2021 Interim Results, 5 August 2021

TT Electronics plc

Results for the half-year ended 30 June 2021

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A management presentation for analysts and investors will be held today at 08.30 and can be accessed on https://webcasting.brrmedia.co.uk/broadcast/60f71ca805da7a5c2646f9ca.

There will be a conference call and moderated Q&A session following this and to participate you will need to dial 0800 2797209 OR +44 (0)330 336 9434, confirmation code 8000008.

A recording of the presentation and Q&A session will be available on the website later in the day.

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

Interim Results for the half-year ended 30 June 2021

Strong momentum, good margin progression and further increase in full year profit expectations

Highlights

- Record order book and continued strong order intake with good visibility building for 2022
- H1 book to bill of 134%
- Significant new customer wins, reflecting focus on structural growth markets underpinned by megatrends and ESG drivers
- Revenue up 16% for the period on a constant currency basis, 12% on an organic basis
- Successful self-help programme remains on track to deliver expected savings at reduced cost
- Adjusted operating profit up 27% benefiting from growth, self-help programme and M&A
- Adjusted operating margin improved to 6.7% and run rate margin higher at 8.0% excluding Virolens start-up costs
- Statutory operating profit increased to £9.3m, statutory basic EPS of 3.3p
- Interim dividend of 1.8p per share reflecting confidence in outlook

Outlook

- Order and sales momentum continue; 2021 expected revenues already fully covered
- Confident in medium term outlook and further modest increase in full year profit expectation
- Anticipate strong improvement in adjusted operating margin and cash conversion in H2
- Increased visibility in our path to deliver double digit Group operating margins

£ million (unless otherwise stated)	Adjusted Results[1]				Statutory Results	
	H1 2021	H1 2020 Restated[2]	Change	Change Constant fx	**H1 2021**	H1 2020 Restated[2]
Revenue	**235.6**	210.0	12%	16%	**235.6**	210.0
Operating profit	**15.9**	13.2	20%	27%	**9.3**	(1.1)
Operating profit margin	**6.7%**	6.3%	40bps	50bps	**3.9%**	(0.5)%
Profit before tax	**14.1**	11.3	25%	33%	**7.4**	(3.0)
Basic earnings per share	**6.5p**	5.6p	16%	23%	**3.3p**	(1.8)p
Dividend per share	**1.8p**	**-**	-			
Return on invested capital (2020: year-end)	**8.3%**	7.7%	60bps			
Cash conversion	**(7)%**	53%				
Free cash flow[1]					**(10.3)**	(5.2)
Net debt (2020: year-end) [1]					**107.3**	83.9
Leverage (2020: year-end)[1]					**2.0x**	1.6x

Richard Tyson, Chief Executive Officer, said:

"We are really pleased to have delivered a strong performance in the first half with a record order book and strong growth as a direct result of the steps we have taken to reposition and improve the quality of the business. This growth together with the benefits of our self-help programme and higher margin acquisitions have resulted in improved margins.

With 2021 expected revenues already fully covered by orders, continuing demand momentum and the benefits of our successful self-help programme being realised we are confident of delivering a further improvement in full year 2021 results and have increased visibility in our path to double digit margins”.

About TT Electronics

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

TT solves technology challenges for a sustainable world. TT benefits from enduring megatrends in structurally high-growth markets including healthcare, aerospace, defence, automation and electrification. 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 27. The adjusted measures used are set out in the reconciliation of KPIs and non IFRS measures on pages 38 to 44.*

2. *The results for the period ended 30 June 2020 have been restated to reflect prior year adjustments. Further details are set out in note 2.*

CHIEF EXECUTIVE OFFICER'S REVIEW

Introduction

We are very encouraged by our sales and order performance in the first half of the year, with continued improvement in trading momentum and we are on track to return to 2019 revenue and margin levels in 2021. The structural growth markets we operate in have moved back towards their long-term growth trajectory, and the benefits of our strategic repositioning and focus on building close relationships with our customers can be seen in new business wins, the order book and the financial performance of the Group.

Our partnership approach to deliver solutions based on our technical expertise has been a key component in winning new orders. Another key growth driver has been our focus on leveraging expertise across the Group to pursue cross selling opportunities, which continues to gain traction and has started to yield new orders. Much of this effort is led by the Global Manufacturing Solutions (GMS) division which is integral to converting these opportunities and increasingly GMS is able to highlight the capabilities of the other divisions. Across the Group, but especially pronounced in the Specialist Sensors and Components (S&SC) division, an increasing focus on supply chain challenges has led to customers committing to demand earlier than usual, providing greater revenue visibility.

The self-help programme continues to progress in line with expectations. During the period the Barbados and Carrollton, Texas sites were closed and the transfer of manufacturing from the Corpus Christi, Texas and Lutterworth, UK sites is expected to be completed before year end. In June we sold the Covina, California property, helping to reduce the net cost of the self-help programme and offering an opportunity to capture additional benefits.

All divisions are seeing strong top line growth and the benefits of growth and self-help are feeding through into business performance. This is most prominent in the improved margins in S&SC while in our GMS division, the work to position the business as a partner to our customers to win long-term incremental business has translated into winning new, higher value contracts. We now see scope to drive GMS operating margins higher.

We are delighted with the Torotel acquisition which completed in November 2020. The business is performing ahead of expectations – we are on track to deliver planned cost synergy benefits and Torotel has achieved material new contract wins under our ownership and is expanding the pipeline of new business opportunities by working with other parts of the Group.

The Virolens COVID-19 screening device achieved its first important regulatory milestone in H1, gaining registration with the MHRA in Great Britain. We have now established a product with commercial potential and remain encouraged that active dialogue is continuing with a number of regulators and that commercial potential exists with a range of customers subject to further approvals.

Results and operations

Group revenue for the period was £235.6 million, up 16 per cent on a constant currency basis and 12 per cent on an organic basis. The Group's adjusted operating profit for the period was £15.9 million, 27 per cent higher than the prior year on a constant currency basis.

There was a strong improvement in financial performance in the first half despite incurring start-up costs to establish the Virolens product line. In common with many others we also experienced a tightening in the supply chain leading to some cost inflation. This has been largely mitigated through price increases, although there is a lag effect here and we will continue to see the benefit of this action in the second half of the year.

The adjusted operating margin in the first half was 6.7 per cent and we remain on track to deliver a full year margin in line with market expectations. The adjusted run rate excluding Virolens was higher at 8.0 per cent. After the impact of adjusting items, including restructuring and acquisition and disposal costs, the Group's half year statutory operating profit was £9.3 million and operating margin was 3.9 per cent.

Cash conversion was impacted by a working capital outflow totalling £18.9 million. This investment in working capital was driven by the high levels of growth we are experiencing and our decision to invest in additional inventory to support the customer order book for the second half. We expect to see improved cash conversion in the second half of the year. Adjusted operating cash flow during the period was £6.1 million. On a statutory basis, cash flow from operating activity was an outflow of £5.0 million (2020: inflow of £2.8 million).

At 30 June 2021 net debt was £107.3 million, (31 December 2020: £83.9 million), including IFRS 16 lease liabilities of £20.9 million (31 December 2020: £15.9 million), and leverage increased as expected to 2.0x (31 December 2020: 1.6x), within the Board's target range. We expect leverage to reduce over the course of the second half.

Momentum across the Group has been strong with the order book for 2021 fully covering expected revenues and we are now starting to build good visibility of revenues for 2022.

Dividend

Against an improving market backdrop, combined with the strong trading momentum, the Board is declaring an interim dividend of 1.8 pence per share. The total cost of this dividend will be approximately £3.1 million. Payment of the dividend will be made on 14 October 2021, to shareholders on the register at 24 September 2021.

Our markets

We create value by providing advanced technology solutions to customers in our target markets of healthcare, aerospace & defence and automation & electrification. These markets have strong long term growth potential underpinned by structural drivers as we move towards a more sustainable world. Demand is strong as we emerge from the pandemic, with customers restarting projects, new products coming to market and significant new wins helping us deliver orders and growth above market rates.

Healthcare

In healthcare (26 per cent of Group revenue), our customers are gradually returning to 'business as usual' which is expected to lead to the need to catch up on non-COVID-19 related treatments, supporting future growth through new investment. As hospitals begin to return to normal we expect the focus will move from COVID-19 treatments to catching up on elective procedures and improving the efficiency of healthcare provision through increased use of technology and automation. This is where TT has a compelling offering and we have already started to see strong growth in the order pipeline.

Aerospace and Defence

In aerospace and defence (19 per cent of Group revenue), we have started to see a stabilisation of the commercial aerospace market following COVID-19 related disruption. Whilst confidence is slowly improving, we believe it will be some time yet before we see a meaningful return to growth, however we believe that this will be a growth market over the longer term. Defence remains a key market with governments continuing to place a heightened focus on technology innovation and security, which we expect to lead to increased government spending. TT's ability to design and manufacture more efficient, highly reliable military products, along with our expanding platform exposure will remain a competitive advantage.

Automation and Electrification

In automation and electrification (38 per cent of Group revenue), we are seeing the quest for sustainable solutions driving growth. Technologies such as robotics, remote asset tracking, monitoring and inspection are in strong demand with good visibility of current year revenues and improving visibility into 2022. A number of new customer wins provide long term growth opportunities and underpin our confidence in the future outlook for our power, sensing and connectivity solutions.

Creating value through technology investment

Working in partnership with our customers to bring new, innovative products to market that provide sustainable solutions is key to driving future growth. Investment in R&D is therefore one of our top capital allocation priorities. During the period we invested £5.8 million (2020: £5.7 million) in R&D spend, representing 5 per cent (2020: 5 per cent) of aggregate revenue of our product businesses.

We are developing with customers a pipeline of new products to bring to market. A selection of notable examples from H1 include:

- Following investment in our S-2CONNECT platform we have been selected as hardware partner to Telenor, a leading communications and IoT provider ranked among the top 10 IoT operators globally and the top three in Europe. One of the near-term opportunities will be provided by the sunsetting of 2G and 3G cellular technology which will create a requirement for devices to be upgraded or replaced. We will initially work with Telenor in the Nordic region with the potential to expand the scope of work into the wider European, Southern Asian and North American markets in a project that could generate multi-million pounds a year of additional revenue.

