 screening to complement vaccination programmes in the UK and elsewhere. Revenue to TT from the sale of Virolens® are dependent on potential end customers converting expressions of interest into firm orders and regulatory approval in each relevant territory. There continues to be a wide range of potential commercial outcomes and hence no certainty as to the financial impact on TT.

In addition, TT is part of the UK's Project High-T Hall, alongside Rolls-Royce, Paragraf and CSA Catapult. This project is intended to demonstrate how graphene-based Hall Effect sensors can operate reliably at high temperatures. This paves the way for more efficient electric engines for aerospace and other applications. The project, which started in July 2020, is expected to run for one year and is funded by UK Research and Innovation.

Creating value through margin enhancement

The pursuit of higher margins through organic and inorganic growth remains core to the Group's strategy. Notwithstanding the short-term impact of COVID-19 on 2020 margins, we have a clear path to delivering double-digit operating margins with an improving trend expected in 2021 and beyond. The actions we have taken this year bring the business closer to realising this, with key contributions expected from:

- Operational leverage from organic revenue growth;
- Reductions in overheads; and
- Inorganic expansion developing technology offerings and market positions.

Our significant self-help programme, which will reduce our footprint and fixed cost base, commenced in the first half of 2020. This has made very good progress. Initial programme benefits were £2 million in 2020, and these have helped to mitigate the slowdown in our end-markets. Incremental benefits of £5 million are expected in 2021, supporting margin improvement. There is a clear path to achieving the expected full run-rate benefits of £11-12 million in 2023.

The programme comprises a number of different activities. Given the COVID-19 related weakness in certain end-markets, we expanded the original programme to include additional headcount reductions across a number of sites. By the end of 2021 we will have closed three primary operating sites, further improving efficiency. In addition, we are taking certain products end-of-life in 2021, as well as relocating the manufacture of other products within our existing footprint. This will enable us to serve customers better, as well as achieve an improved level of profitability. Total net headcount reductions of around 500 employees are expected on completion of the programme. At the end of 2020 c. 70 per cent of the planned headcount reductions had been delivered.

We continue to anticipate total cash spend for the self-help programme of £18 million, of which £4.1 million was spent in 2020, including £2.5 million of capital expenditure. Restructuring spend of £1.6 million is net of the accelerated disposal for £3.0 million after costs of our Lutterworth, UK freehold property. The total anticipated programme P&L expense remains at £24 million, with £12.9 million incurred in 2020. In addition to the cash costs, the P&L expense incorporates non-cash items, primarily asset and inventory write-downs and the impairment of intangibles.

Our acquisitions also contribute to higher margins. The acquisitions completed in the year, Torotel, Inc and Covina, the power supply business of Excelitas Technologies Corp., have brought with them operating margins above the TT Group average and we have reconfirmed our expectations for cost synergies.

Environmental, social and governance (ESG)

Not only do we develop, design, engineer and manufacture products that enable reduced environmental impacts, but we are also optimising our own operations to reduce our impact on the environment.

We have set ourselves a target to be carbon neutral by 2035 and we are undertaking a range of actions to deliver like-for-like reductions in our annual emissions. In 2020 we reduced our scope 1 and scope 2 carbon emissions by 20%. In addition, we are focusing on reducing single-use plastics within the business and on reducing the amount of waste we send to landfill. Our continuing progress on ESG matters has been recognised externally, having received an improved rating of 'AA' in the latest MSCI ESG Ratings assessment.

Creating value from mergers & acquisitions

We use M&A to enhance TT's technology capabilities and market access, consolidating fragmented but valuable niche areas within the Group. We create value by realising revenue synergies, including leveraging customer access, and by optimising operations and the supply chain. We invest in attractive, growing and higher margin segments that the Group knows well, and where we have competitive advantage.

This year we have bought two power supply businesses, the Covina, California based power supply business of Excelitas Technologies Corp. (completed January 2020) and Torotel, Inc (completed November 2020), based in Olathe, Kansas. We have rapidly and effectively integrated these businesses and we are engaged in the robust pursuit of synergy opportunities.

Our most recent acquisition, Torotel, is another particularly strong fit with the Group's strategy. The acquisition has increased our scale and capabilities in the very large and attractive US defence market, and it has enhanced our US power electronics presence. Torotel has a track-record of strong revenue growth and brings opportunities to apply our proven operational improvement and integration capabilities to the business.

Following the successful integration of Covina earlier in the year, the integration of Torotel's systems and processes into TT's Power and Connectivity division has also been largely completed. Utilising our well-defined business integration model, this has integrated major business processes including operations, procurement, finance, legal, IT and human resources. This was completed against a backdrop of COVID-related travel restrictions and other constraints. We are proud of the team and our new Torotel colleagues for undertaking this complex task so quickly and in really difficult conditions.

Our attention is now focused on creating value from improving operational performance and integrating the Torotel customer proposition more closely with our other businesses. This includes customer cross-selling, the integration of products from across the Group to provide higher-value customer offerings and leveraging our business development capabilities. Examples of the exciting opportunities we are seeing already are as follows:

- As a result of a Torotel customer introduction, TT is actively pursuing two significant new opportunities with a US defence prime;
- The newly combined TT and Torotel teams are working with a customer on a specific opportunity to expand the power supply work currently undertaken by TT's recently acquired business based at Covina, California;
- Utilising it as a centre of excellence, Torotel has been introduced to an existing TT customer to expand the magnetics we currently provide.

The Precision business (acquired in 2018), based in Minneapolis, Minnesota, has also secured a long-term contract with a US defence prime for an alternator assembly. This order is the single largest in Precision's history with production from October 2020. We continue to work on several other new and existing programmes with this customer.

We are continuing to look for opportunities to extend TT's technology capabilities and market reach.

Outlook

We started 2020 with good momentum prior to the COVID-19 outbreak which most impacted our trading performance in the second quarter. Since then our performance has been on a recovering trend, which has strengthened in the fourth quarter of the year. This trend has continued into 2021 on the back of increasing order intake across all divisions.

We believe that many of the positive, structural trends in our markets will accelerate as a result of the longer-term impacts on society from COVID-19. We see this in a number of areas, but especially in increasing demand for improved healthcare and an acceleration of digital transformation and connectivity. These factors, combined with the steps we have taken to enhance the quality of our businesses, our self-help programme and our record order book position us well for 2021 and give us confidence in an exciting future for TT.

FINANCIAL OVERVIEW

Group revenue was £431.8 million (2019: £478.2 million). This included an £11.1 million contribution from acquisitions and adverse currency translation of £1.4 million. Group revenue was 9 per cent lower than the prior year at constant currency and 12 per cent lower on an organic basis. There were lower sales volumes from commercial aerospace, automation and electrification and healthcare markets, although defence remained strong.

The Group's statutory operating profit was £6.6m after a charge for items excluded from adjusted operating profit of £20.9 million (2019: £21.2 million) including:

- Restructuring costs of £14.5 million (2019: £13.2 million), primarily related to the Group's self-help programme of £14.8 million, within which £6.3 million related to severance costs and provisions; £3.4 million to intangible asset write downs; £2.0 million of right of use asset and plant, property and equipment write downs; £1.6 million relating to stock write downs and £1.5 million of other costs, including prior year projects completed in 2020. Also included was a property disposal profit of £1.2 million (2019: £nil) and pension costs of £0.9 million (2019: £1.0 million, with £0.4 million relating to past service charge and £0.6 million relating to other pension restructuring costs) primarily relating to UK pensions schemes having to equalise male and female members' benefits in respect of guaranteed minimum pensions ('GMP');

- Acquisition and disposal costs totalled £6.4 million (2019: £8.0 million) and included amortisation of intangible assets arising on business combinations of £4.2 million (2019: £4.5 million), a £1.0 million credit (2019: £nil) due to the release of the warranty and claims provision relating to the Transportation business divestment and other acquisition and integration related costs of £3.2 million (2019: £3.5 million).

Adjusted operating profit was £27.5 million (2019: £38.1 million), with the reduction a result of the COVID-19 outbreak, with an operating margin of 6.4 per cent (2019: 8.0 per cent).

The net finance cost was £3.7 million (2019: £3.7 million). The Group's overall tax charge was £1.6 million (2019: £0.8 million), including a £2.7 million credit (2019: £4.6 million credit) on items excluded from adjusted profit. The adjusted tax charge was £4.3 million (2019: £5.4 million), resulting in an effective adjusted tax rate of 18.1 per cent (2019: 15.7 per cent).

