RNS Number : 6160R
TT Electronics PLC
10 March 2016

2015 Final Results, 10 March 2016

TT Electronics plc
Results for the year ended 31 December 2015

Results for the year ended 31 December 2015

£ million unless otherwise stated	Underlying[1]				Statutory	
	2015	2014	Change	Change constant fx	**2015**	2014
Revenue	**509.9**	524.3	(3)%	(2)%	**509.9**	524.3
Operating profit	**21.7**	29.2	(26)%	(30)%	**16.3**	(4.3)
Profit / (loss) before tax	**19.2**	27.6	(30)%	(36)%	**13.8**	(5.9)
Earnings per share (pence)	**8.8p**	12.9p	(32)%	(36)%	**6.5p**	(6.6)p
Return on invested capital[2]	**9.0%**	12.1%	(310)bps			
Cash conversion[3]	**136%**	3%				
Free cash flow					**5.1**	(22.5)
Net debt					**(56.1)**	(14.3)
Dividend per share (pence)					**5.5p**	5.5p

1. Excluding the effect of restructuring costs, asset impairments and acquisition related costs.
2. Rolling 12 month underlying operating profit return on average invested capital
3. Underlying operating cash flow (underlying EBITDA less net capital expenditure, capitalised development expenditure, working capital and non-cash movements) divided by underlying operating profit

Strategic Progress
- Successful year of transition, establishing a stable business performance
- Good progress on new strategic plan, new streamlined organisation performing well
- Operational Improvement Plan largely complete - well ahead of schedule, £7 million lower cost
- Acquisition of Aero Stanrew for £42.2 million, extending our aerospace and defence capability

Financial Headlines
- Organic revenue decline of 3%; flat excluding prior year one-off contracts in challenging markets
- Underlying operating profit in line with expectations
- OIP delivering benefits ahead of schedule offsetting general industrial weakness
- Strong cash flow performance with excellent cash conversion
- Balance sheet strength maintained post acquisition of Aero Stanrew

Richard Tyson, Chief Executive Officer, said:

"We have made good early progress in executing the strategy we set out at the start of the year to stabilise the business and create a platform for growth. In difficult markets we have delivered results in line with our expectations. Our cash flow performance has been excellent. The acquisition of Aero Stanrew represents an important step in our development and growth.

The Operational Improvement Plan is largely complete and we will now make further changes to our operational footprint which will enable us to continue to invest in the business and future growth. Although we recognise that we are facing a tougher macro-economic environment, the combination of our self-help actions and the contribution from Aero Stanrew mean that we are on track to make progress in 2016. We remain confident in our ability to return the business to sustainable profitable growth in the medium term."

For further information, please contact:

TT Electronics
Richard Tyson, Chief Executive Officer
Mark Hoad, Chief Financial Officer Tel: +44 (0)1932 825 300

MHP Communications
Tim Rowntree / John Olsen / Jamie Ricketts Tel: +44 (0)20 3128 8100

A video on demand of the analyst presentation will be available later today. To view it please visit the investor relations section of our website, www.ttelectronics.com .

2015 OVERVIEW

At the start of 2015 we set out our new strategic plan to stabilise business performance and work towards returning the business to sustainable, profitable growth. The new team has made good progress on all fronts. This was always going to be a year of transition, but in that context the overall business performance has been encouraging. The 2015 trading performance was in line with expectations and the cash flow performance well ahead of where we originally expected to be.

There was a 3 per cent reduction in Group revenue to £509.9 million (2014: £524.3 million) which also equated to a 3 per cent decline on an organic basis, excluding the effects of foreign exchange (minus £5.2 million) and an additional £4.0 million contribution from Roxspur Measurement and Control Limited ("Roxspur"). The organic reduction was largely as a result of the non-recurrence of two large one-off orders as previously reported. The Group's order book remains sound, although recent weakness in our shorter cycle industrial markets has resulted in the order book for the coming year being slightly lower than at the same time last year.

As expected, underlying operating profit declined by 26 per cent to £21.7 million (2014: £29.2 million). The reduction in profit was in large part due to two key factors that we set out at the start of 2015 - the non-recurrence £5.0 million of profit from large one-off orders in Industrial Sensing and Control and Advanced Components; and, a £2.5 million increase in R&D expense as a result of lower R&D capitalisation. Capital investments made in prior periods resulted in a £0.9 million increase in the depreciation charge. There was a £1.4 million positive foreign exchange benefit. At constant exchange rates, underlying operating profit declined by 30 per cent.