- We have also been investing in the surgical navigation and robotics market. This segment is experiencing sustained double-digit growth and is driven by several emerging clinical applications that provide the physician with exceptionally accurate catheter placement, often eliminating the need for harmful radiation. The miniaturised and highly accurate characteristics of our technologies enable access to parts of the anatomy that in the past were difficult to navigate including the lung, brain, and heart. Additionally, new applications for improved navigation needs have emerged to diagnose breast cancer.

- We are currently investing in a combination of AC-DC and DC-DC power conversion technologies in direct response to demand from aerospace and defence customers, as well as ruggedised wire harness and magnetic capabilities. These investments build upon our existing capabilities and give us a wider platform to support major aerospace and defence customers, many of which are requiring power solutions that feature higher voltages and/or efficiency improvements from legacy designs.

- Our work in developing our first ever European-designed power convertor is progressing well supporting a world recognised defence prime contractor with a DC-DC converter solution for next-generation fighter jet power and control applications. Our first deliverables were recently supplied to our partners having successfully passed functional acceptance testing, clearing the way for further progress and critical design review in the second half of the year.

Creating value through margin enhancement

We have made good progress with margin enhancement in the first half, returning to 2019 levels on a run-rate basis. This, together with the order intake momentum is increasing visibility to delivering double digit Group operating margins. A number of factors are driving margins higher as we return to significant growth:

- Operational leverage from organic revenue growth: The benefits of strategic repositioning to build closer, more embedded customer relationships and completing more design led work with an increased focus on cross selling is supporting strong growth;
- Reductions in overheads: The self-help programme which will be completed during 2021 and is expected to generate full run rate benefits of £11-12 million per annum from 2023 onwards
- Acquisition-led expansion of technology offerings and market positions: The Covina and Torotel businesses acquired in 2020 are both contributing strongly to the Group's margins and absolute profit improvement.

A noticeable characteristic of the new orders we are winning is the number from customers wanting more integrated, design led solutions. We are winning new higher quality orders from existing customers and have won work from fourteen new customers in the first half of the year.

We continue to make good progress with the self-help programme. The Barbados and Carrollton sites were closed during the first half and we are working towards the transfer of manufacturing from the Lutterworth and Corpus Christi sites before year end. We have opened our new facility in Plano, Texas which will house the former activities from Carrollton and Corpus Christi and manufacturing is expected to commence in Q4 2021, although high demand levels have caused us to keep Corpus Christi open longer than originally planned.

In June we completed the sale of the freehold property of the Covina business (acquired in January 2020) as an extension of the self-help programme. We have agreed to lease the site back for a period of 12 months while we prepare for relocation.

The cash cost of the Group self-help programme is now expected to reduce from £18 million to £16 million as a result of the funds raised from the sale of the Covina plant net of move costs and an increase in the cost of the Plano build. Having incurred £4 million of programme spend in 2020, and with £12 million to be spent in 2021, we will complete the vast majority of this programme this year and are on track to deliver £5 million of incremental benefits in 2021 (2020: £2 million) taking the annual run rate benefits in 2021 to £7 million. We remain confident of achieving the programme's £11-12 million of run-rate benefits in 2023 and see some potential for additional benefits from the re-location of Covina to a more suitable facility.

Creating value from mergers and acquisitions

M&A is an important part of our growth proposition as we look to add higher margin businesses that enhance TT's capability in our key markets. The Torotel business, acquired in November 2020, continues to perform ahead of our expectations. We have started to realise benefits from integrating the products across the Group and are capitalising on the cross-selling opportunities that are being generated with new tier one OEMs. The Torotel business has benefited from fresh investment and it can now partner more closely with clients and expand the product offering.

We have secured a number of new contract wins including an order for complex cable assemblies with a major US defence supplier that will be delivered in 2021, and a win in the radar electronics space that will be delivered in 2022. These wins support higher organic growth than originally set out in our acquisition business plan.

With the integration of Torotel complete and the business performing well, this serves as a great example of how we can improve the quality of TT through acquisition. We continue to look for further acquisition opportunities to expand TT's technology capabilities and customer reach.

Environmental, social and governance (ESG)

TT is positioned to benefit from megatrends that are driving sustainable growth. Our cleaner, smarter solutions improve energy efficiency, addressing climate change and resource scarcity. These solutions include power controls for aerospace and defence markets which contribute to lighter and more environmentally friendly aircraft, reducing fuel consumption. Our smarter solutions include sensors and controls that ensure accuracy and drive automation, improving productivity and addressing resource scarcity. Our sensing and control technology can improve efficiency and therefore reduce energy consumption, resulting in a lower carbon footprint.

We remain at the forefront of delivering technologies that meet the ever-increasing demand for cleaner energy, smart monitoring systems and home automation. Our products can be found in a range of applications including:

- Renewable energy generation and smart grid metering
- Power management and energy control systems
- Water and wastewater measurement and monitoring

In addition to the products we design and manufacture for our customers that enable a more sustainable world, we are also optimising our own operations to reduce our impact on the environment. Our environmental strategy is focused around the areas we have assessed to have the greatest environmental impact, namely energy usage and waste management.

TT's top three environmental sustainability priorities are to:

1. Reduce our carbon footprint, with an aim of being carbon neutral by 2035 (Scope 1 and 2 emissions)
2. Cut single use plastic packaging purchased
3. Reduce waste to landfill

Since the start of the year, we have made good progress, with 5 additional sites transitioning to renewable energy contracts. We have embarked on a range of initiatives with our customers, suppliers, and employees to address our energy, waste and plastic usage including changing waste providers, reusing rather than recycling and adopting environmentally friendly packaging options.

Outlook

The momentum from the first half of the year has continued with expected revenues for 2021 fully covered and order book visibility for 2022 is building nicely and ahead of where it would normally be at this stage of the year. Whilst there are clear constraints in the supply chain leading to longer delivery times, we are working closely with customers to plan further ahead with ordering so that we can meet delivery requirements. We are seeing industry wide cost inflation but we have largely been able to agree with customers on price increases across our product range that will protect margins.

In addition to our strong order book, our new business opportunity pipeline is as buoyant as we have ever seen it and we believe that the Group is well placed to deliver both top line and margin growth.

Overall, our self-help programme and strategic repositioning have meant that TT is emerging from the pandemic-related slowdown very well positioned and with the flexibility to capture both organic and inorganic opportunities to grow the business and create value for shareholders.

Cash conversion is expected to improve in the second half of the year, and the spend on the self-help programme is due to be largely completed in the second half.

With 2021 expected revenues already fully covered by orders, continuing demand momentum and the benefits of our successful self-help programme being realised we are confident of delivering a further improvement in full year 2021 results and have increased visibility in our path to double digit margins.

FINANCIAL OVERVIEW

Group revenue was £235.6 million (H1 2021: £210.0 million) and is back at pre-COVID levels on a constant currency basis. Group revenue was 16 per cent higher than in the same period last year on a constant currency basis. Sales volumes in all key markets, with the exception of aerospace, have rebounded and the order book and forward pipeline of new business opportunities gives us confidence that this momentum will continue.

The Group reported an adjusted operating profit of £15.9 million (H1 2020: £13.2 million) with the improvement driven by revenue growth and benefits from the Group's self-help programme. Statutory operating profit for the period was £9.3 million (H1 2020: loss of £1.1 million) after a charge of £6.6 million (H1 2020: £14.3 million) for items excluded from adjusted operating profit including:

- Restructuring costs of £2.6 million (H1 2020: £11.4 million), comprising £2.0 million relating to the restructure of the North America Resistors business; £0.8 million relating to the closure of our site in Lutterworth and £0.5 million relating to the closure of our site in Tunis, Tunisia, along with £0.6 million of other pension restructuring costs, partially offset by a gain of £1.3 million from the disposal of the Covina property.

- Acquisition and disposal related costs of £4.0 million (H1 2020: £2.9 million), comprising £2.5 million of amortisation of acquired intangible assets, £1.1 million of costs to integrate Torotel and the aerospace and defence power supply business of Excelitas Technologies Corp based in Covina, California, along with £0.4 million of costs of unannounced and terminated acquisitions.

The Group generated an improved adjusted operating margin of 6.7 per cent (H1 2020: 6.3 per cent), despite incurring start-up costs to establish the Virolens product line. This improvement was delivered whilst dealing with increased costs to execute on high levels of growth and increases in input costs linked to supply chain constraints, the latter which we are in the process of recovering through price increases. We are seeing much of the business back at 2019 levels.

The net finance cost was £1.8 million (H1 2020: £1.9 million). The Group's overall tax charge was £1.7 million (H1 2020: £nil). The tax charge on adjusted profit before tax was £2.8 million (H1 2020: £2.1 million), resulting in an effective adjusted tax rate of 19.6 per cent (H1 2020: 18.6 per cent).

Basic earnings per share (EPS) increased to 3.3 pence (H1 2020: 1.8 pence loss) benefiting from the improved operating performance and reduction in adjusting items set out above. Adjusted EPS increased to 6.5 pence (H1 2020: 5.6 pence), reflecting the improvement in adjusted operating profit.

Adjusted operating cash flow was lower with a £6.1million inflow (H1 2020: £11.5 million inflow) which was primarily due to a £18.9 million working capital outflow (H1 2020: £11.2 million outflow), due to strong growth and the decision to build inventory levels in response to the tightening of the supply chain and growth in order book for H2. This resulted in operating cash conversion of -7 per cent (H1 2020: 53 per cent). On a statutory basis, cash flow from operating activity was an outflow of £5.0 million (H1 2020: £2.8 million inflow).

There was a free cash outflow of £10.3 million (H1 2020: £5.2 million outflow), including £0.6 million of restructuring and acquisition related payments (H1 2020: £4.7 million) . Pension contribution payments in the period were unchanged at £2.7 million. The total net accounting surplus under the Group's defined benefit pension schemes was £61.2 million (31 December 2020: £30.5 million) with the increase mainly due to strong returns on scheme growth assets.

As at 30 June 2021 the Group's net debt was £107.3 million (31 December 2020: £83.9 million), including £20.9 million of lease liabilities (31 December 2020: £15.9 million). Leverage, consistent with the bank covenants, was 2.0 times at 30 June 2021 (31 December 2020: 1.6 times).