Basic earnings per share (EPS) was 0.8 pence (2019: 7.6 pence) being impacted by the reduction in operating profit and the adjusting items set out above. Adjusted EPS decreased to 11.7 pence (2019: 17.8 pence), reflecting the lower adjusted operating profit in the period.

The total net accounting surplus under the Group's defined benefit pension schemes was £30.5 million (31 December 2019: £16.6 million). The main driver of this was an increase in the fair value of assets due to investment performance, part of which relates to interest rate hedges. This offset an increase in the Scheme's benefit obligation, mainly due to a fall in corporate bond yields. The surplus also increased due to company contributions paid of £5.4 million, as the deficit contribution plan continued, targeting self-sufficiency and further de-risking.

Adjusted operating cash flow was £49.0 million (2019: £57.4 million). This was impacted by lower profitability, although this was largely mitigated by the Group's proactive cash management, including capital and development expenditure lower at £13.2 million (2019: £18.2 million). In addition, the Group generated a working capital inflow of £3.6 million (2019: £1.2 million outflow), including a £4.2 inflow from inventory reduction. This resulted in very strong adjusted operating cash conversion of 130 per cent (2019: 103 per cent). On a statutory basis, cash flow from operating activity was £28.2 million (2019: £35.9 million).

There was increased free cash flow of £14.4 million (2019: £9.7million), net of £8.1 million of restructuring and acquisition related costs (2019: £9.2 million), relating to the new self-help programme and acquisition costs associated with the Covina and Torotel acquisitions. Pension contribution payments in the period were lower at £5.4 million (2019: £8.6 million), with the prior year including a one-off payment of £3.4 million relating to the merger of the Stadium Group Retirement Benefits Plan (1974) pension scheme into the TT Group scheme.

Investments in acquisitions totalled £48.7 million (2019: £2.3 million), reflecting the acquisition of Covina, the power supply business of Excelitas Technologies Corp., 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. Partially offsetting this was £20.2 million (2019: £0.9 million) of equity issuance, which primarily related to the Torotel acquisition placing. There was no dividend payment in the year (2019: £10.9 million).

At 31 December 2020 the Group's net debt was £83.9 million (31 December 2019: £69.1 million), including £15.9 million of lease liabilities (31 December 2019: £17.6 million). Leverage, consistent with the bank covenants, was 1.6 times at 31 December 2020.

DIVISIONAL REVIEW

POWER AND CONNECTIVITY

The Power and Connectivity division develops 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.

	2020	2019	Change	Change constant fx
Revenue	**£125.1m**	£138.2m	(9)%	(9)%
Adjusted operating profit[1]	**£10.3m**	£16.5m	(38)%	(37)%
Adjusted operating profit margin[1]	**8.2%**	11.9%	(370)bps	(370)bps

[1] See note 1 on page 3 for an explanation of alternative performance measures. Adjusting items are not allocated to divisions for reporting purposes. For further discussion of these items please refer to note 7 on page 34 of this document.

Revenue decreased by £13.1 million to £125.1 million (2019: £138.2 million). Revenue included a £11.1 million aggregate acquisition contribution from the Covina power supply business, Torotel, Inc and the full year impact of Power Partners, which completed in March 2019. Organic revenue was 17 percent lower. Organic revenue was adversely impacted by lower commercial aerospace demand and a pause in demand for connectivity products due to COVID-related restrictions. Demand for defence-related products remained strong through the year.

In the first half there were also some operating constraints and inefficiencies driven by the COVID-19 outbreak, as well as the temporary COVID-related closure of the division's manufacturing sites in Kuantan, Malaysia and in Tunis, Tunisia. There has been a modest recovery in the second half, despite some COVID-19 related inefficiencies remaining, including additional operating controls and social-distancing measures.

Adjusted operating profit decreased by £6.2 million to £10.3 million (2019: £16.5 million). Included within this was a profit contribution of £1.3 million from acquisitions. The reduction in adjusted operating profit reflected the impact of lower sales volumes related to COVID-19 and associated operating constraints and inefficiencies, partly offset by cost control and efficiency measures. The adjusted operating margin was 8.2 per cent (2019: 11.9 per cent).

The closure of the division's Lutterworth, UK site is progressing to plan and is expected to be completed by the end of 2021. The closure consolidates the division's operations further within its existing operational footprint, with certain products going end-of-life during 2021. A headcount reduction programme, impacting sites where demand has fallen, was completed in the year.

There have been some significant awards during the year, including:

- A long-term contract with a major US defense prime for an alternator assembly supporting several military programme variants. Production began in October 2020 and is scheduled to complete in February 2023;

- Qualification orders from a leading healthcare device customer for a new miniature high voltage transformer/inductor assembly for an implantable defibrillator platform. This award followed four years of product development, which has resulted in leading-edge performance, with production expected to start in the second half of 2021 and last for twenty years;

- Approved validation from a healthcare customer for a custom stator for use in a left ventricle assist device blood pumping system. An initial sample order has been shipped with full release expected in 2021, with production expected to continue for ten years.

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.

	2020	2019 (restated) [2]	Change	Change constant fx
Revenue	**£197.5m**	£213.2m	(7)%	(7)%
Adjusted operating profit[1]	**£15.0m**	£13.5m	11%	11%
Adjusted operating profit margin[1]	**7.6%**	6.3%	130bps	120bps

[1] See note 1 on page 3 for an explanation of alternative performance measures. Adjusting items are not allocated to divisions for reporting purposes. For further discussion of these items please refer to note 2 on page 34 of this document. [2]The results for the year ended 31 December 2019 have been restated to reflect prior year adjustments. Further details are set out in note 2.

Revenue decreased by £15.7 million to £197.5 million (2019: £213.2 million) including an adverse currency effect of £1.1 million, with organic revenue 7 per cent lower. The organic revenue performance was better than the Group average and reflected new business previously won in North America, exposure to more resilient Asian markets and a strong performance in defence markets.

There has been a strong recovery in the second half, despite some ongoing operating controls and social-distancing measures put in place in response to COVID-19.

Adjusted operating profit increased by £1.5 million to £15.0 million (2019: £13.5 million). The increase reflected cost control measures, factory efficiencies and initial benefits from our self-help programme. This is despite the adverse impact on profit from lower revenue. As a result, the adjusted operating profit margin improved to 7.6 per cent (2019: 6.3 per cent).

A restructure of customer accounts at the Cardiff, UK facility was completed early in 2021, bringing additional focus on blue-chip customers with more advanced technology requirements. Some key customer accounts and product lines have been transferred to facilities elsewhere in the division, where they can be better and more profitably served.

There have been a number of significant new customer awards during 2020 which will impact future years, as follows:

- Two new multi-year contracts to build assemblies for mass spectrometers in the life sciences market;

- A multi-year contract with a new Asian customer to build assemblies for diagnostic healthcare equipment, with increased demand due to the COVID-19 outbreak;

- Multi-year contracts with two different European defence primes to support the manufacture of secure military communications equipment;

- The manufacture of assemblies for a global renewable energy supplier. The units will be used in offshore electricity substations which are used to transfer renewable energy generated to land.

In response to customer demand for an additional manufacturing centre in Asia, the division has established box-build capabilities on the site of the Group's existing Kuantan facility. It is focused on supporting major healthcare customers by delivering complex assemblies. This new Malaysian manufacturing capability, which commenced production in the third quarter of 2020, has increased production through the remainder of the year and is expected to continue to grow in 2021.

In addition, additional manufacturing has commenced for the Power and Connectivity division as a result of ongoing close collaboration and an increasing ability to design and manufacture power products, as well as components. This ongoing collaboration between the divisions helps make efficient use of TT's global footprint.

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.

	2020	2019	Change	Change constant fx
Revenue	**£109.2m**	£126.8m	(14)%	(14)%
Adjusted operating profit[1]	**£9.4m**	£15.3m	(39)%	(38)%
Adjusted operating profit margin[1]	**8.6%**	12.1%	(350)bps	(340)bps

[1] See note 1 on page 3 for an explanation of alternative performance measures. Adjusting items are not allocated to divisions for reporting purposes. For further discussion of these items please refer to note 7 on page 34 of this document.