Cash flow has been a significant area of focus throughout the year. We delivered full year cash conversion of 136% (2014: 3%) and a free cash inflow of £5.1 million (2014: outflow £22.5 million). The improvement in cash conversion reflected tighter control of capital expenditure and a £4.6 million working capital inflow (2014: outflow £16.8 million). Net capital expenditure totalled £16.8 million (2014: £28.0 million) and capitalised development expenditure was reduced to £1.3 million (2014: £6.8 million), equivalent in total to 0.9 times underlying depreciation and amortisation (2014: 1.6 times).

Closing net debt was £56.1 million (2014: £14.3 million) including the acquisition of Aero Stanrew Limited ("Aero Stanrew") and net debt to EBITDA was 1.3 times as reported (2014: 0.3 times), and 1.2 times including the pro-forma impact of Aero Stanrew.

STRATEGIC PROGRESS

At the beginning of the year we set out our strategic plan to improve our performance across six priorities, delivering three outcomes to return to sustainable, profitable growth and improve value for our shareholders. Having developed their execution plans in the first half of the year, the divisional management teams set about implementing the strategic priorities and have made positive progress on contract and customer wins, as well as new product launches as outlined in the divisional reviews below.

The Operational Improvement Plan has clearly been a key area of focus for us in the year and we are really pleased with the progress made. For the Werne, Germany to Timisoara, Romania transfer, we originally intended to move 16 lines over the life of the project, with ten of those being transferred during 2015. In November we took the decision not to move four of the remaining lines as the expected benefits no longer justified the required level of spend. All twelve lines have now been moved and are customer qualified. The final step in the programme is to consolidate the footprint in Werne. The transfer of production from Fullerton, USA to Mexicali, Mexico was completed in the second half of 2015. Overall the Operational Improvement Plan is expected to be completed at a cash cost of circa £23 million, £7 million less than the original estimate and full run-rate benefits of £5.0 million per annum are now anticipated in 2017, a year earlier than originally expected.

As indicated in our November 2015 trading update, with our shorter-cycle industrial market facing businesses experiencing market weakness, our intention is now to make footprint reductions. These plans are well advanced and include relocating the last remaining production out of our Fullerton, USA site which will be transferred to our facility in Bedlington, UK. These measures will enable us to continue to invest in the business and future growth.

In the year, 16 key operational employees from across TT globally participated in lean manufacturing training, qualifying them as Master Lean Practitioners ("MLPs"). The BE Lean programme is focused on improving processes that deliver customer value though higher quality, speed and productivity. These 16 MLPs subsequently worked on an 8 week BE Lean pilot on a Surface Mount Technology line at our Advanced Components site in Bedlington, UK. The work performed by the team is now being implemented by local operations and is expected to dramatically improve on time to promise ("OTTP") performance and significantly improving inventory turns on the line.

Having made significant operational progress, and with the balance sheet firmly under control, we felt able to move M&A up the agenda and in December completed the acquisition of Aero Stanrew for a consideration of £42.2 million on a cash and debt free basis, of which £4.0m was funded through the issue of new shares in TT Electronics to the management of Aero Stanrew who remain with the Group. The acquisition strengthens our position in growth areas in the aerospace and defence market, and enhances the Group's technology and product portfolio. The acquisition is expected to enhance earnings immediately and the return on invested capital to exceed TT's cost of capital in the second full year of ownership.

DIVISIONAL REVIEWS

TRANSPORTATION SENSING AND CONTROL

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

	2015	2014	Change	Change constant fx
Revenue	£205.8m	£230.5m	(11)%	(3)%
Underlying operating (loss)/profit[1]	£(1.4)m	£1.4m	(200)%	(171)%
Operating profit margin[1]	(0.7)%	0.6%	(130)bps	(100)bps

1. *Excluding restructuring costs, asset impairments and acquisition related costs.*

Revenue in the Transportation Sensing and Control division in 2015 was £205.8 million (2014: £230.5 million), a decrease of 3 per cent on an organic basis as a result of contractual price-downs of circa 2 per cent and modest volume reductions. There was an adverse foreign exchange impact of £18.6 million.