In August 2021, TT agreed a debut issue of £75 million of private placement fixed rate loan notes with three institutional investors. The funds will be received in December 2021 and the issue is evenly split between 7 and 10 year maturities with an average interest rate of 2.9% and covenants in line with our bank facility. The private placement complements at an attractive rate the Group's existing bank revolving credit facility, diversifying our sources of debt funding and providing us with a stable, long-term financing structure.

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.

	H1 2021	H1 2020	Change	Change constant fx
Revenue	£68.2m	£60.0m	14%	17%
Adjusted operating profit[1]	£3.6m	£4.4m	(18)%	(16)%
Adjusted operating margin[1]	5.3%	7.3%	(200)bps	(210)bps

[1] See note 1c on page 27 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 5 on page 32 of this document.

Revenue increased by £8.2 million to £68.2 million (H1 2020: £60.0 million). Revenue included a £9.7 million contribution from the acquisition of Torotel, which has performed ahead of our expectations. Organic revenue was 1 per cent higher with growth in defence, healthcare and automation & electrification offset by lower commercial aerospace demand compared to H1 last year, when the first quarter was not impacted by COVID-19. Overall order intake remains strong and is well ahead of the prior year. Establishment of the Virolens product line is now complete, it has received its first important regulatory milestone with MHRA registration in Great Britain and a limited number of units have been sold, however it is still at an early stage of commercialisation.

Whilst the majority of our sites have been operating at full capacity, the Kuantan facility in Malaysia has been impacted by COVID-19 restrictions and at end of June was only running at 60 per cent of capacity.

Adjusted operating profit decreased by £0.8 million to £3.6 million (H1 2020: £4.4 million). The adjusted operating margin was 5.3 per cent (H1 2020: 7.3 per cent). Run-rate margins were 9.5 per cent, excluding the start-up costs incurred in relation to the Virolens project. Going forward we expect these costs to be significantly reduced.

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

- Selection by Telenor as its key hardware partner as it sunsets existing 2G and 3G technology resulting in the need for devices to be replaced.

- In aerospace and defence, a cross selling opportunity originating from the Torotel business has generated over $2 million in orders in the first half of 2021 for complex, ruggedised wire harness assemblies. The orders will be executed this year and were won through partnering with a major customer and investing in the capabilities needed to succeed in this market. We are now positioned to partner with other aerospace and defence customers to provide this product. With a second aerospace and defence prime, TT used its supply chain expertise to significantly reduce lead times and was the only supplier positioned to secure critical materials and meet programme requirements.

- An excellent example of our focus on cross-selling is evident in our recently launched partnership with Radwave Technologies, an innovative surgical navigation tracking technology company based in Minneapolis, Minnesota. Producing a magnetic sensor that, when paired with Radwave's hardware and software, delivers superior accuracy to a physician. As the partnership expands, TT will also be providing complete system manufacturing from additional facilities, including Cleveland, Ohio.

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.

	H1 2021	H1 2020	Change	Change constant fx
Revenue	£109.6m	£95.5m	15%	18%
Adjusted operating profit[1]	£8.5m	£8.3m	2%	9%
Adjusted operating margin[1]	7.8%	8.7%	(90)bps	(60)bps

[1] See note 1c on page 27 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 5 on page 32 of this document.

The results for the period ended 30 June 2020 have been restated to reflect prior year adjustments. Further details are set out in note x.

Revenue grew by £14.1 million to £109.6 million (H1 2020: £95.5 million). We have seen organic growth of 18 per cent, partially driven through the opportunities created by establishing Kuantan as an alternative site for our customers to support growth.

Outstanding progress has been made in growing the order book at record pace. All sites are fully booked for the year and the order book growth has been underpinned by multiple wins which generate higher quality, higher margin orders. We are increasingly seeing that our power customers, in particular, require manufacturing capability and GMS and Power and Connectivity are increasingly partnering to offer this. We are constantly improving our understanding of how to leverage these opportunities from the customer perspective.

Adjusted operating profit increased by £0.7 million at constant currency to £8.5 million (H1 20: £7.8 million at constant currency). The underlying operating profit margin was 7.8 per cent (H1 2020: 8.4 per cent at constant currency). The strong overall performance was held back by reduced recovered hours in our Cleveland operations. Here we have undertaken work to realign the cost structure to fully capitalise on a full order book. Consequently, we expect to see enhanced margin from the GMS division in the second half of the year.

The considerable sales momentum has resulted in customer awards across our key markets from new and existing customers. Notable wins and growth areas include:

- A global leader in specialist diagnostics was introduced to TT through an existing customer. We have worked with the customer to provide complex electronics assembly to their Hemostasis product line. The order involves our Cleveland and Suzhou , China, sites and is worth c. £1 million per annum.

- In healthcare, we have improved our offerings through the expansion of our Kuantan facility, with a primary focus on medical customers. Through this expansion and an overall demand increase in the medical industry, GMS has been able to increase healthcare sales by 38%.

- In automation and electrification, we have expanded our relationships with two different long-standing customers supporting semiconductor products. In the first instance, TT was awarded a new 5-year contract worth £2 million per annum beginning in 2022 for high-level assembly which will be built in our Kuantan facility. A second long-term customer awarded TT a contract for 16 interface assemblies for a semiconductor product built in Suzhou. The five-year contract was awarded in June, and will have an annual run rate of £1 million per annum from 2022.

- Aerospace & Defence – North America defence order intake continued to grow compared to a year ago, driven by a long term contract agreed with a key defence supplier on missile products. In addition, we have started receiving new orders for a large defence company in June on a three-year agreement, worth c. £5 million per annum.

Overall, the GMS division is in excellent shape, the order pipeline is stronger than ever and our self-help and cross selling initiatives are delivering material growth. We now see scope to drive GMS operating margins higher.

SENSORS AND SPECIALIST COMPONENTS

The Sensors and Specialist Components division works with customers to develop high specification, 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.

	H1 2021	H1 2020	Change	Change constant fx
Revenue	£57.8m	£54.5m	6%	13%
Adjusted operating profit[1]	£7.4m	£3.8m	95%	100%
Adjusted operating margin[1]	12.8%	7.0%	580 bps	560 bps

[1] See note 1c on page 27 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 5 on page 32 of this document.

Revenue increased by £3.3 million to £57.8 million (H1 2020: £54.5 million). Organic revenue was 13 per cent higher. Despite usually having short order visibility in this division we are already covered for the balance of this year's revenue and are starting to build the order book for 2022. We are seeing very strong demand from the automation and electrification market. Whilst aerospace has not yet returned to growth, we are encouraged by the new contracts awarded in the period.

Adjusted operating profit increased by £3.6 million to £7.4 million (H1 2020: £3.8 million). The impact of the initiatives put in place as part of the self-help programme have started to benefit the performance of the division and is reflected in a significant step up in adjusted operating profit margin to 12.8 per cent (H1 2020: 7.0 per cent), above the adjusted operating profit margin delivered in 2019.

Under the self-help programme, the Barbados and Carrollton sites were closed in H1 and the transfer of manufacturing from the Corpus Christi site is on track for completion before year end. Our new plant at Plano is due to commence manufacturing before year end which will drive further efficiency throughout the division.

Price increases are being put through to reflect the recent cost inflation and we are already winning material new orders at the higher price points. There have been a number of key developments during the first half of the year including:

- Development of an optical emitter and detector pair to be used in an ocean sensing satellite that will predict weather conditions. The customer needed a supplier who could develop a solution that would pass space level requirements with custom testing levels and specific documentation related to radiation tolerance;

- To improve fuel economy, safety and comfort in modern vehicles, our customer introduced additional functions to the electric vehicle system to ensure a reliable and stable power supply at all times. We provided a tight tolerance current sense resistor to meet these requirements;

- Orders received for a potentiometer made to measure linear travel in the landing gear of second-generation E-Jet commercial jets.

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 pages 38 to 44.

A summary of the Group's adjusted results, and a reconciliation of statutory to adjusted profit numbers are set out below:

£ million	H1 2021	H1 2020 (restated)[1]
Revenue	**235.6**	210.0
Operating profit	**15.9**	13.2
Operating margin	***6.7%***	*6.3%*
Net finance expense	**(1.8)**	(1.9)
Profit before tax	**14.1**	11.3
Tax	**(2.8)**	(2.1)
Tax rate	***19.6%***	*18.6%*
Profit after tax	**11.3**	9.2
Weighted average number of shares	***174.7 million***	*163.5 million*
EPS	**6.5p**	5.6p

[1]*The results for the period ended 30 June 2020 have been restated to reflect prior year adjustments. Further details are set out in note 1f on page 29.*

Reconciliation of Adjusted results

£ million	Note	H1 2021	H1 2020 (restated)[1]
Operating profit / (loss)		**9.3**	(1.1)
Adjusted to exclude:			
Restructuring and other items			
Restructuring	**1**	**(3.3)**	(11.4)
Property disposals	**2**	**1.3**	-
Pension and past service charge	**3**	**(0.6)**	-
		(2.6)	(11.4)
Acquisition related costs			
Amortisation of intangible assets arising on busines combinations	**4**	**(2.5)**	(2.0)
Release of warranty and claims provision relating to Transportation business divestment	**5**	**-**	1.0
Torotel acquisition and integration costs	**6**	**(0.9)**	(0.4)
Covina acquisition and integration costs	**7**	**(0.2)**	(1.1)
Other acquisition related costs	**8**	**(0.4)**	(0.4)
		(4.0)	(2.9)
Total operating reconciling items		**(6.6)**	(14.3)
Adjusted operating profit		**15.9**	13.2
Profit / (loss) before tax		**7.5**	(3.0)
Total operating reconciling items (as above)		**6.6**	14.3
Adjusted profit before tax		**14.1**	11.3
Taxation charge on adjusted profit		**(2.8)**	(2.1)
Adjusted profit after taxation		**11.3**	9.2

[1]*The results for the period ended 30 June 2020 have been restated to reflect prior year adjustments. Further details are set out in note 1f on page 29.*

Restructuring and other costs charged in the period comprise:

Note 1: 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 which was initiated in 2020. Total costs of £3.3 million comprise £2.0 million relating to the restructure of the North America Resistors business; £0.8 million relating to closure of our site in Lutterworth, UK and £0.5 million relating to the closure of our site in Tunis, Tunisia. Prior period's restructuring costs of £11.4 million related to the initiation of the Group's restructuring programme, primarily relating to severance costs, asset write downs, inventory write downs and other restructuring costs.