Revenue decreased by £17.6 million to £109.2 million (2019: £126.8 million). Organic revenue was 14 per cent lower, with the division's exposure to automation and electrification, the distribution sales channel and commercial aerospace markets primary drivers of reduced demand. However, there were increased resistor sales into healthcare markets in support of ventilators and defibrillators.

In the first half there were also some operating constraints and inefficiencies driven by the COVID-19 outbreak and the division was also impacted by the temporary closure of its manufacturing site in Barbados and two sites in Mexico due to COVID-related general lockdowns. There has been a recovery in the second half, despite some ongoing inefficiency due to COVID-related additional operating controls and social-distancing measures.

Adjusted operating profit decreased by £5.9 million to £9.4 million (2019: £15.3 million). Operating profit reflected lower sales volumes and operating inefficiencies, partially offset by cost actions taken and the impact of a headcount reduction carried out in late 2019. The adjusted operating profit margin was 8.6 per cent (2019: 12.1 per cent).

As part of the Group's ongoing self-help programme, the closures of the Barbados and Corpus Christi, Texas sites are on-track for completion in 2021. This reduction in footprint will result in some products going end-of-life. An additional targeted headcount reduction programme has been completed during the year.

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

- Space applications for the division's Hall effect sensors, including on NASA's Orion spacecraft, which will ultimately take manned space travel to Mars. In addition, the sensors are also being used in motors that control the speed and movement of robotic arms on the Perseverance Mars 2020 Rover mission;

- Contracts from three global car manufacturers for the power control unit current sense resistor for use on their hybrid-electric vehicle ranges. This new resistor has extremely fine tolerances, being the first on the market with the power levels needed to meet the required electrical load balance;

- Immediate orders were received for the new High Pulse Chip from a technology and innovation customer. The chip has been designed into a new consumer product, following a rapid build of samples after technical problems with a competitor product. Following initial orders in 2020, the customer has placed further orders for 2021.

OTHER FINANCIAL INFORMATION

Summary of Adjusted results

To assist with the understanding of earnings trends, the Group has included within its non-GAAP alternative performance measures including adjusted operating profit and adjusted profit. Further information is contained in the 'Reconciliation of KPIs and non IFRS measures' on page 41.

A reconciliation of statutory to adjusted profit numbers is set out on page 18.

A summary of the Group's adjusted results is set out below:

£ million	**2020**	**2019 (restated)** [1]
Revenue	**431.8**	478.2
Operating profit	**27.5**	38.1
Operating margin	***6.4%***	*8.0%*
Net finance expense	**(3.7)**	(3.7)
Profit before tax	**23.8**	34.4
Tax	**(4.3)**	(5.4)
Tax rate	***18.1%***	*15.7%*
Profit after tax	**19.5**	29.0
Weighted average number of shares	***166.5 million***	*163.1 million*
EPS	**11.7p**	17.8p

[1] *The results for the year ended 31 December 2019 have been restated to reflect prior year adjustments. Further details are set out in note 2 on page 26.*

Statutory operating profit

The Group's statutory operating profit was £6.6 million (2019: £16.9 million). In addition to the adjusted profit result, statutory operating profit includes certain items which have been accounted for as specific adjusting items, consistent with prior years. These items are as follows:

- Restructuring and other items of £14.5 million (2019: £13.2 million):

  - Restructuring costs of £14.8 million

    These primarily relate to costs arising on the restructuring of the Group's footprint, product rationalisation and a headcount reduction programme to reduce the Group's fixed costs. Within the costs above there was £6.3 million relating to severance costs and provisions; £3.4 million of intangible asset write downs; £2.0 million of right of use asset and plant, property and equipment write downs; £1.6 million relating to stock write downs and £1.5 million of other costs as well as the final costs of projects that were completed in 2020. Prior year restructuring costs of £12.2 million primarily relate to restructuring of the Group's footprint and the Stadium synergy plan.

  - A property disposal profit of £1.2 million (2019: £nil)

    This related to the sale of a property in Lutterworth, UK which is surplus to requirements as a result of restructuring activity.

- Pension and past service charge of £0.9 million (2019: £1.0 million)

  Pension costs of £0.9 million (2019: £1.0 million with £0.4 million relating to past service charge and £0.6 million relating to other pension restructuring costs) primarily relate to the pension past service charge as a result of pension schemes in the UK having to equalise male and female members' benefits related to guaranteed minimum pensions.

- Acquisition related costs of £6.4 million (2019: £8.0 million):

  - Amortisation of intangible assets arising on business combinations of £4.2 million (2019: £4.5 million)

    Intangible assets arising on business combinations are recognised as a result of the purchase price allocation on acquisition of subsidiaries.

  - A £1.0 million credit (2019: £nil) due to the release of the warranty and claims provision relating to Transportation business divestment.

    The credit relates to the full and final settlement of outstanding product warranties claims following the divestment of the Transportation, Sensing & Control division in 2017.

  - Other acquisition and integration related costs of £3.2 million (2019: £3.5 million)

    These are costs directly related to the acquisition of businesses. The charge in the period relates to the acquisition and integration costs of the acquired Power Supply business of Excelitas Corp., based in Covina, California of £1.3 million, of Torotel, Inc of £1.3 million and other acquisition related costs of £0.6 million.

Cash flow, net debt and leverage

The table below sets out Group cash flows and net debt movement:

£ million	**2020**	2019
Adjusted operating profit	**27.5**	38.1
Depreciation and amortisation	**17.0**	18.0
Impairment of intangibles	**0.2**	-
Net capital expenditure[1]	**(9.9)**	(14.3)
Capitalised development expenditure	**(3.3)**	(3.9)
Working capital	**3.6**	(1.2)
Other	**0.7**	2.5
Adjusted operating cash flow after capex.	**35.8**	39.2
Adjusted operating cash conversion	***130%***	*103%*
Net interest and tax	**(3.8)**	(7.7)
Lease payments	**(4.1)**	(4.0)
Restructuring, acquisition and disposal related costs[1,2]	**(8.1)**	(9.2)
Retirement benefit schemes	**(5.4)**	(8.6)
Free cash flow	**14.4**	9.7
Dividends	**-**	(10.9)
Lease payments	**4.1**	4.0
Equity issued	**20.2**	0.9
Acquisitions & disposals[2]	**(45.7)**	(2.3)
Other	**(1.8)**	(5.8)
Increase in net debt	**(8.8)**	(4.4)
Opening net debt	**(69.1)**	(63.0)
New, acquired, modified and surrendered leases	**(2.6)**	(0.5)
Borrowings acquired	**(3.0)**	-
FX and other	**(0.4)**	(1.2)
Closing net debt	**(83.9)**	(69.1)

1 *'Restructuring, acquisition and disposal related costs' comprises £3.6 million of restructuring costs and £4.5 million of acquisition and disposal related costs.*

2 *'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 but is not included within the acquisition's consideration paid in note 5.*

At 31 December 2020 the Group's net debt was £83.9 million (31 December 2019: £69.1 million). Included within net debt was £15.9 million of lease liabilities (31 December 2019: £17.6 million).

Consistent with the Group's borrowing agreements, which exclude the impact of IFRS 16, *Leases*, leverage ratio was 1.6 times at 31 December 2020 (31 December 2019: 1.0 times). Net interest cover was 12.6 times (31 December 2019: 15.0 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.

Reconciliation of Adjusted results

Details of the reasons for and uses of adjusted measures are included in note 7 on page 34 of this Announcement.