There was an underlying operating loss for the period of £1.4 million compared with a profit in the prior year of £1.4m, but the operating performance of the division is showing signs of improvement. Having moved from profit into loss in the second half of 2014 (H2 2014: loss £0.9 million), the performance was stabilised in the first half of 2015 (H1 2015: loss £0.9 million) and before exchange movements moved back to break-even in the second half of the year. Foreign exchange movements increased the operating loss by £0.4 million, all of which impacted the second half of the year. There was an operating margin of minus 0.7 per cent (2014: 0.6 per cent). The reduction compared to the prior period was driven by increased R&D expense. The impact of price-downs was offset by productivity improvement and cost reductions.

Transportation Sensing and Control made good strategic progress in the year through their focus on customer needs. There was a series of contract wins in target growth markets and with new customers. In the first half we successfully displaced an existing tier one manufacturer for the supply of an advanced next-generation haptic pedal solution for a global premium automotive OEM. We delivered wins in China with three new contracts for accelerator pedals, an oil temperature sensor for a major Chinese transmission manufacturer, and a crankshaft sensor leveraging an existing product design. We also won a global project for a new chassis height sensor based again on an existing TT design, with initial launch in Europe and China.

The division also made good progress in product innovation, securing a development order from a large tier one customer for a new linear sensor for suspension systems. We also extended our capabilities in high temperature sensors via the purchase of capital equipment from a supplier.

We also successfully launched our AdBlue® optical fluid sensor which is used to reduce NOx emissions for diesel exhaust systems, a key area of OEM focus to address legislative change. Our first-mover advantage was reflected in securing our first customers in Korea, India and China.

In March the division's Salzburg operation won the Austrian national award for innovation for its 'Power Stack' development, a cooled chip stack module with double sided soldered semiconductors. The Power Stack module utilises a design which optimises electrical mobility by balancing the issues of thermal management, weight and size versus power and cost - an area of increasing importance with the increasing electrification of engines and vehicles in general.

INDUSTRIAL SENSING AND CONTROL

The Industrial Sensing and Control division addresses challenging sensing requirements in terms of precision, speed of response, reliability or the physical environment in which the products operate. Its position, pressure, temperature, flow and fluid quality sensors are used for critical applications in a range of end markets including industrial automation and process control, medical and aerospace.

	2015	2014	Change	Change constant fx
Revenue	£61.0m	£58.8m	4%	(3)%
Underlying operating profit[1]	£11.4m	£12.8m	(11)%	(18)%
Operating profit margin[1]	18.7%	21.8%	(310)bps	(330)bps

1. *Excluding restructuring costs, asset impairments and acquisition related costs.*

Divisional revenue of £61.0 million showed an organic decline of 10% (2014: £58.8 million), mainly due to the non-recurrence of a material one-off order for steering position sensors in 2014. Excluding this impact, like-for-like revenues increased by 4 per cent. There was a favourable foreign exchange impact of £4.1 million and a £4.0 million incremental revenue impact from the Roxspur acquisition.

Underlying operating profit for the year was 11 per cent lower at £11.4 million (2014: £12.8 million). Excluding a favourable foreign exchange impact of £0.9 million, the reduction amounted to 18 per cent. The absence of the prior year one-off order which accounted for £4.0 million of operating profit, was partially offset through new orders and some initial modest benefits from the transfer of activity from Fullerton to Mexicali, which was completed in the second half of the year. The incremental contribution of Roxspur was £0.3 million. Operating margins reduced by 310 basis points to 18.7 per cent (2014: 21.8 per cent).

The division secured a number of key programme wins in the year as a result of its focus on providing engineered solutions for challenging applications. In our core industrial markets we shipped the first production order for our latest phase diode array, a critical component used in robotic position sensors. Working closely with a major customer we designed a custom optical sensor with increased ambient light immunity to meet a specific application need, resulting in the award of business on their next generation platform which is expected to be in volume production from 2016 for a minimum of 4 years. The division also secured a number of new wins with its position and torque sensors used in electronic power steering systems ('EPS'), by focusing on the recreational and off-road vehicle markets where the deployment of EPS systems is increasing. During 2015 we secured a number of new multi-year programmes with customers in the US and Asia.

The integration of the Roxspur business is now complete and we are starting to see the benefits of leveraging our wider electronics expertise with the business developing a new range of pressure products, the first of which is now available to customers. Roxspur has been impacted by the broader slowdown in the oil and gas sector and as a result the £2.5 million contingent consideration will not now become payable.