Note 2: Gain on disposal of the Covina property

Note 3: Other pension costs relating primarily to the equalisation of male and female members' benefits in respect of guaranteed minimum pensions.

Acquisition and disposal related costs charged in the period comprise:

Note 4: Amortisation of acquired intangible assets;

Note 5: Release of the warranty and claims provision relating to the Transportation business divestment and other acquisition and integration related costs

Note 6 & 7: Integration costs of Torotel and the aerospace and defence power supply business of Excelitas Technologies Corp based in Covina, California

Note 8: Costs of unannounced and terminated acquisitions

Cash flow, net debt and leverage

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

£ million	**H1 2021**	H1 2020 Restated[1]
Adjusted operating profit	**15.9**	13.2
Depreciation and amortisation	**8.0**	8.7
Working capital movement	**(18.9)**	(11.2)
Net capital expenditure[2]	**(6.2)**	(3.0)
Capitalised development expenditure	**(1.0)**	(1.5)
Other	**1.1**	0.8
Adjusted Operating Cash Flow post capex and excluding property disposals[2]	**(1.1)**	7.0
Restructuring and acquisition costs[2]	**(0.6)**	(4.7)
Net interest and tax	**(4.0)**	(3.0)
Lease payments	**(1.9)**	(1.8)
Retirement benefit schemes	**(2.7)**	(2.7)
Free Cash Flow	**(10.3)**	(5.2)
Dividends	**(8.2)**	-
Lease payments	**1.9**	1.8
Equity issued	**0.3**	0.1
Acquisitions & disposals	**(0.5)**	(14.6)
Other	**(0.1)**	(1.8)
Increase in net debt	**(16.9)**	(19.7)
Opening net debt	**(83.9)**	(69.1)
Other non-cash (new leases and lease reassessments)	**(7.1)**	0.9
FX	**0.6**	(1.1)
Closing net debt	**(107.3)**	(89.0)

[1]*The results for the period ended 30 June 2020 have been restated to reflect prior year adjustments. Further details are set out in note1fx on page 29.*
[2]*Restructuring, acquisition and disposal related costs' includes the net proceeds of the Covina property sale (£5.8 million).*

At 30 June 2021 the Group's net debt was £107.3 million (31 December 2020: £83.9 million). Included within net debt was £20.9 million of lease liabilities (31 December 2020: £15.9 million).

Consistent with the Group's borrowing agreements, which exclude the impact of IFRS 16, *Leases*, leverage ratio was 2.0 times at 30 June 2021 (31 December 2020: 1.6 times). Net interest cover was 12.4 times (H1 2020: 13.1 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.

Principal risks and uncertainties

The Group has an established, structured approach to identifying and assessing the impact of financial and operational risks on its business, which is reviewed and updated quarterly. The principal risks and uncertainties for the remainder of the financial year are not expected to change materially from those included on pages 52 and 53 of the Annual Report and Accounts 2020. The risks identified relate to the following areas: general revenue reduction due to Brexit and COVID-19, contractual risks; research and development; people and capability; supplier resilience due to Brexit and COVID-19; IT systems and information; M&A and integration, sustainability, climate change and the environment, health and safety, legal and regulatory compliance. Further information in relation to the Group's financial position and going concern is included on page 19.

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.

Going Concern

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

The Group's financial position remains strong, at 30 June 2021 it had:

- £244.3 million of total borrowing facilities available (comprising committed facilities of £205.2 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 30 June 2021 £152.2 million of this facility had been drawn down. The Group's RCF will mature in November 2023. In August 2021, TT agreed a debut issue of £75 million of private placement fixed rate loan notes with three institutional investors. The funds will be received in December 2021 and the issue is evenly split between 7 and 10 year maturities with an average interest rate of 2.9% and covenants in line with our bank facility. The private placement complements, at an attractive rate, the Group's existing bank revolving credit facility, diversifying our sources of debt funding and providing us with a stable, long-term financing structure.
- A leverage ratio of 2.0 times at 30 June 2021 compared to an RCF covenant maximum of 3.0 times. Interest cover (pre-IFRS 16 and excluding pension interest) of 12.4 times compared to an RCF covenant minimum of 4.0 times. The private placement does not impact these covenants.

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 interim results, 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 outperforming 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 30 June 2021.

The Group's downside stress test scenario has been sensitised for supply chain challenges which shows a reduction in revenue and operating profit compared to the latest forecast. Despite this further reduction these projections show that the Group should remain well within its facilities headroom and within bank covenants for 2021 and 2022. A "reverse" stress-test was also modelled to understand the conditions which could jeopardise the ability of the Group to continue as a going concern including assessing against covenant testing and facility headroom. The stress testing also considered mitigating actions which could be put in place. Mitigating actions included limiting capital expenditure and reducing controllable costs including items such as discretionary bonuses and pay rises. The reverse stress test is deemed to have a remote likelihood and help inform the Directors' assessment that there are no material uncertainties in relation to going concern.

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

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

Responsibility statement of the Directors

We confirm that to the best of our knowledge:

- The 2021 annual financial statements of TT Electronics plc will be prepared in accordance with United Kingdom adopted International Financial Reporting Standards. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34 'Interim Financial Reporting';
- the interim management report includes a fair review of the information required by DTR 4.2.7R:
  - (i) an indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of financial statements; and
  - (ii) a description of the principal risks and uncertainties for the remaining six months of the year
- the interim management report includes a fair review of the information required by DTR 4.2.8R:
  - (i) related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group in that period; and
  - (ii) any changes in the related parties transactions described in the 2020 Annual Report that could have a material effect on the financial position or performance of the Group in the current period.

By order of the Board

Richard Tyson	**Mark Hoad**
Chief Executive Officer	Chief Financial Officer
4 August 2021	4 August 2021

Cautionary statement

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

Independent review report to TT Electronics plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the Condensed consolidated income statement, the Condensed consolidated statement of comprehensive income, the Condensed consolidated statement of financial position, the Condensed consolidated statement of changes in equity, and the Condensed consolidated cash flow statement and related notes 1 to 14. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group will be prepared in accordance with United Kingdom adopted International Financial Reporting Standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP

Statutory Auditor

London, United Kingdom

4 August 2021

Condensed consolidated income statement (unaudited)

for the six months ended 30 June 2021

£million (unless otherwise stated)	Note	**Six months ended 30 June 2021**	Six months ended 30 June 2020 [1]	Year ended 31 December 2020 (audited)
Revenue	3	**235.6**	210.0	431.8
Cost of sales		**(178.8)**	(162.0)	(332.7)
Gross profit		**56.8**	48.0	99.1
Distribution costs		**(12.9)**	(13.0)	(24.6)
Administrative expenses		**(34.6)**	(36.1)	(67.9)
Operating profit/(loss)		**9.3**	(1.1)	6.6
Analysed as:				
Adjusted operating profit	3	**15.9**	13.2	27.5
Restructuring and other	5	**(2.6)**	(11.4)	(14.5)
Acquisition and disposal related costs	5	**(4.0)**	(2.9)	(6.4)
Finance income		**0.4**	0.3	0.6
Finance costs		**(2.2)**	(2.2)	(4.3)
Profit/(loss) before taxation		**7.5**	(3.0)	2.9
Taxation	6	**(1.7)**	-	(1.6)
Profit/(loss) for the period attributable to the owners of the Company		**5.8**	(3.0)	1.3
EPS attributable to owners of the Company (pence)				
Basic	7	**3.3**	(1.8)	0.8
Diluted	7	**3.3**	(1.8)	0.8

1. 'Cost of sales' and 'Taxation' have been restated in the comparative period as described in note 2f.

Condensed consolidated statement of comprehensive income (unaudited)

for the six months ended 30 June 2021

£million	Six months ended 30 June 2021	Six months ended 30 June 2020 [1]	Year ended 31 December 2020 (audited)
Profit/(loss) for the period	5.8	(3.0)	1.3
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	(1.8)	13.2	(5.0)
Tax on exchange differences	-	-	0.3
Gain/(loss) on hedge of net investment in foreign operations	0.2	(1.4)	0.7
(Loss)/gain on cash flow hedges taken to equity less amounts recycled to the income statement	(1.4)	(3.2)	7.1
Items that will never be reclassified to the income statement:			
Remeasurement of defined benefit pension schemes	27.6	15.9	8.6
Tax on remeasurement of defined benefit pension schemes	(9.2)	(3.4)	(2.1)
Total comprehensive income for the period attributable to the owners of the Company	21.2	18.1	10.9

1. 'Profit/(loss) for the period' has been restated in the comparative period as described in note 2f.

Condensed consolidated statement of financial position (unaudited)

£million	Note	30 June 2021	30 June 2020 [1]	31 December 2020 (audited) [2]
ASSETS				
Non-current assets				
Right-of-use assets		17.8	11.0	12.4
Property, plant and equipment		48.6	55.3	53.0
Goodwill	4	154.6	143.5	155.5
Other intangible assets		54.3	51.2	57.1
Deferred tax assets		8.1	8.6	9.1
Derivative financial instruments		5.8	0.8	1.8
Pensions	10	65.4	41.1	35.4
Total non-current assets		354.6	311.5	324.3
Current assets				
Inventories		106.8	106.7	98.2
Trade and other receivables		86.3	73.9	71.3
Income taxes receivable		2.7	3.6	3.0
Derivative financial instruments		0.8	0.8	5.8
Cash and cash equivalents	11	100.6	69.7	70.2
Total current assets		297.2	254.7	248.5
Total assets		651.8	566.2	572.8
LIABILITIES				
Current liabilities				
Borrowings		35.8	15.5	2.3
Lease liabilities		3.4	3.9	3.6
Derivative financial instruments		1.9	5.8	1.1
Trade and other payables		95.2	86.0	90.2
Income taxes payable		7.3	7.5	7.5
Provisions		4.4	9.2	6.6
Total current liabilities		148.0	127.9	111.3
Non-current liabilities				
Borrowings		151.2	127.5	135.9
Lease liabilities		17.5	11.8	12.3
Derivative financial instruments		0.4	1.1	0.8
Deferred tax liability		16.2	7.1	8.6
Pensions	10	4.2	5.9	4.9
Provisions and other non-current liabilities		0.9	0.9	1.0
Total non-current liabilities		190.4	154.3	163.5
Total liabilities		338.4	282.2	274.8
Net assets		313.4	284.0	298.0
EQUITY				
Share capital	12	43.7	41.0	43.6
Share premium	12	21.9	4.2	21.7
Translation reserve		28.4	45.8	30.0
Other reserves		6.2	(5.9)	5.5
Retained earnings		211.2	196.9	195.2
Equity attributable to owners of the Company		311.4	282.0	296.0
Non-controlling interests		2.0	2.0	2.0
Total equity		313.4	284.0	298.0

1. 'Inventories', 'Deferred tax assets', 'Trade and other payables', 'Provisions', 'Provisions and other non-current liabilities' and 'Retained earnings' have been restated in the comparative period as described in note 2f.
2. 'Goodwill' and 'Trade and other receivables; have been restated in the comparative period as described in note 2f.