£ million	**2020**	**2019**
Operating profit	**6.6**	16.9
Adjusted to exclude:		
Restructuring and other items		
Restructuring	**14.8**	12.2
Property disposals	**(1.2)**	-
Pension and past service charge	**0.9**	1.0
Acquisition related costs		
Amortisation of intangible assets arising on business combinations	**4.2**	4.5
Release of warranty and claims provision relating to Transportation business divestment	**(1.0)**	-
Torotel acquisition costs	**1.3**	0.3
Covina acquisition costs	**1.3**	0.5
Other acquisition related costs	**0.6**	2.7
Total operating reconciling items	**20.9**	21.2
Adjusted operating profit	**27.5**	38.1
Profit before tax	**2.9**	13.2
Total operating reconciling items (as above)	**20.9**	21.2
Adjusted profit before tax	**23.8**	34.4
Taxation charge on adjusted profit	**(4.3)**	(5.4)
Adjusted profit after taxation	**19.5**	29.0

Cautionary statement

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

Consolidated income statement

for the year ended 31 December 2020

£million (unless otherwise stated)	Note	2020	2019 Restated [1]
Revenue	3	431.8	478.2
Cost of sales		(332.7)	(363.3)
Gross profit		99.1	114.9
Distribution costs		(24.6)	(28.1)
Administrative expenses		(68.1)	(71.3)
Other operating income		0.2	1.4
Operating profit		6.6	16.9
Analysed as:			
Adjusted operating profit	3	27.5	38.1
Restructuring and other	7	(14.5)	(13.2)
Acquisition and disposal related costs	7	(6.4)	(8.0)
Finance income	6	0.6	0.9
Finance costs	6	(4.3)	(4.6)
Profit before taxation		2.9	13.2
Taxation	8	(1.6)	(0.8)
Profit from continuing operations		1.3	12.4
Discontinued operations			
Profit from discontinued operations		-	3.4
Profit for the period attributable to the owners of the Company		1.3	15.8
EPS attributable to owners of the Company (pence)			
Basic			
Continuing operations	10	0.8	7.6
Discontinued operations	10	-	2.1
		0.8	9.7
Diluted			
From continuing operations	10	0.8	7.5
From discontinued operations	10	-	2.0
		0.8	9.5

1. Restated in the comparative period, further details provided in note 2.

Consolidated statement of comprehensive income

for the year ended 31 December 2020

£million	Note	2020	2019 Restated [1]
Profit for the year		1.3	15.8
Other comprehensive income/(loss) for the year after tax			
Items that are or may be reclassified subsequently to the income statement:			
Exchange differences on translation of foreign operations		(5.0)	(7.6)
Tax on exchange differences		0.3	0.1
Gain on hedge of net investment in foreign operations		0.7	0.7
Gain on cash flow hedges taken to equity less amounts recycled to the income statement		7.1	0.1
Items that will never be reclassified to the income statement:			
Remeasurement of defined benefit pension schemes	12	8.6	(9.1)
Tax on remeasurement of defined benefit pension schemes	8	(2.1)	1.7
Total comprehensive income for the year attributable to the owners of the Company		10.9	1.7

1. Restated in the comparative period, further details provided in note 2.

Consolidated statement of financial position

at ended 31 December 2020

£million	Note	2020	2019 Restated [1]	2018 Restated [1]
ASSETS				
Non-current assets				
Right-of-use assets		12.4	12.8	-
Property, plant and equipment		53.0	51.1	51.7
Goodwill	4	156.9	136.1	137.9
Other intangible assets		57.1	51.3	55.0
Deferred tax assets		9.1	8.1	6.3
Derivative financial instruments		1.8	0.4	0.3
Pensions	12	35.4	21.2	24.9
Total non-current assets		325.7	281.0	276.1
Current assets				
Inventories		98.2	100.1	95.6
Trade and other receivables		69.9	78.6	76.2
Income taxes receivable		3.0	4.3	1.6
Derivative financial instruments		5.8	0.5	0.1
Cash and cash equivalents		70.2	69.8	44.7
Total current assets		247.1	253.3	218.2
Total assets		572.8	534.3	494.3
LIABILITIES				
Current liabilities				
Borrowings		2.3	9.6	4.1
Lease liabilities		3.6	3.8	0.4
Derivative financial instruments		1.1	1.2	2.0
Trade and other payables		90.2	100.7	92.3
Income taxes payable		7.5	8.0	13.2
Provisions		6.6	6.4	5.8
Total current liabilities		111.3	129.7	117.8
Non-current liabilities				
Borrowings		135.9	111.7	81.7
Lease liabilities		12.3	13.8	0.2
Derivative financial instruments		0.8	0.9	0.1
Deferred tax liability		8.6	4.6	4.8
Pensions	12	4.9	4.6	8.4
Provisions and other non-current liabilities		1.0	1.0	1.2
Total non-current liabilities		163.5	136.6	96.4
Total liabilities		274.8	266.3	214.2
Net assets		298.0	268.0	280.1
EQUITY				
Share capital	13	43.6	41.0	40.8
Share premium		21.7	4.1	3.4
Translation reserve		30.0	34.0	40.9
Other reserves		5.5	(0.5)	0.9
Retained earnings		195.2	187.4	192.1
Equity attributable to owners of the Company		296.0	266.0	278.1
Non-controlling interests		2.0	2.0	2.0
Total equity		298.0	268.0	280.1

1. Restated in the comparative periods, further details provided in note 2.

Approved by the Board of Directors on 9 March 2021 and signed on their behalf by:

Richard Tyson
Director

Mark Hoad
Director

Consolidated statement of changes in equity

at 31 December 2020

£million	Share capital	Share premium	Translation Reserve	Other reserves	Retained earnings	Sub-total	Non-controlling interest	Total
At 31 December 2018	40.8	3.4	40.9	0.9	191.5	277.5	2.0	279.5
Restatement to the adoption adjustment for IFRS 15 [1]	-	-	-	-	1.2	1.2	-	1.2
Restatement to carrying value of inventory [2]					(0.6)	(0.6)		(0.6)
Adjusted balance at 31 December 2018	40.8	3.4	40.9	0.9	192.1	278.1	2.0	280.1
Impact of adoption of IFRS 16					(2.3)	(2.3)	-	(2.3)
Adjusted balance at 1 January 2019	40.8	3.4	40.9	0.9	189.8	275.8	2.0	277.8
Profit for the period [3]	-	-	-	-	15.8	15.8	-	15.8
Other comprehensive income								
Exchange differences on translation of foreign operations [3]	-	-	(7.6)	-	-	(7.6)	-	(7.6)
Tax on exchange differences	-	-	-	-	0.1	0.1	-	0.1
Gain on hedge of net investment in foreign operations [3]	-	-	0.7	-	-	0.7	-	0.7
Gain on cash flow hedges taken to equity less amounts taken to income statement	-	-	-	0.1	-	0.1	-	0.1
Remeasurement of defined benefit pension schemes	-	-	-	-	(9.1)	(9.1)	-	(9.1)
Tax on remeasurement of defined benefit pension schemes	-	-	-	-	1.7	1.7	-	1.7
Total comprehensive income	-	-	(6.9)	0.1	8.5	1.7	-	1.7
Transactions with owners recorded directly in equity								
Equity dividends paid by the Company	-	-	-	-	(10.9)	(10.9)	-	(10.9)
Share-based payments	-	-	-	0.2	-	0.2	-	0.2
Deferred tax on share-based payments	-	-	-	0.1	-	0.1	-	0.1
Purchase of own shares	-	-	-	(1.8)	-	(1.8)	-	(1.8)
New shares issued	0.2	0.7	-	-	-	0.9	-	0.9
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

1/2/3. Restated in the comparative period, further details provided in note 2.

Consolidated statement of cash flows

for the year ended 31 December 2020

£million	Note	2020	2019 Restated [1]
Cash flows from operating activities			
Profit for the year		1.3	15.8
Taxation		1.6	0.8
Net finance costs		3.7	3.7
Restructuring and other		14.5	13.2
Acquisition related costs		6.4	8.0
Profit from discontinued operations		-	(3.4)
Adjusted operating profit		27.5	38.1
Adjustments for:			
Depreciation		14.0	13.9
Amortisation of intangible assets		3.0	4.1
Impairment of property, plant and equipment and intangible assets		0.2	-
Other items		0.7	2.5
Decrease/(increase) in inventories		4.2	(7.6)
Decrease/(increase) in receivables		11.2	(4.0)
(Decrease)/increase in payables and provisions		(11.8)	10.4
Adjusted operating cash flow		49.0	57.4
Special payments to pension funds		(5.4)	(8.6)
Restructuring and acquisition related costs		(15.1)	(9.2)
Net cash generated from operations		28.5	39.6
Net income taxes paid		(0.3)	(3.7)
Net cash flow from operating activities		28.2	35.9
Cash flows from investing activities			
Purchase of property, plant and equipment		(9.3)	(14.0)
Proceeds from sale of property, plant and equipment and government grants received		3.4	0.4
Capitalised development expenditure		(3.3)	(3.9)
Purchase of other intangibles		(0.8)	(0.7)
Acquisitions of businesses		(43.3)	(2.4)
Cash with acquired businesses		1.4	0.1
Tax arising on disposal of subsidiaries		-	(1.2)
Net cash flow from investing activities		(51.9)	(21.7)
Cash flows from financing activities			
Issue of share capital		20.2	0.9
Interest paid		(3.5)	(4.0)
Repayment of borrowings		(27.2)	-
Proceeds from borrowings		49.8	30.4
Payment of lease liabilities		(4.1)	(4.4)
Other items		(1.8)	(4.6)
Dividends paid by the Company		-	(10.9)
Net cash flow from financing activities		33.4	7.4
Net increase in cash and cash equivalents		9.7	21.6
Cash and cash equivalents at beginning of year		60.2	40.6
Exchange differences		(0.9)	(2.0)
Cash and cash equivalents at end of year		69.0	60.2

1. Restated in the comparative period, further details provided in note 2.

1 General information

The information set out below, which does not constitute full financial statements, is extracted from the audited financial statements of the Group for the year ended 31 December 2020 which:

- was approved by the Directors on 9 March 2021;
- have been reported on by the Group's auditor; their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) of the Companies Act 2006;
- will be available to the shareholders and the public in April 2021; and
- will be filed with the Registrar of Companies following the Annual General Meeting.