ADVANCED COMPONENTS

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

	2015	2014	Change	Change constant fx
Revenue	£95.3m	£98.8m	(4)%	(7)%
Underlying operating profit[1]	£6.0m	£9.5m	(37)%	(38)%
Operating profit margin[1]	6.3%	9.6%	(330)bps	(320)bps

1. Excluding restructuring costs, asset impairments and acquisition related costs.

Advanced Components revenues declined by 4 per cent to £95.3 million (2014: £98.8 million) with an organic reduction of 7 per cent reflecting a weaker second half performance from the resistors market and the prior year's £2 million of non-recurring revenues associated with the closure of the Smithfield USA facility. There was a positive foreign exchange impact of £3.1 million.

There was a reduction in underlying operating profit to £6.0 million (2014: £9.5 million). The reduction was a result of the absence of the high-margin non-recurring orders; increased depreciation from 2014 investments and the reduction in demand for resistors products. There was a
£0.1 million favourable foreign exchange impact. Operating margins decreased by 330 basis points to
6.3 per cent (2014: 9.6 per cent).

Advanced Components released a number of new products during the year, further enhancing its position as a leader in circuit protection, detection and power management. Successful launches included a high power current sense resistor for the industrial, medical and automotive markets in motor drive, battery monitoring and process control applications; passive components which have been ordered by all three manufacturers of state of the art smart meters; and, high-performance custom inductors for a major tier one automotive supplier to the truck market.

In late 2014, Advanced Components extended its long term agreement with Controls and Data Services. In support of this agreement, a new clean room facility to supply multi-chip modules for fuel management systems on aircraft engines was constructed during the year and opened in early 2016. This has also positioned the division well to accept the transfer of production from Fullerton, USA as part of the additional footprint rationalisation, establishing Bedlington as a centre of excellence for such products.

The acquisition of Aero Stranrew in December was an important step in the development of the division. Aero Stanrew solves complex technical challenges in product areas and for a customer base which overlap with a number of our businesses. The combination of the two businesses provides the opportunity to accelerate our strategy by offering a wider range of capability to a broader base of tier one customers and increase our exposure to aerospace and defence. For the calendar year ending 31 December 2015, Aero Stanrew delivered revenues of £17.4m and EBITDA of £3.6m.

IMS

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

	2015	2014	Change	Change constant fx
Revenue	£147.8m	£136.2m	9%	4%
Underlying operating profit[1]	£5.7m	£5.5m	4%	(11)%
Operating profit margin[1]	3.9%	4.0%	(10)bps	(50)bps

1. Excluding restructuring costs, asset impairments and acquisition related costs.

Revenue in IMS increased to £147.8 million (2014: £136.2 million) an organic increase of 4 per cent driven by strong demand in the USA and China. There was a positive foreign exchange impact of £6.2 million.

Underlying operating profit for the year increased by 4 per cent to £5.7 million (2014: £5.5 million) and reduced by 11 per cent on a constant currency basis. Foreign exchange movements increased operating profit by £0.8 million. Operating margins reduced by 10 basis points to 3.9 per cent (2014: 4.0 per cent). There was a substantial adverse mix impact in the first half of the year, but as expected this largely reversed in the second half of the year. The reduction in underlying operating profit was a result of a higher allocation of central costs related to the increase in revenues.

The growth in revenues in China were supported by contract wins supplying into metro train systems and narrow body aircraft domestically, together with the benefit of a global contract renewal with one of the division's largest customers. This contract renewal also supported demand in the USA, along with a production extension for a major defence customer.

In the first half, IMS was chosen by L3 as a partner to support the design and prototyping for a new product to help aircraft operators take advantage of the Next Generation Air Transportation System traffic management standards. Following this award, IMS successfully demonstrated its ability to transfer production from the USA to China, positioning it well to support future demand growth in the region.

IMS continued to maintain its accreditations, successfully passing a number of major customer audits as well as renewing its NADCAP certifications across the division. IMS also continued to be recognised by its customers, receiving the Carestream Supplier of the Year award in Suzhou, China and Cubic Defense's Supplier Excellence Award in Perry, Ohio.