Approved by the Board of Directors on 4 August 2021 and signed on their behalf by:

Richard Tyson
Director

Mark Hoad
Director

Condensed consolidated statement of changes in equity (unaudited)

for the six months ended 30 June 2021

£million	Share capital	Share premium	Translation Reserve	Other reserves	Retained earnings [1]	Sub-total	Non-controlling interest	Total
At 31 December 2019 (audited)	41.0	4.1	34.0	(0.5)	187.4	266.0	2.0	268.0
Loss for the period [1]	-	-	-	-	(3.0)	(3.0)	-	(3.0)
Other comprehensive income			-	-	-	-	-	-
Exchange differences on translation of foreign operations	-	-	13.2	-	-	13.2	-	13.2
Loss on hedge of net investment in foreign operations	-	-	(1.4)	-	-	(1.4)	-	(1.4)
Loss on cash flow hedges taken to equity less amounts recycled to the income statement	-	-	-	(3.2)	-	(3.2)	-	(3.2)
Remeasurement of defined benefit pension schemes	-	-	-	-	15.9	15.9	-	15.9
Tax on remeasurement of defined benefit pension schemes	-	-	-	-	(3.4)	(3.4)	-	(3.4)
Total comprehensive income	-	-	11.8	(3.2)	9.5	18.1	-	18.1
Transactions with owners recorded directly in equity								
Share-based payments	-	-	-	(1.9)	-	(1.9)	-	(1.9)
Deferred tax on share-based payments	-	-	-	(0.3)	-	(0.3)	-	(0.3)
New shares issued	-	0.1	-	-	-	0.1	-	0.1
At 30 June 2020	41.0	4.2	45.8	(5.9)	196.9	282.0	2.0	284.0
At 31 December 2020 (audited)	43.6	21.7	30.0	5.5	195.2	296.0	2.0	298.0
Profit for the period					5.8	5.8	-	5.8
Other comprehensive income						-	-	-
Exchange differences on translation of foreign operations	-	-	(1.8)	-	-	(1.8)	-	(1.8)
Gain on hedge of net investment in foreign operations	-	-	0.2	-	-	0.2	-	0.2
Loss on cash flow hedges taken to equity less amounts recycled to income statement	-	-	-	(1.4)	-	(1.4)	-	(1.4)
Remeasurement of defined benefit pension schemes	-	-	-	-	27.6	27.6	-	27.6
Tax on remeasurement of defined benefit pension schemes	-	-	-	-	(9.2)	(9.2)	-	(9.2)
Total comprehensive income	-	-	(1.6)	(1.4)	24.2	21.2	-	21.2
Transactions with owners recorded directly in equity						-	-	-
Equity dividends paid by the Company	-	-	-	-	(8.2)	(8.2)	-	(8.2)
Share-based payments	-	-	-	1.8	-	1.8	-	1.8
Deferred tax on share-based payments	-	-	-	0.3	-	0.3	-	0.3
New shares issued	0.1	0.2	-	-	-	0.3	-	0.3
At 30 June 2021	43.7	21.9	28.4	6.2	211.2	311.4	2.0	313.4

1. 'Loss for the period' has been restated in the comparative period as described in note 2f.

Condensed consolidated cash flow statement (unaudited)

for the six months ended 30 June 2021

£million	Note	Six months ended 30 June 2021	Six months ending 30 June 2020 [1]	Year ended 31 December 2020 (audited)
Cash flows from operating activities				
Profit/(loss) for the year		5.8	(3.0)	1.3
Taxation		1.7	-	1.6
Net finance costs		1.8	1.9	3.7
Restructuring and other		2.6	11.4	14.5
Acquisition related costs		4.0	2.9	6.4
Adjusted operating profit		15.9	13.2	27.5
Adjustments for:				
Depreciation		6.7	7.0	14.0
Amortisation of intangible assets		1.3	1.7	3.0
Impairment of property, plant and equipment and intangible assets		-	-	0.2
Other items		2.7	0.8	0.7
(Increase)/decrease in inventories		(9.6)	(2.0)	4.2
(Increase)/decrease in receivables		(17.5)	9.0	11.2
Increase/(decrease) in payables and provisions		6.6	(18.2)	(11.8)
Adjusted operating cash flow		6.1	11.5	49.0
Special payments to pension funds		(2.7)	(2.7)	(5.4)
Restructuring and acquisition related costs		(6.4)	(4.7)	(15.1)
Net cash generated from operations		(3.0)	4.1	28.5
Net income taxes paid		(2.0)	(1.3)	(0.3)
Net cash flow from operating activities		(5.0)	2.8	28.2
Cash flows from investing activities				
Purchase of property, plant and equipment		(6.0)	(2.5)	(9.3)
Proceeds from sale of property, plant and equipment and government grants received		5.8	-	3.4
Capitalised development expenditure		(1.0)	(1.5)	(3.3)
Purchase of other intangibles		(0.2)	(0.5)	(0.8)
Acquisitions of businesses		(0.5)	(14.6)	(43.3)
Cash with acquired businesses		-	-	1.4
Net cash flow used in investing activities		(1.9)	(19.1)	(51.9)
Cash flows from financing activities				
Issue of share capital		0.3	0.1	20.2
Interest paid		(2.0)	(1.7)	(3.5)
Repayment of borrowings		(4.6)	(5.3)	(27.2)
Proceeds from borrowings		18.8	19.5	49.8
Payment of lease liabilities		(1.9)	(1.8)	(4.1)
Other items		(0.1)	(1.8)	(1.8)
Dividends paid by the Company		(8.2)	-	-
Net cash flow from financing activities		2.3	9.0	33.4
Net (decrease)/increase in cash and cash equivalents		(4.6)	(7.3)	9.7
Cash and cash equivalents at beginning of year	11	69.0	60.2	60.2
Exchange differences	11	0.5	1.3	(0.9)
Cash and cash equivalents at end of year	11	64.9	54.2	69.0
Cash and cash equivalents comprise:				
Cash at bank and in hand		100.6	69.7	70.2
Bank overdrafts		(35.7)	(15.5)	(1.2)
		64.9	54.2	69.0

1. 'Profit/(loss) for the period', 'Taxation' and '(Increase)/decrease in inventories' have been restated in the comparative period as described in note 2f.

Notes to the condensed consolidated financial statements (unaudited)

1. General information

The condensed consolidated financial statements for the six months ended 30 June 2021 are unaudited and were authorised for issue in accordance with a resolution of the Board of Directors. The information for the six months ended 30 June 2021 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. Comparative information for the year ended 31 December 2020 has been taken from the published statutory accounts, a copy of which has been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

2. Basis of preparation

a) Condensed consolidated half-year financial statements

The 2021 annual financial statements of TT Electronics plc will be prepared in accordance with United Kingdom adopted International Financial Reporting Standards. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34 'Interim Financial Reporting'. These condensed consolidated half-year financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the 2020 Annual Report.

b) Basis of accounting

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

Interest rate benchmark reform

The Group is exposed to the following interest rate benchmarks within its hedge accounting relationships, which are subject to interest rate benchmark reform: GBP LIBOR and USD LIBOR ("IBORs"). The hedged items are Sterling and US Dollar floating rate debt. The Group has closely monitored the market and the output from various industry working groups managing the transition to new benchmark interest rates. The FCA has made it clear that, at the end of 2021, it will no longer seek to persuade, or compel banks to submit to LIBOR.

In response to the announcements, the Group has begun dialogue with its banking group in respect of IBOR reform, with the expectation that the banking facility will transition to updated referenced benchmarked rates towards the end of 2021. The Group will adopt the Phase 2 amendments of 'Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16' which were issued by the IASB in August 2020 at the end of 2021and the impact is expected to be minimal.

c) Alternative performance measures

The Group presents Alternative Performance Measures ("APMs") in addition to the statutory results of the Group.

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, certain one off pension costs, 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 interim results 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.

These alternative performance measures exclude certain significant non-recurring, infrequent or non-cash items that the Directors do not believe are indicative of the underlying operating performance of the Group (that are otherwise included when preparing financial measures under IFRS).

Adjusted profit is not a defined term under IFRS and may not be comparable with similarly titled profit measures reported by other companies. It is not intended to be a substitute for, or superior to, GAAP measures. All APMs relate to the current year results and comparable periods where provided.

The Directors consider there to be four main alternative performance measures: adjusted operating profit, free cash flow, adjusted EPS and adjusted effective tax rate.

All alternative performance measures are presented within the section titled 'Reconciliation of KPIs and non IFRS Measures' and are reconciled to their equivalent statutory measures where this is appropriate.

d) Estimates and judgements

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

In preparing the condensed consolidated financial statements, the significant judgements and estimates made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those applied to the consolidated financial statements as at and for the year ended 31 December 2020. Significant judgements relate to the determination of items of income and expense excluded from operating profit to arrive at adjusted operating profit. Significant estimates relate to taxation, impairment of goodwill, acquisitions and defined benefit pension obligations. The Group is, from time to time, party to various legal proceedings and claims and management do not anticipate that the outcome of these, either individually or in aggregate, will have a material adverse effect upon the Group's financial position.

The Group tests whether goodwill has suffered any impairment on an annual basis or when there are triggers based on the value of the discounted future cash flows allocated to the group of CGUs to which it is allocated. The methodology and key assumptions used in assessing the carrying value of goodwill are set out in note 15 of the 2020 Annual Report. The key assumptions made for long term projections, sales and costs growth rates and discount rate all include an element of estimation that may give rise to a difference between the value ascribed and the actual outcomes. It is reasonably possible that a change in these assumptions could lead to a material change in the carrying value of goodwill specifically within the IoT Solutions CGU, where £27.6 million of goodwill is allocated, within the next financial year. At 31 December 2020 and 30 June 2021, the Group recognised no impairment loss in respect of these assets.