2 Basis of accounting

While the financial information included in this Preliminary Announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRSs") adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union in addition to IFRSs as issued by the IASB, this announcement does not itself contain sufficient information to comply with IFRSs.

Going Concern

Whilst the Group was negatively impacted by COVID-19 in the year with revenues down 9% on a constant currency basis, the Group's recovery is well underway. Following the impact of Covid-19 in the second quarter of 2020, the Group has been on an improving upward trend in both order intake and production capacity. This trend has been underpinned by strong order intake across the Group through the fourth quarter of the year and has continued into early 2021 across all divisions. The order book at the end of February 2021 is at record levels.

The Group's financial position remains strong, at 31 December 2020 it had:

- £237.3 million of total borrowing facilities available (comprising committed facilities of £198.1 million and uncommitted facilities of £39.2 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 2020 £136.8 million of this facility had been drawn down. The Group's RCF will mature in November 2023.

- A leverage ratio of 1.6 times at 31 December 2020 compared to a covenant maximum of 3.0 times. Interest cover (pre-IFRS 16 and excluding pension interest) of 12.6 times compared to a 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 2021, these estimates position the Group remaining below pre-COVID 2019 levels throughout the twelve months from the date of signing these financial statements. 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 2020.

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.

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.

2 Basis of accounting continued

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

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, 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 2020 is included in note 2 'Alternative performance measures'.

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 4 – Goodwill. The carrying amount of goodwill at 31 December 2020 was £156.9 million (2019: £136.1 million). Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units ("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. The carrying amount of the IoT Solutions CGU's goodwill was £27.6 million (2019: £27.6 million). Due to the impact of COVID-19, as explained in note 4, IoT Solutions CGU shows headroom of £6.1 million and is sensitive to a reasonably possible change in assumptions; discount rate, long-term growth rate and operating cash flow. At 31 December 2020 and 31 December 2019, 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 4.

• Note 5 – Acquisitions. The opening balance sheet for the recent acquisition of Torotel, Inc. has not yet been finalised and is preliminary. There is uncertainty whether a loan provided under a US Government COVID-19 support scheme of $1.9 million (£1.4 million) will be forgiven as described in more detail in Note 5.

2 Basis of accounting continued

• Note 8 – Taxation. Accruals for tax contingencies require management to make judgements and estimates in relation to tax audit issues and exposures. Amounts accrued are based on management's interpretation of country-specific tax law and the likelihood of settlement. Tax benefits are not recognised unless the tax positions are probable of being sustained. Once considered to be probable, management reviews each material tax benefit to assess whether a provision should be taken against full recognition of the benefit on the basis of potential settlement through negotiation and/or litigation. 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 2020 includes tax provisions of £6.4 million (2019: £7.3 million). The Group believes the range of reasonable possible outcomes in respect of these exposures is tax liabilities of up to £8.2 million (2019: £7.4 million).

• Note 12 – 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 2020, the retirement benefit plan was in a surplus of £30.5 million (31 December 2019: £16.6 million). Note 12 outlines the significant assumptions and associated sensitivities.

Restatements and representations

During the year, it was determined that the Group's cash and overdrafts within notional cash pooling arrangements did not meet the requirements for offsetting in accordance with IAS 32: 'Financial Instruments: Presentation' and cannot be presented net in the statement of financial position. For presentational purposes, amounts have therefore been restated for the preceding years ending 31 December 2019 and 31 December 2018 in accordance with IAS 8: 'Accounting Policies, Changes in Accounting Policies and Errors'. The impact of this change is to increase both cash and cash equivalents and overdrafts within current loans and other borrowings for the year ended 31 December 2019 by £9.6 million (31 December 2018: £4.1 million) in the Group's consolidated statement of financial position. The re-presentation has no impact on the Group's net debt, bank covenants or other commercial agreements.

Within the comparative periods the consolidated statement of comprehensive income and the consolidated statement of changes in equity have been re-presented to present the gain/(loss) upon retranslation of foreign currency denominated quasi equity loans within the line 'Exchange differences on translation of foreign operations' which were previously presented within the line 'Gain on hedge of net investment in foreign operations'. The value of the amounts re-presented was £2.7 million in the year to 31 December 2019. There was no impact on the Group consolidated statement of financial position or the Group consolidated statement of cash flows.

Within the comparative periods the consolidated statement of financial position has been represented to report certain balances held within accruals within current 'Trade and other payables' relating to warranty and property items into current 'Provisions' and non-current 'Provisions and other non-current liabilities'. The impact as at 31 December 2018 was to reduce 'Trade and other payables' by £2.5 million, increase 'Provisions' by £1.4 million and increase 'Provisions and other non-current liabilities' by £1.1 million. The impact as at 31 December 2019 was to reduce 'Trade and other payables' by £2.0 million, increase 'Provisions' by £1.2 million and increase 'Provisions and other non-current liabilities' by £0.8 million.

During the year it was determined that an adjustment was required to the initial deferred income recognised due to pricing concessions given to isolated customers on the adoption of IFRS 15: 'Revenue from Contracts with Customers'. The impact of this restatement is to increase 'Retained earnings' and decrease deferred revenue (presented within 'Trade and other payables') for the year ending 31 December 2019 by £1.2 million (31 December 2018: £1.2 million) within the Global Manufacturing Solutions segment. There was no impact on the Group consolidated income statement, Group consolidated statement of cash flows or EPS.

During the year, it was determined certain overheads had been included in raw materials in a manner inconsistent with IAS 2: 'Inventories' at one site within the Global Manufacturing Solutions segment. The effect of restating the absorbed overheads as at 31 December 2018 was to decrease 'Inventories' by £0.8 million, increase 'Deferred tax assets' by £0.2 million and decrease equity by £0.6m. For the year ending 31 December 2019 the cumulative effect was to decrease 'Inventories' by £2.7 million, increase 'Deferred tax assets' by £0.6 million, decrease 'Operating profit' by £1.9 million and decrease the tax charge by £0.4 million.

2 Basis of accounting continued

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.

Costs associated with restructuring, acquisitions and disposals are uncertain with regard to their timing and size and therefore their inclusion within adjusted operating profit could mislead the reader of the accounts.

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, when all businesses are held for a complete reporting period.

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 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:

- 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;

- 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 note 7 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.

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 which they are part of.

a) Income statement information – continuing operations

						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 7)						(20.9)
Operating profit						6.6
Net finance costs						(3.7)
Profit before taxation						2.9

3 Segmental reporting continued

						2019
£million	Power and Connectivity	Global Manufacturing Solutions	Sensors and Specialist Components	Total Operating Segments	Corporate	Total Restated [1]
Sales to external customers	138.2	213.2	126.8	478.2	-	478.2
Adjusted operating profit	16.5	13.5	15.3	45.3	(7.2)	38.1
Add back: adjustments made to operating profit (note 7)						(21.2)
Operating profit						16.9
Net finance costs						(3.7)
Profit before taxation						13.2

1. Restated in the comparative period, further details provided in note 2.

There are no significant sales between segments.

b) Geographic information

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	2020	2019
United Kingdom	100.2	139.4
Rest of Europe	74.8	89.6
North America	164.2	141.7
Central and South America	0.7	0.6
Asia	88.8	103.1
Rest of the World	3.1	3.8
	431.8	478.2

c) Market information

The Group operates in the following markets.

£million	2020	2019
Healthcare	106.1	110.7
Aerospace and defence	93.4	95.7
Automation and electrification	163.6	196.5
Distribution	68.7	75.3
	431.8	478.2

4 Goodwill

£million	
Cost	
At 1 January 2019	137.9
Additions	0.9
Net exchange adjustment	(2.7)
At 1 January 2020	136.1
Additions	23.7
Net exchange adjustment	(2.9)
At 31 December 2020	156.9

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 cash-generating units in the divisions shown below:

£million	2020	2019
Power and Connectivity:		
Power Solutions [1]	57.9	35.1
IoT Solutions	27.6	27.6
Global Manufacturing Solutions:		
Global Manufacturing Solutions	18.2	18.6
Sensors and Specialist Components:		
Resistors [2]	30.1	31.1
Optoelectronics	21.0	21.6
Roxspur	2.1	2.1
	156.9	136.1

1. Includes the newly acquired aerospace and defence power supply business of Excelitas Technologies Corp based in Covina, California, and Torotel, Inc.
2. In the prior year the Resistors CGU comprised of the Variable Components CGU and the Resistors CGU with respective goodwill of £28.9 million and £2.2 million.

The Group tests goodwill impairment annually or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and operating cash 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 ("Beta"), 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 the Group.

4 Goodwill continued

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:

	2020			2019		
	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	11.6%	1.7%	3	11.5%	1.7%	5
IoT Solutions	11.5%	1.8%	5	11.7%	2.0%	5
Global Manufacturing Solutions	13.3%	2.2%	3	12.3%	2.4%	5
Resistors [1]	12.9%	1.7%	3	note 1	note 1	5
Optoelectronics	13.7%	1.8%	3	13.8%	1.6%	5
Roxspur	11.8%	1.6%	3	11.4%	1.6%	5

1. In the prior year the Resistors CGU comprised of the Variable Components CGU and the Resistors CGU with respective long term growth rates of 1.6% and 1.6%, and pre-tax discount factors of 13.8% and 12.8%.

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.

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 COVID-19 pandemic is having a significant impact on global end markets in which certain of the Group's businesses operate which has resulted in reduced levels of headroom at the point of forecast, in particular the IoT Solutions CGU.

Sensitivity analysis has been performed on the key assumptions; operating cash flow projections and discount rate. Cash flows can be impacted by changes to sales projections, sales prices, direct costs and replacement capital expenditure; individually they are not significant assumptions.

The Directors have not identified changes in significant assumptions that would cause the carrying value of recognised goodwill to exceed its recoverable amount, with the exception of IoT Solutions CGU.

At 31 December 2020, due to reduced forecast revenues resulting from the COVID-19 pandemic, an indicator of impairment was identified in respect of goodwill allocated to all CGUs, with the most significant impact on IoT Solutions.

IoT Solutions 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 in the short and medium term. However, these forecasts exclude any potential benefits from the Virolens® rapid COVID-19 screening device given operational trials and validation testing are ongoing and the wide range of possible outcomes.

IoT Solutions CGU shows headroom of £6.1 million above the £60.2 million carrying amount, including £27.6m of goodwill. The growth rates assume that demand for our product 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.

4 Goodwill continued

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 11.5% to 12.3% or from 1.8% to 0.5% respectively would reduce headroom to £nil. A reduction in operating cash flow of 9.2% 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.

5 Acquisitions

On 3 January 2020 the Group acquired the trade and assets of the aerospace and defence power supply business of Excelitas Technologies Corp based in Covina, California, for an initial cash consideration of $17.7 million (£13.5 million) and a further $0.9 million (£0.7 million) working capital adjustment paid in cash. In December 2019 $0.3 million (£0.2 million) was paid for a derivative financial instrument to hedge the consideration. Acquisition costs including integration costs are disclosed in note 7.

The fair value of the net assets acquired were £12.1 million, including intangible assets relating primarily to the business' customer relationships of £4.1 million, resulting in goodwill recognised on acquisition of £2.3 million (all of which may become deductible for tax purposes). From the date of acquisition to the period end the business generated revenue of £7.9 million, operating loss of £0.1 million, adjusted operating profit of £1.0 million and an adjusted operating cash inflow of £1.8 million.

Had the acquisition been completed on 1 January, the Group's full year revenue, operating profit and adjusted operating profit would have been unchanged at £431.8 million, £6.6 million and £27.5 million respectively as reported.

The acquisition enhances the Group's presence in the large and growing US aerospace and defence market and extends the Group's power electronics capabilities to include power convertors, moving the Group up the value chain, in line with its strategy. This will also provide access to sole-sourced positions on growing defence programmes for the Group and new customer relationships with key US defence primes. The goodwill recognised on acquisition represents the Group's view of the future earnings growth potential and technical know-how in the acquired business.

On 10 November 2020 the Group acquired the entire equity share capital of Torotel Inc. for an initial cash consideration of $37.0 million (£27.9 million) and a further $1.0 million (£0.7 million) was paid for a derivative financial instrument to hedge the consideration. Acquisition costs including integration costs are disclosed in note 7. The enterprise value of the consideration was $43.4 million (£32.9 million) which consisted of the $37.0 million (£27.9 million) paid in cash and the assumption of net cash excluding PPP loans, cash paid out for fees and cash paid for bonuses which crystallised upon acquisition totalling $6.4 million (£4.8 million).

The fair value of the net assets acquired were £7.3 million, including intangible assets relating primarily to the business' customer relationships of £9.0 million, resulting in goodwill recognised on acquisition of £21.4 million. From the date of acquisition to the period end the business generated revenue of £2.4 million, operating loss of £0.2 million adjusted operating profit of £0.2 million and an adjusted operating cash inflow of £0.4 million.

Torotel is a Kansas, US-based designer and manufacturer of high-reliability power and electro-magnetic assemblies and components designed for harsh environments, primarily for defence markets. The acquisition broadens TT's power electronics capabilities in the US, further increasing its scale in this important market. It adds recurring revenue streams from largely sole source positions on multi-year growth programmes and brings attractive cross-selling opportunities. The goodwill recognised on acquisition represents the Group's view of the future earnings growth potential and technical know-how in the acquired business.

Had the acquisition been completed on 1 January, the Group's full year revenue, operating profit and adjusted operating profit would have been £448.8 million, £8.1 million and £29.0 million respectively, compared to £431.8 million, £6.6 million and £27.5 million as reported.

5 Acquisitions continued

In August 2020 Torotel, Inc. applied for PPP loans, a US government COVID-19 support scheme, of $1.9 million (£1.4 million) to be forgiven. To date the Group has not received confirmation that the application was successful therefore the liability has been recognised in full in the provisional acquisition balance sheet. In the event the application is successful $1.9 million (£1.4 million) of acquired debt will be forgiven under the scheme and the provisional accounting will be updated.

The fair value and gross contractual value of the financial assets acquired with the aerospace and defence power supply business of Excelitas Technologies Corp and Torotel Inc. included receivables of £1.8 million and £1.8 million respectively. Management's best estimate of the cashflows which will be collected was £1.8 million for the aerospace and defence power supply business of Excelitas Technologies Corp and £1.7 million for Torotel, Inc.

£million	The aerospace and defence power supply business of Excelitas Technologies Corp	Torotel, Inc. (Provisional)
Non-current assets		
Right-of-use asset	-	2.0
Property, plant and equipment	5.4	1.8
Identifiable intangible assets	4.1	9.0
Deferred tax assets	-	0.2
Current assets / (liabilities)		
Inventory	1.3	3.2
Trade and other receivables	1.8	1.8
Trade and other payables	(0.5)	(6.3)
Deferred tax liabilities	-	(0.8)
Lease liabilities	-	(2.0)
Cash and cash equivalents	-	1.4
Borrowings	-	(3.0)
	12.1	7.3
Consideration Paid		
Cash consideration net of the impact of hedging	14.4	28.7
Goodwill	2.3	21.4

On 22 March 2019 the Group acquired the entire equity share capital of Power Partners Inc. for an initial $1.6 million (£1.2 million), an additional $0.7 million (£0.5 million) was paid in the period based on business performance. In 2020 a further $0.6 million (£0.5 million) was paid based on business performance. A further $0.5 million (£0.4 million) may still become payable.