Further details of the key assumptions used and the sensitivity analysis in respect of the recoverable amount of goodwill is disclosed in note 4.

e) Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate resources and financial headroom to continue in operational existence for at least twelve months from the date of signing these interim results. Therefore, they continue to adopt the going concern basis of accounting in preparing the condensed consolidated half-year financial statements. Page 19 outlines the going concern assessment.

Given the financial resources available, together with long term partnerships with multiple key customers and suppliers across different geographic areas and industries, the Directors believe that the Group is well placed to manage its business risks successfully.

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

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

Pages 52 to 53 of the 2020 Annual Report provide details of the Group's policy on managing its operational and financial risks.

f) Restatements, representations and acquisition accounting

In June 2021 the Group received new information about conditions which were present at the time of the acquisition of Torotel, Inc, namely that the PPP loan from the US government Covid-19 support scheme, was waived. As prescribed in the Group's accounts for the year ended 31 December 2020 the Group has updated the acquisition balance sheet to reflect this new information. The effect on the acquired balance sheet and the Group's consolidated statement of financial position as at 31 December 2020 was to decrease Goodwill by £1.4m and recognise a receivable of £1.4m.

Within the comparative period of the six months to 30 June 2020, 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. For the period ending 30 June 2020 the cumulative effect was to decrease 'Inventories' by £0.9 million, increase 'Deferred tax assets' by £0.2 million, increase 'Operating profit' by £1.8 million and increase 'Taxation' by £0.4 million.

Within the comparative period of the six months to 30 June 2020 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 30 June 2020 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.

The reconciliations below describe the impact of the restatements and representations on the consolidated income statement for the period ending 30 June 2020 and the consolidated statement of financial position as at 30 June 2020 and 31 December 2020.

30 June 2020 £million	As published	Restatement of accruals and provisions	Restatement of inventory	As Restated
Consolidated statement of financial position				
Cash and cash equivalents	69.7	-	-	**69.7**
Inventories	107.6	-	(0.9)	**106.7**
Borrowing (current)	15.5	-	-	**15.5**
Trade and other payables	88.0	(2.0)	-	**86.0**
Provisions - current	8.0	1.2	-	**9.2**
Deferred tax asset	8.4	-	0.2	**8.6**
Provisions and other non-current liabilities	0.1	0.8	-	**0.9**
Retained earnings	197.6		(0.7)	**196.9**
Total equity	284.7		(0.7)	**284.0**

30 June 2020 £million	As published	Restatement of inventory	As Restated
Consolidated income statement			
Cost of sales	(163.8)	1.8	**(162.0)**
Operating loss	(2.9)	1.8	**(1.1)**
Adjusted operating profit	11.4	1.8	**13.2**
Loss before taxation	(4.8)	1.8	**(3.0)**
Taxation	0.4	(0.4)	**-**
Loss for the period	(4.4)	1.4	**(3.0)**

30 June 2020 £million	As published	Restatement of inventory	As Restated
Loss per share (p)			
Basic	(2.7)	0.9	**(1.8)**
Diluted	(2.7)	0.9	**(1.8)**

31 December 2020 £million	As published	Adjustment to assets acquired through acquisitions	As Restated
Consolidated statement of financial position			
Goodwill	156.9	(1.4)	**155.5**
Trade and other receivables	69.9	1.4	**71.3**

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 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;
- Global Manufacturing Solutions – The Global Manufacturing Solutions division provides manufacturing services and engineering solutions for our product divisions and to customers that often require a lower volume and higher mix of different products. We manufacture complex integrated product assemblies for our customers and provide engineering services including designing testing solutions and value-engineering; and
- Sensors and Specialist Components – The Sensors and Specialist Components division works with customers to develop standard and customised solutions, including sensors and power management devices. Our solutions improve the precision, speed and reliability of critical aspects of our customers' applications.

The key performance measure of the operating segments is adjusted operating profit. Refer to the section titled 'Reconciliation of KPIs and non IFRS Measures' for a definition of adjusted operating 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 adjusted 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. Adjusting items are not allocated to divisions for reporting purposes. For further discussion of these items see note 5.

The accounting policies of the reportable segments are the same as the Group's accounting policies.

Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments. Goodwill is allocated to the individual cash generating units within the segment of which it is a part.

						Six months ended 30 June 2021
£million	Power and Connectivity	Global Manufacturing Solutions	Sensors and Specialist Components	Total Operating Segments	Corporate	Total
Sales to external customers	68.2	109.6	57.8	235.6	-	235.6
Adjusted operating profit	3.6	8.5	7.4	19.5	(3.6)	15.9
Add back: adjustments made to operating profit (note 5)						(6.6)
Operating profit						9.3
Net finance costs						(1.8)
Profit before taxation						7.5

						Six months ended 30 June 2020
£million	Power and Connectivity	Global Manufacturing Solutions	Sensors and Specialist Components	Total Operating Segments	Corporate	Total
Sales to external customers	60.0	95.5	54.5	210.0		210.0
Adjusted operating profit [1]	4.4	8.3	3.8	16.5	(3.3)	13.2
Add back: adjustments made to operating profit (note 5)						(14.3)
Operating loss						(1.1)
Net finance costs						(1.9)
Loss before taxation						(3.0)

1. 'Adjusted operating profit' has been restated for the period ended 30 June 2020 as described in note 2e.

£million	Power and Connectivity	Global Manufacturing Solutions	Sensors and Specialist Components	Total Operating Segments	Corporate	Total
						Year ended 31 December 2020
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 5)						(20.9)
Operating profit						6.6
Net finance costs						(3.7)
Profit before taxation						2.9

There is no significant intergroup trading between segments.
The tables below show the geographies and markets in which the Group's revenues arose during the period.

£million	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
United Kingdom	48.0	50.1	100.2
Rest of Europe	40.3	37.2	74.8
North America	90.2	76.1	164.2
Central and South America	0.6	0.3	0.7
Asia	55.6	44.6	88.8
Rest of the World	0.9	1.7	3.1
	235.6	210.0	431.8

£million	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
Healthcare	62.2	48.8	106.1
Aerospace and defence	43.4	41.4	93.4
Automation and electrification	89.1	75.8	163.6
Distribution	40.9	44.0	68.7
	235.6	210.0	431.8

4. Goodwill

At 30 June 2021, due to lower than budgeted performance at the half year resulting from the effects of the ongoing Covid-19 pandemic, an indicator of impairment was identified in respect of goodwill allocated to IoT Solutions CGU. As a result, a review for impairment was performed using cash flow forecasts derived from the 5-year strategic growth plan forecasts which are then projected into perpetuity using a long term growth rate applicable to the market in which the CGU operates. No impairment losses have been recognised in the current or prior year as recoverable amounts exceed the total carrying value of assets for the IoT Solutions CGU.

Key assumptions used in the value in use test is the projected performance of the IoT Solutions CGU based on sales growth rates, operating margins likely to be achieved, expected cash conversion and long-term growth rates used. Forecast sales growth rates are based on past experience adjusted for the strategic direction and near-term investment priorities. Cash flow forecasts are determined based on historic experience of operating margins, adjusted for the impact of changes in product mix and cost-saving initiatives, including the impact of our committed restructuring projects and cash conversion based on historical experience.

IoT Solutions CGU operates in markets with strong growth fundamentals and the short-term forecasts for the IoT Solutions CGU include revenue and margin growth from successful product launches 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 £8.2 million above the £58.4 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. In accordance with IAS 36 'Impairment of Assets' the Group performed sensitivity analysis on the estimates of recoverable amounts and found that the excess of recoverable amount over the carrying amount of the IoT Solutions CGU would be reduced to £nil as a result of a reasonably possible change in assumptions. Sensitivity analysis has been carried out and a reasonably possible change in the discount rate and long-term growth rate from 12.2% to 13.5% or from 1.5% to -0.5% respectively would reduce headroom to £nil.

A reduction in operating cash flow of 12.0% in all forecast periods would also reduce headroom to £nil. Management does not consider that the relevant change in these assumptions would have a consequential effect on other key assumptions.

During the year new information was received which meant that an adjustment to the value of Goodwill recognised upon the acquisitions of Torotel, Inc. was required. See note 1f for more information. The table below show the impact of this adjustment.

£million	2021
Cost	
As at 31 December 2020	156.9
Remeasurement of acquired fair values	(1.4)
Adjusted balance as at 31 December 2020	**155.5**
Net exchange adjustment	(0.9)
At 30 June 2021	**154.6**

5. Adjusting items

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 which was initiated in 2020. Total costs of £3.3 million comprise £2.0 million relating to the restructure of the North America Resistors business; £0.8 million relating to closure of our site in Lutterworth, UK and £0.5 million relating to the closure of our site in Tunis, Tunisia. Prior period restructuring costs of £11.4 million related to the initiation of the Group's restructuring programme, primarily relating to severance costs, asset write downs, inventory write downs and other project team costs. Property disposal income of £1.3 million relates to the gain on the sale of property which was acquired through the acquisition of the aerospace and defence power supply business of Excelitas Technologies Corp based in Covina, California. Pension costs of £0.6 million as a result of UK pensions schemes having to equalise male and female members' benefits in respect of guaranteed minimum pensions.

Acquisition and disposal related costs charged in the period comprise £2.5 million (2020: £2.0 million) of amortisation of acquired intangible assets; £0.9 million of integration costs of Torotel (2020: £0.4 million of acquisition costs); £0.2 million of integration costs of the aerospace and defence power supply business of Excelitas Technologies Corp based in Covina, California (2020: £1.1 million of acquisition costs) and £0.4 million of costs of unannounced and terminated acquisitions (2020: £0.4 million).

£million	Period ended 30 June 2021 Operating profit	Tax	Period ended 30 June 2020 Operating profit [1]	Tax [1]	Year ended 31 December 2020 Operating profit	Tax
As reported	9.3	(1.7)	(1.1)	-	6.6	(1.6)
Restructuring and other						
Restructuring	(3.3)	0.7	(11.4)	1.5	(14.8)	1.8
Property disposals	1.3	(0.3)	-	-	1.2	-
Pension Costs	(0.6)	0.1	-	-	(0.9)	0.1
	(2.6)	0.5	(11.4)	1.5	(14.5)	1.9
Acquisition and disposal related costs						
Amortisation of intangible assets arising on business combinations	(2.5)	0.4	(2.0)	0.4	(4.2)	0.4
Release of warranty and claims provision	-	-	1.0	-	1.0	(0.1)
Torotel integration and acquisition costs	(0.9)	0.1	(0.4)	0.1	(1.3)	0.2
Covina integration and acquisition costs	(0.2)	0.0	(1.1)	0.1	(1.3)	0.2
Other acquisition related costs	(0.4)	0.1	(0.4)	-	(0.6)	0.1
	(4.0)	0.6	(2.9)	0.6	(6.4)	0.8
Total items excluded from adjusted measure	(6.6)	1.1	(14.3)	2.1	(20.9)	2.7
Adjusted measure	15.9	(2.8)	13.2	(2.1)	27.5	(4.3)

1. 'Operating profit' and 'Tax' have been restated in the comparative period as described in note 2f.

6. Taxation

The half-year tax charge of £1.7 million is based on a forecast effective tax rate of 19.6% on adjusted profit and a £1.1 million credit on restructuring, asset impairments and acquisition and disposal related costs. The tax charge arising on the profit in the period is offset by tax credits arising on prior periods.

The enacted UK tax rate applicable from 1 April 2017 is 19% and due to changes in legislation enacted in the period this remains the UK rate as the 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% (2020: 19%).

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 has resulted in a change to the level of deferred tax held within the Consolidated Statement of Financial Position in respect of the Group's UK operations.

7. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of shares in issue during the period. The weighted average number of shares in issue is 174.7 million (30 June 2020: 163.5 million, 31 December 2020: 166.5 million). The calculation of the diluted earnings per share excludes 4,516,660 (2020: 2,801,278) share options whose effect would have been anti-dilutive. Underlying earnings per share is based on the adjusted profit or loss after interest and tax.

Pence	Six months ended 30 June 2021	Six months ended 30 June 2020 [1]	Year ended 31 December 2020
Earnings per share			
Basic	3.3	(1.8)	0.8
Diluted	3.3	(1.8)	0.8

1. 'Earnings per share' has been restated in the comparative period as described in note 2f.

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

£million	Six months ended 30 June 2021	Six months ended 30 June 2020 [1]	Year ended 31 December 2020
Group			
Profit/(loss) for the year attributable to owners of the Company	5.8	(3.0)	1.3
Restructuring and other	2.6	11.4	14.5
Acquisition and disposal related costs	4.0	2.9	6.4
Tax effect of above items (see note 5)	(1.1)	(2.1)	(2.7)
Adjusted earnings	11.3	9.2	19.5
Adjusted earnings per share (pence)	6.5	5.6	11.7
Adjusted diluted earnings per share (pence)	6.4	5.6	11.6

1. 'Profit/loss for the year' and 'adjusted earnings per share' has been restated in the comparative period as described in note 2f.

8. Dividends

	2021 pence per share	2021 £million	2020 pence per share	2020 £million
Final dividend paid for prior year	4.70	8.2	-	-
Interim dividend declared for current year	1.80	3.1	-	-

The Directors have declared an interim dividend of 1.8 pence per share which will be paid on 14 October 2021 to shareholders on the register on 24 September 2021. Shares will become ex-dividend on 23 September 2021.

9. Fair value of financial instruments

IFRS 13 "Fair Value Measurement" requires an analysis of those financial instruments that are measured at fair value at the end of the period in a fair value hierarchy. In addition, IFRS 13 requires financial instruments not measured at fair value but for which fair value is disclosed to be analysed in the same fair value hierarchy:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

		30 June 2021		30 June 2020		31 December 2020	
£million	Fair value hierarchy	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Held at amortised cost							
Cash and cash equivalents	n/a	100.6	100.6	69.7	69.7	70.2	70.2
Trade and other receivables	n/a	74.3	74.3	62.0	62.0	60.2	60.2
Trade and other payables	n/a	(88.8)	(88.8)	(67.7)	(67.7)	(77.1)	(77.1)
Borrowings	2	(187.0)	(187.0)	(143.0)	(143.0)	(138.2)	(138.2)
Lease liabilities	n/a	(20.9)	(20.9)	(15.7)	(15.7)	(15.9)	(15.9)
Held at fair value							-
Derivative financial instruments (assets)	2	6.6	6.6	1.6	1.6	7.6	7.6
Derivative financial instruments (liabilities)	2	(2.3)	(2.3)	(6.9)	(6.9)	(1.9)	(1.9)
Deferred consideration for acquisition of Power Partners Inc.	3	-	-	(0.5)	(0.5)	(0.4)	(0.4)
Held at depreciated cost							-
Investment properties	3	1.1	1.8	-	0.7	1.1	1.8

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- cash and cash equivalents, trade and other receivables and trade and other payables approximate to their carrying amounts largely due to the short-term maturities of these instruments;
- during the year an impairment charge against trade and other receivables of £2.0 million (2020: £0.2 million) was recognised;
- the fair value of borrowings is estimated by discounting future cash flows using rates currently available for debt and remaining maturities.
- the fair value of derivative financial instrument assets (£6.6 million) and liabilities (£2.3 million) are estimated by discounting expected future cash flows using current market indices such as yield curves and forward exchange rates over the remaining term of the instrument (level 2); and
- the fair value of investment properties are based on market valuations obtained through third party valuations (level 3).
- The fair value of deferred consideration for the acquisition of Power Partners Inc is based upon the estimated amount payable to the seller as a result of the expected performance of Power Partners Inc as forecast by the Group. Due to materiality, the disclosures required by IFRS 13 for the level 3 items were not provided.

10. Retirement benefit schemes

At 30 June 2021 the Group operated two defined benefit schemes in the UK (the TT Group (1993) scheme and Southern & Redfern Ltd Retirement Benefits Scheme) and overseas defined benefit schemes in the USA. These schemes are closed to new members and the UK scheme is closed to future accrual.

Given the nature of the Company's control of the plan under the Scheme's rules, a pension surplus has been recognised under IFRIC 14.

The amounts recognised in the condensed consolidated statement of financial position are:

£million	**30 June 2021**	30 June 2020	31 December 2020
TT Group (1993)	**65.4**	41.1	35.4
Southern & Redfern	**-**	-	-
USA schemes	**(4.2)**	(5.9)	(4.9)
Net surplus	**61.2**	35.2	30.5

£million	**30 June 2021**	30 June 2020	31 December 2020
Fair value of assets	**630.8**	628.2	648.7
Defined benefit obligation	**(569.6)**	(593.0)	(618.2)
Net surplus recognised in the statement of financial position	**61.2**	35.2	30.5
Represented by			
Schemes in net surplus	**65.4**	41.1	35.4
Schemes in net deficit	**(4.2)**	(5.9)	(4.9)
	61.2	35.2	30.5

The costs recognised in the condensed consolidated income statement are:

£million	**Six months ended 30 June 2021**	Six months ended 30 June 2020	Year ended 31 December 2020
Scheme administration costs	0.8	0.6	1.7
Past service cost, settlements and other restructuring (excluded from adjusted operating profit)	0.6	-	0.8
Net interest credit	0.2	0.2	0.4

Amounts recognised in the consolidated statement of comprehensive income are a gain of £27.9 million (2020: gain of £15.9 million) which comprises of; the actual return on schemes' assets, a loss of £14.7 million (2020: gain of £33.2 million) and the remeasurement of the schemes' obligations, a gain of £42.6 million (2020: loss of £17.3 million).

The fair value of assets within the TT Group scheme decreased during the period despite increases in the value of growth assets, due to a decrease in the value of the liability hedging assets, predominantly due to the increases in gilt yields during the period. The decrease in the funded obligation is due to increases in yields on corporate bonds.

The triennial valuation of the TT Group scheme as at April 2019 showed a net surplus of £0.3 million against the Trustee's funding objective compared with a deficit of £46.0 million at April 2016.

As the scheme was fully funded at the 2019 triennial valuation date, there is no requirement for the Company to pay deficit repair contributions. In addition to the statutory funding objective, the Trustee and Company have agreed to move towards a 'self-sufficiency' funding target with the ultimate goal of moving the scheme to buyout. To support the scheme's long-term goal the Company has agreed to pay additional fixed contributions of £5.5 million, £5.7 million and £4.4 million to be paid in the years 2021 to 2023.

The Group has set aside £1.5 million (31 December 2020: £2.5 million) to be utilised in agreement with the Trustee for reducing the long-term liabilities of the scheme. The total payments made in period ended 30 June 2021 in respect of UK schemes was £2.7 million.

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

£million	Net cash	Lease liabilities	Borrowings	Net debt
As at 1 January 2020	60.2	(17.6)	(111.7)	(69.1)
Cash flow	(7.3)	-	-	(7.3)
Repayment of borrowings	-	-	5.3	5.3
Proceeds from borrowings	-	-	(19.5)	(19.5)
Payment of lease liabilities	-	1.8	-	1.8
Reassessment of lease liabilities		1.4	-	1.4
New leases	-	(0.3)	-	(0.3)
Amortisation of loan arrangement fees	-	-	(0.2)	(0.2)
Exchange differences	1.3	(0.9)	(1.5)	(1.1)
As at 31 June 2020	54.2	(15.6)	(127.6)	(89.0)
Cash flow	17.0	-	-	17.0
Businesses acquired	-	(2.0)	(3.0)	(5.0)
Repayment of borrowings	-	-	21.9	21.9
Proceeds from borrowings	-	-	(30.3)	(30.3)
Payment of lease liabilities	-	2.3	-	2.3
Reassessment of lease liabilities	-	(1.5)	-	(1.5)
New leases	-	(0.2)	-	(0.2)
Amortisation of loan arrangement fees	-	-	(0.2)	(0.2)
Exchange differences	(2.2)	1.1	2.2	1.1
At 1 January 2021	69.0	(15.9)	(137.0)	(83.9)
Cash flow	(4.6)	-	-	(4.6)
Repayment of borrowings	-	-	4.6	4.6
Proceeds from borrowings	-	-	(18.8)	(18.8)
Payment of lease liabilities	-	1.9	-	1.9
New leases and reassessment of lease liabilities	-	(6.9)	-	(6.9)
Amortisation of loan arrangement fees	-	-	(0.2)	(0.2)
Exchange differences	0.5	-	0.1	0.6
At 30 June 2021	64.9	(20.9)	(151.3)	(107.3)

Net cash comprises:				
Cash at bank and in hand	100.6	-	-	100.6
Bank overdrafts	(35.7)	-	-	(35.7)
Net cash at end of period	64.9	-	-	64.9

The Group signed new leases with a corresponding initial lease liability value of £6.9 million during the period, £6.3 million of which was related to a new lease in Plano, Texas.