The acquisition enhances our technology capabilities in power products and improves our medical market access accelerating our organic technology roadmap and US medical market presence. The goodwill recognised on acquisition represents the Group's view of the future earnings growth potential of the acquired businesses.

6 Finance costs and finance income

£million	2020	2019
Interest income	0.1	0.1
Interest income on pension surplus	0.5	0.8
Finance income	0.6	0.9
Interest expense	3.0	3.0
Interest on lease liabilities	0.8	1.0
Interest expense on pension liabilities	0.1	0.2
Amortisation of arrangement fees	0.4	0.4
Finance costs	4.3	4.6
Net finance costs	3.7	3.7

7 Adjusting items

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.

Costs associated with restructuring, acquisitions and disposals are uncertain with regard to their timing and size and therefore their inclusion within adjusted operating profit could mislead the reader of the accounts.

	2020		2019 Restated [1]	
£million	Operating profit	Tax	Operating profit	Tax
As reported	6.6	(1.6)	16.9	(0.8)
Restructuring and other				
Restructuring	(14.8)	1.8	(12.2)	2.9
Property disposals	1.2	-	-	-
Pension Costs	(0.9)	0.1	(1.0)	0.2
	(14.5)	1.9	(13.2)	3.1
Acquisition and disposal related costs				
Amortisation of intangible assets arising on business combinations	(4.2)	0.4	(4.5)	1.0
Release of warranty and claims provision	1.0	(0.1)	-	-
Torotel acquisition and integration costs	(1.3)	0.2	(0.3)	-
Covina acquisition and integration costs	(1.3)	0.2	(0.5)	0.1
Other acquisition related costs	(0.6)	0.1	(2.7)	0.4
	(6.4)	0.8	(8.0)	1.5
Total items excluded from adjusted measure	(20.9)	2.7	(21.2)	4.6
Adjusted measure	27.5	(4.3)	38.1	(5.4)

1. Restated in the comparative period, further details provided in note 2.

7 Adjusting items continued

Restructuring and Other £14.5 million (2019: £13.2 million)

Restructuring costs charged in the period primarily relate to costs arising on the restructuring of the Group's footprint, product rationalisation and headcount reduction programme to reduce the Group's fixed costs. Within the costs above there was £6.3 million relating to severance costs and provisions, £3.4 million of intangible asset write downs, £2.0 million of right-of-use asset and plant, property and equipment write downs, £1.6 million relating to inventory write downs and £1.5 million of other costs primarily relating to project team costs and final costs of projects completed in 2020. Income from property disposals of £1.2 million (2019: £nil) relates to the sale of property in Lutterworth, UK. Pension costs of £0.9 million (2019: £1.0 million with £0.4 million relating to past service charge and £0.6 million relating to other pension restructuring costs) primarily relate 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 ('GMP'). 2019's restructuring costs amounted to £12.2 million, primarily related to restructuring of the Group's footprint, and the support of the Stadium synergy plan.

Acquisition and disposal related costs £6.4 million (2019: £8.0 million)

Acquisition and disposal related costs charged in the period relate to amortisation of acquired intangible assets (£4.2 million), acquisition and integration costs of the aerospace and defence power supply business of Excelitas Technologies Corp based in Covina, California (£0.6 million acquisition costs, £0.7 million integration costs), acquisition and integration costs of Torotel, inc. (£1.2 million acquisition costs, £0.1 million integration costs) a credit related to the release of a product quality warranty claim provision relating to the disposal of the Transportation, Sensing, and Control Division in 2017, following a full and final settlement (£1.0 million), and other costs (£0.6 million). 2019's acquisition related costs amounted to £8.0 million and primarily related to amortisation of acquired intangible assets, the integration of Stadium Group and Precision Inc., and acquisition costs related to Power Partners Inc. the aerospace and defence power supply business of Excelitas Technologies Corp and Torotel, Inc.

8 Taxation

a) Analysis of the tax charge for the year

£million	2020	2019 Restated [1]
Current tax		
Current income tax charge	5.1	3.7
Adjustments in respect of current income tax of previous year	(3.4)	(3.1)
Total current tax charge	1.7	0.6
Deferred tax		
Relating to origination and reversal of temporary differences	(0.5)	1.0
Change in tax rate	(0.4)	0.1
Recognition of previously unrecognised deferred tax assets	0.8	(0.9)
Total deferred tax (credit)/charge	(0.1)	0.2
Total tax charge in the income statement - continuing operations	1.6	0.8

1. Restated in the comparative period, further details provided in note 2.

The enacted UK tax rate applicable from 1 April 2017 is 19% and due to changes in Government policy in the period this remains the UK rate as the enacted rate drop, originally legislated to occur from 1 April 2020 to 17%, has been reversed. The applicable tax rate for the period is based on the UK standard rate of corporation tax of 19% (2019: 19%). Overseas taxation is calculated at the rates prevailing in the respective jurisdictions. The Group's effective tax rate for the year was 55.2% (the adjusted tax rate was 18.1%).

On 3 March 2021 the UK Government announced changes to the UK corporate tax system and an increase in tax rate from the fiscal year 2023 to 25% from the currently enacted rate of 19%. The change in tax rate will result in a change to the level of deferred tax held in respect of the Group's UK operations and may impact the Group's effective tax rate in future years. The Group, to date, has not identified any other significant tax charges or credits arising from the proposed legislation.

8 Taxation (continued)

b) Reconciliation of the total tax charge for the year

£million	2020	2019 Restated [1]
Profit before tax from continuing operations	2.9	13.2
Profit before tax multiplied by the standard rate of corporation tax in the UK of 19% (2019: 19%)	0.6	2.5
Effects of:		
Impact on deferred tax arising from changes in tax rates	(0.4)	0.1
Overseas tax rate differences	1.4	1.0
Items not deductible for tax purposes or income not taxable	2.6	1.6
Adjustment to current tax in respect of prior periods	(3.4)	(3.1)
Recognition of previously unrecognised deferred tax assets	-	(0.9)
Current year tax losses and other items not recognised	0.1	(0.4)
Adjustment to value of deferred tax assets	0.7	-
Total tax charge reported in the income statement	1.6	0.8

1. Restated in the comparative period, further details provided in note 2.

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.

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 2020 includes tax provisions of £6.4 million (2019: £7.3 million). The Group believes the range of reasonable possible outcomes in respect of these exposures is tax liabilities of up to £8.2 million (2019: £7.4 million).

9 Dividends

	2020 pence per share	2020 £million	2019 pence per share	2019 £million
Final dividend for prior year	-	-	4.55	7.4
Interim dividend for current year	-	-	2.10	3.4
	-	-	6.65	10.8

The Directors recommend a final dividend of 4.7 pence per share. The Group has a progressive dividend policy. The final dividend will be paid on 21 May 2021 to shareholders on the register on 29 April 2021.

10 Earnings per share

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

Pence	2020	2019 Restated [1]
Basic earnings per share		
Continuing operations	0.8	7.6
Discontinued operations	-	2.1
Total	0.8	9.7

Pence	2020	2019 Restated [1]
Diluted earnings per share		
Continuing operations	0.8	7.5
Discontinued operations	-	2.0
Total	0.8	9.5

1. Restated in the comparative period, further details provided in note 2.

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	2020	2019 Restated [1]
Continuing operations		
Profit for the year attributable to owners of the Company	1.3	12.4
Restructuring and other	14.5	13.2
Acquisition and disposal related costs	6.4	8.0
Tax effect of above items (see note 8)	(2.7)	(4.6)
Adjusted earnings	19.5	29.0
Adjusted earnings per share (pence)	11.7	17.8
Adjusted diluted earnings per share (pence)	11.6	17.4

1. Restated in the comparative period, further details provided in note 2.

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

Million	2020	2019
Basic	166.5	163.1
Adjustment for share awards	1.6	3.3
Diluted	168.1	166.4

11 Reconciliation of net cash flow to movement in net debt

£million	Net cash	Lease liabilities	Borrowings	Net debt
As at 1 January 2019	40.6	(0.6)	(81.7)	(41.7)
Adjustment on initial application of IFRS 16	-	(21.3)	-	(21.3)
Adjusted balance as at 1 January 2019	40.6	(21.9)	(81.7)	(63.0)
Cash flow	21.6	-	-	21.6
Businesses acquired	-	(0.2)	-	(0.2)
Proceeds from borrowings	-	-	(30.4)	(30.4)
Payment of lease liabilities	-	4.4	-	4.4
New leases	-	(0.7)	-	(0.7)
Amortisation of loan arrangement fees	-	-	(0.4)	(0.4)
Lease disposal	-	0.4	-	0.4
Exchange differences	(2.0)	0.4	0.8	(0.8)
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 liability	-	(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)

Net cash of £69.0 million (2019: £60.2 million) comprises cash at bank and in hand of £70.2 million (2019: £69.8 million) and overdrafts of £1.2 million (2019: £9.6 million).