12. Share capital

The performance conditions of the Long Term Incentive Plan (LTIP) awards issued in 2018 were partially met and 228,605 new issue shares were allocated to award holders. During the period the Company issued 116,080 ordinary shares as a result of share options being exercised under the Sharesave scheme and Share Purchase plans. The aggregate consideration received in respect of all new issues of shares was £0.3 million, which was represented by £0.1 million increase in share capital and a £0.2 million increase in share premium.

During the period grants of awards were made under the LTIP for the issue of shares in 2024. An award is a contingent right to receive shares in the future, subject to continued employment and the achievement of predetermined performance criteria. During the period grants of awards were made under the 2021 LTIP scheme for the issue of up to 2,166,219 shares in 2024.

13. Related party transactions

Transactions between the company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. No related party transactions have taken place during the six months ended 30 June 2021 that have affected the financial position or performance of the Group

14. Subsequent events

In August 2021, TT agreed a debut issue of £75 million of private placement fixed rate loan notes with three institutional investors. The funds will be received in December 2021 and the issue is evenly split between 7 and 10 year maturities with an average interest rate of 2.9% and covenants in line with our bank facility. The private placement complements, at an attractive rate, the Group's existing bank revolving credit facility, diversifying our sources of debt funding and providing us with a stable, long-term financing structure.

Reconciliation of KPIs and non IFRS Measures

Additional information is provided on the alternative performance measures (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 5. 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 5	Operating profit from continuing operations excluding the impacts of significant restructuring programmes; significant one-off items including property disposals, certain one off pension costs, 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 5	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.
Adjusted earnings per share	Earnings per share	See note 7 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.

Income statement measures continued:

Alternative Performance Measure	Closest equivalent statutory measure	Note reference to reconciliation to statutory measure	Definition and purpose
Adjusted diluted earnings per share	Diluted earnings per share	See note 7 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.
Prior year revenue and adjusted operating profit at constant currency	Revenue and operating profit	See note APM 1	Revenue and adjusted operating profit (see note 5) for the prior year retranslated at the current year's foreign exchange rates.
Organic revenue	Revenue	See note APM 2	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 3	Tax charge adjusted to exclude tax on items not included within adjusted operating profit divided by adjusted profit before tax, which is also adjusted to exclude the items not included within adjusted operating profit. To provide a tax rate which excludes the impact of adjusting items such as restructuring or acquisition related activity and other items such as amortisation of intangibles which may not be present in peer companies which have grown organically.
Return on invested capital	None	See note APM 4	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)/ funds (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 5	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 6	Adjusted operating profit, excluding depreciation of property, plant and equipment and amortisation of intangible assets 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 7	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 8	Working capital comprises of three statutory cashflow figures: (increase)/decrease in inventories, increase/(decrease) in payables and provisions, and (increase)/decrease in receivables. This definition includes the movement of any provisions over trade 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 9	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 10	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 11	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.

APM 1 – Prior year revenue and adjusted operating profit at constant currency:

£million	Power and Connectivity	Global Manufacturing Solutions	Sensors and Specialist Components	Total
	Six months ended 30 June 2020			
2020 revenue	60.0	95.5	54.5	**210.0**
Foreign exchange impact	(1.9)	(2.4)	(3.2)	**(7.5)**
2020 revenue at 2021 exchange rates	58.1	93.1	51.3	**202.5**

£million	Power and Connectivity	Global Manufacturing Solutions	Sensors and Specialist Components	**Total Operating Segments**	Corporate	Total
	Six months ended 30 June 2020					
2020 adjusted operating profit	4.4	8.3	3.8	**16.5**	(3.3)	**13.2**
Foreign exchange impact	(0.1)	(0.5)	(0.1)	**(0.7)**	-	**(0.7)**
2020 adjusted operating profit at 2021 exchange rates	4.3	7.8	3.7	**15.8**	(3.3)	**12.5**

APM 2 - Organic revenue:

£million	Power and Connectivity	Global Manufacturing Solutions	Sensors and Specialist Components	Total
	Six months ended 30 June 2021			
2021 revenue	68.2	109.6	57.8	**235.6**
Acquisitions	9.7	-	-	**9.7**
2021 revenue (excluding acquisitions)	58.5	109.6	57.8	**225.9**
2020 revenue	60.0	95.5	54.5	**210.0**
Foreign exchange impact	(1.9)	(2.4)	(3.2)	**(7.5)**
2020 revenue at 2021 exchange rates	58.1	93.1	51.3	**202.5**
Organic revenue increase (%)	1%	18%	13%	**12%**

APM 3 – Effective tax charge:

£million	**Six months ended 30 June 2021**	Six months ended 30 June 2020 [1]	Year ended 31 December 2020
Adjusted operating profit	**15.9**	13.2	27.5
Net interest	**(1.8)**	(1.9)	(3.7)
Adjusted profit before tax	**14.1**	11.3	23.8
Adjusted tax	**2.8**	(2.1)	(4.3)
Adjusted effective tax rate	**19.6%**	18.6%	18.1%

1. 'Adjusted operating profit' has been restated in the comparative period as described in note 2f.

APM 4 – Return on invested capital:

£million	**Six months ended 30 June 2021**	Six months ended 30 June 2020 [1]	Year ended 31 December 2020
Adjusted operating profit	**15.9**	13.2	27.5
Adjusted operating profit H2 prior year (adjustment required for half year only)	**14.3**	19.3	-
Average invested capital	**364.4**	356.8	356.0
Return on invested capital	**8.3%**	9.1%	7.7%

1. 'Adjusted operating profit' has been restated in the comparative period as described in note 2f.

APM 5 - Net capital and development expenditure (net capex):

£million	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
Purchase of property, plant and equipment	**(6.0)**	(2.5)	(9.3)
Proceeds from sale of investment property, plant and equipment and capital grants received	**5.8**	-	3.4
Capitalised development expenditure	**(1.0)**	(1.5)	(3.3)
Purchase of other intangibles	**(0.2)**	(0.5)	(0.8)
Net capital and development expenditure	**(1.4)**	(4.5)	(10.0)

APM 6 - Adjusted operating cash flow:

£million	Six months ended 30 June 2021	Six months ended 30 June 2020 [1]	Year ended 31 December 2020
Adjusted operating profit	**15.9**	13.2	27.5
Adjustments for:			
Depreciation	**6.7**	7.0	14.0
Amortisation of intangible assets	**1.3**	1.7	3.0
Impairment of property, plant and equipment and intangible assets	**-**	-	0.2
Other items	**2.7**	0.8	0.7
Decrease/(increase) in inventories	**(9.6)**	(2.0)	4.2
Decrease/(increase) in receivables	**(17.5)**	9.0	11.2
(Decrease)/increase in payables and provisions	**6.6**	(18.2)	(11.8)
Adjusted operating cash flow	**6.1**	11.5	49.0

1. 'Adjusted operating profit' and 'Decrease/(increase) in inventories' has been restated in the comparative period as described in note 2f.

APM 7 - Adjusted operating cash flow post capex:

£million	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
Adjusted operating cash flow	**6.1**	11.5	49.0
Purchase of property, plant and equipment	**(6.0)**	(2.5)	(9.3)
Proceeds from sale of property, plant and equipment and government grants received	**5.8**	-	3.4
Capitalised development expenditure	**(1.0)**	(1.5)	(3.3)
Purchase of other intangibles	**(0.2)**	(0.5)	(0.8)
Adjusted operating cash flow post capex	**4.7**	7.0	39.0

APM 8 – Working capital cashflow:

£million	Six months ended 30 June 2021	Six months ended 30 June 2020 [1]	Year ended 31 December 2020
Decrease/(increase) in inventories	**(9.6)**	(2.0)	4.2
(Increase)/decrease in receivables	**(17.5)**	9.0	11.2
Increase/(decrease) in payables and provisions	**6.6**	(18.2)	(11.8)
Items reported within other items in the statutory cashflow:			
Increase in provisions over trade receivables	**1.6**	-	-
Working capital cashflow	**(18.9)**	(11.2)	3.6

1. 'Decrease/(increase) in inventories' has been restated in the comparative period as described in note 2f.

APM 9 – Free cash flow:

£million	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
Net cash flow from operating activities	(5.0)	2.8	28.2
Add back: Bonus paid to employees of Torotel which crystallised upon acquisition	-	-	3.8
Net cash flow from investing activities	(1.9)	(19.1)	(51.9)
Add back: Acquisition of business	0.5	14.6	43.3
Add back: Cash with acquired businesses	-	-	(1.4)
Payment of lease liabilities	(1.9)	(1.8)	(4.1)
Interest paid	(2.0)	(1.7)	(3.5)
Free cash flow	(10.3)	(5.2)	14.4

APM 10 – Cash conversion:

£million	Six months ended 30 June 2021	Six months ended 30 June 2020 [1]	Year ended 31 December 2020
Adjusted operating profit	15.9	13.2	27.5
Adjusted operating cash flow post capex	4.7	7.0	39.0
Exclude: Property disposal proceeds as part of restructuring programmes	(5.8)	-	(3.2)
Adjusted operating cash flow post capex and excluding property disposals	(1.1)	7.0	35.8
Cash conversion	-7%	53%	130%

1. 'Adjusted operating profit' has been restated in the comparative period as described in note 2f.

APM 11 - R&D cash spend as a percentage of revenue:

£million	Six months ended 30 June 2021	Six months ended 30 June 2020	Year ended 31 December 2020
Revenue (excluding GMS)	126.0	114.5	234.3
R&D cash spend	5.8	5.7	11.2
R&D cash spend as a percentage of revenue	4.6%	5.0%	4.8%