12 Retirement benefit schemes

Defined contribution schemes

The Group operates 401(k) plans in North America and defined contribution arrangements in the rest of the world. The assets of these schemes are held independently of the Group. The total contributions charged by continuing operations in respect of defined contribution schemes were £3.1 million (2019: £3.5 million).

Defined benefit schemes

At 31 December 2020 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.

In the year ended 31 December 2019, in order to improve governance of the UK pension schemes, as well as drive cost efficiency, the Stadium Group Retirement Benefits Plan (1974) was merged into the TT Group (1993) Pension Scheme (the TT Group scheme) with effect from 29 March 2019.

The total net accounting surplus under the Group's defined benefit schemes was £30.5 million (2019: £16.6 million surplus). The main reason for this improvement is an increase in the fair value of assets due to investment performance, part of which relates to interest rate hedges which offset an increase in the Scheme's benefit obligation, mainly due to a fall in corporate bond yields. The surplus was also increased due to company contributions paid of £5.3m into the larger UK scheme, as the Group continues the contribution plan targeting self-sufficiency and further de-risking.

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 deficit repair 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 £5.5 million, £5.7 million and £4.4 million in the years 2021 to 2023 respectively.

The amounts recognised in respect of the pension surplus in the consolidated balance sheet are:

£million	2020	2019
Fair value of assets	648.7	583.1
Defined benefit obligation	(618.2)	(566.5)
Net surplus	30.5	16.6
Represented by:		
UK	35.4	21.2
USA	(4.9)	(4.6)
	30.5	16.6

12 Retirement benefit schemes continued

Amounts recognised in the consolidated income statement are:

£million	2020	2019
Scheme administration costs	1.7	1.0
Past service cost and settlements (excluded from adjusted operating profit)	0.8	0.4
Net interest credit	0.4	0.6

Amounts recognised in the consolidated statement of comprehensive income are a gain of £8.6 million (2019: loss of £9.1 million) which comprises of; the actual return on scheme assets, a gain of £70.9 million (2019: gain of £51.8 million) and the remeasurement of the schemes obligations, an increase of £62.3 million (increase of £60.9 million).

13 Share Capital

£million	2020	2019
Issued and fully paid		
174,580,743 (2019: 164,038,978) ordinary shares of 25p each	43.6	41.0

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.

During the period the Company issued 455,265 ordinary shares as a result of share options being exercised under the Sharesave scheme and Share Purchase plans. The aggregate consideration received was £0.7 million, which was represented by a £0.1 million increase in share capital and a £0.6 million increase in share premium.

The performance conditions of the Long-term Incentive Plan awards issued in 2017 and Restricted Share Plan awards issued in 2018, 2019 and 2020 were met and shares were allocated to award holders from existing shares held by an Employee Benefit Trust for £nil consideration. 86,500 new shares were also issued at par value of 25 pence to settle the vesting of part of the 2017 scheme.

14 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 2020 or 2019 that have affected the financial position or performance of the Group.

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 7. 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 7	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 7	Adjusted operating profit as a percentage of revenue. 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.

Income statement measures continued

Alternative Performance Measure	Closest equivalent statutory measure	Note reference to reconciliation to statutory measure	Definition and purpose
Adjusted earnings per share	Earnings per share	See note 10 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.
Adjusted diluted earnings per share	Diluted earnings per share	See note 10 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 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 also other items such as amortisation of intangibles which may not be present in peer companies who have grown organically.

Income statement measures continued:

Alternative Performance Measure	Closest equivalent statutory measure	Note reference to reconciliation to statutory measure	Definition and purpose
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 11)	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.

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 and purpose
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.). 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 of 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:

				2020
£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%)

APM 2 – Effective tax charge:

£million	2020	2019 Restated [1]
Adjusted operating profit	27.5	38.1
Net interest	(3.7)	(3.7)
Adjusted profit before tax	23.8	34.4
Adjusted tax	4.3	(5.4)
Adjusted effective tax rate	18.1%	15.7%

1. 'Adjusted operating profit' and 'adjusted tax' have been restated in the comparative period as described in note 2.

APM 3 – Return on invested capital:

£million	2020	2019 Restated [1]
Adjusted operating profit	27.5	38.1
Average invested capital	357.3	352.1
Return on invested capital	7.7%	10.8%

1. 'Adjusted operating profit', 'Average invested capital' and 'Return on invested capital' have been restated in the comparative period as described in note 2.

APM 4 - Net capital and development expenditure (net capex):

£million	2020	2019
Purchase of property, plant and equipment	(9.3)	(14.0)
Proceeds from sale of investment property, plant and equipment and capital grants received	3.4	0.4
Capitalised development expenditure	(3.3)	(3.9)
Purchase of other intangibles	(0.8)	(0.7)
Net capital and development expenditure	(10.0)	(18.2)

APM 5 - Adjusted operating cash flow:

£million	2020	2019 Restated [1]
Adjusted operating profit	27.5	38.1
Adjustments for:	-	-
Depreciation	14.0	13.9
Amortisation of intangible assets	3.0	4.1
Impairment of property, plant and equipment and intangible assets	0.2	-
Other items	0.7	2.5
Decrease/(increase) in inventories	4.2	(7.6)
Decrease/(increase) in receivables	11.2	(4.0)
(Decrease)/increase in payables and provisions	(11.8)	10.4
Adjusted operating cash flow	49.0	57.4

1. 'Adjusted operating profit' and 'Decrease/(increase) in receivables' have been restated in the comparative period as described in note 2. 'Adjusted operating cash flow' remains unchanged.

APM 6 - Adjusted operating cash flow post capex:

£million	2020	2019
Adjusted operating cash flow	49.0	57.4
Purchase of property, plant and equipment	(9.3)	(14.0)
Proceeds from sale of property, plant and equipment and government grants received	3.4	0.4
Capitalised development expenditure	(3.3)	(3.9)
Purchase of other intangibles	(0.8)	(0.7)
Adjusted operating cash flow post capex	39.0	39.2

APM 7 – Working capital cashflow:

£million	2020	2019 Restated [1]
Decrease/(increase) in inventories	4.2	(7.6)
Decrease/(increase) in receivables	11.2	(4.0)
(Decrease)/increase in payables and provisions	(11.8)	10.4
Working capital cashflow	3.6	(1.2)

1. 'Decrease/(increase) in inventories' and 'Working capital cashflow' have been restated in the comparative period as described in note 2.

APM 8 – Free cash flow:

£million	2020	2019
Net cash flow from operating activities	28.2	35.9
Add back: Bonus paid to employees of Torotel which crystallised upon acquisition	3.8	-
Net cash flow from investing activities	(51.9)	(21.7)
Add back: Acquisition of business	43.3	2.4
Add back: Cash with acquired businesses	(1.4)	(0.1)
Add back: Tax arising from disposal of subsidiaries	-	1.2
Payment of lease liabilities previously reported as operating leases	(4.1)	(4.0)
Interest paid	(3.5)	(4.0)
Free cash flow	14.4	9.7

APM 9 – Cash conversion:

£million	2020	2019 Restated [1]
Adjusted operating profit	27.5	38.1
Adjusted operating cash flow post capex	39.0	39.2
Exclude: Property disposal proceeds as part of restructuring programmes	(3.2)	-
Adjusted operating cash flow used to calculate cash conversion	35.8	39.2
Cash conversion	130%	103%

1. 'Adjusted operating profit' and 'Cash conversion' have been restated in the comparative period as described in note 2.

APM 10 - R&D cash spend as a percentage of revenue:

£million	2020	2019
Revenue (excluding GMS)	234.3	265.0
R&D cash spend	11.2	13.5
R&D cash spend as a percentage of revenue	4.8%	5.1%