OTHER FINANCIAL INFORMATION

The net interest expense of £2.5 million increased by £0.9 million (2014: £1.6 million) primarily as a result of the increased level of net debt. Underlying profit before tax declined by 30 per cent to £19.2 million
(2014: £27.6 million) representing a 36 per cent reduction on a constant currency basis.

The underlying effective tax rate was 27.0 per cent (2014: 25.7 per cent) and basic underlying earnings per share decreased by 32 per cent to 8.8 pence (2014: 12.9 pence), and by 36 per cent at constant currency.

The profit for the year improved to £10.4 million (2014: loss £10.5 million) after a charge for items excluded from underlying profit of £5.4 million (2014: £33.5 million). Included within this charge were restructuring costs of £2.9 million (2014: £22.2 million), which related principally to the Operational Improvement Plan, and acquisition costs of £0.8 million (2014: £1.9 million) relating to M&A advisory costs and the non-cash amortisation of acquisition intangibles. There was a £1.7 million asset impairment charge relating mainly to the North American resistors business, reflecting the downturn in activity experienced in the second half of the year (2014: £9.4 million). The cash costs relating to these items totalled £10.1 million
(2014: £13.0 million).

Net debt at the end of the period was £56.1 million (2014: £14.3 million). The Group's long-term committed facilities were increased by £23.6 million through the conversion of the remaining accordion facilities, immediately prior to the acquisition of Aero Stanrew. At the balance sheet date £20.3 million of the total long-term borrowing commitments of £115.7 million remained undrawn. These facilities mature in August 2017. In addition, there are a further £18.6 million of short-term committed facilities of which £17.3 million was undrawn. Net debt to underlying EBITDA on a reported basis was 1.3 times (2014: 0.3 times), and
1.2 times including the pro-forma impact of Aero Stanrew.

The total accounting deficit under the Group's defined benefit pension schemes increased to £21.1 million (2014: £12.4 million). The increase in the deficit was due to reduced asset returns, partially offset by increased discount rates together with £4.3 million of deficit contribution payments to the UK scheme. The next triennial valuation is due to be undertaken during the coming year with a valuation date of 31 March 2016.

DIVIDEND

The Board is proposing a final dividend of 3.8 pence per share, taking the dividend for the full year to
5.5 pence per share, in line with the prior year. Payment of the dividend will be made on 2 June 2016 to shareholders on the register on 20 May 2016.

OUTLOOK

We have made good early progress in executing the strategy we set out at the start of the year to stabilise the business and create a platform for growth. In difficult markets we have delivered results in line with our expectations. Our cash flow performance has been excellent. The acquisition of Aero Stanrew represents an important step in our development and growth.

The Operational Improvement Plan is largely complete and we will now make further changes to our operational footprint which will enable us to continue to invest in the business and future growth. Although we recognise that we are facing a tougher macro-economic environment, the combination of our self-help actions and the contribution from Aero Stanrew mean that we are on track to make progress in 2016. We remain confident in our ability to return the business to sustainable profitable growth in the medium term.

GOING CONCERN

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

Responsibility statement of the Directors

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the issuer and the undertakings included in the consolidation taken as a whole; and
- The Strategic report and Directors' report include a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Richard Tyson	Mark Hoad
Chief Executive Officer	Chief Financial Officer
9 March 2016	9 March 2016

Cautionary statement

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

Consolidated income statement

for the year ended 31 December 2015

£million (unless otherwise stated)	Note	2015	2014
Revenue	3a	**509.9**	524.3
Cost of sales		**(417.5)**	(444.3)
Gross profit		**92.4**	80.0
Distribution costs		**(29.0)**	(29.7)
Administrative expenses		**(48.2)**	(56.0)
Other operating income		**1.1**	1.4
Operating profit/(loss)		**16.3**	(4.3)
Analysed as:			
Underlying operating profit	3a	**21.7**	29.2
Restructuring	6	**(2.9)**	(22.2)
Acquisition related costs	6	**(0.8)**	(1.9)
Asset impairments	6	**(1.7)**	(9.4)
Finance income	5	**1.8**	1.1
Finance costs	5	**(4.3)**	(2.7)
Profit/(loss) before taxation		**13.8**	(5.9)
Taxation	7	**(3.4)**	(4.6)
Profit/(loss) for the year attributable to owners of the Company		**10.4**	(10.5)
EPS attributable to owners of the Company (p)			
Basic	9	**6.5**	(6.6)
Diluted	9	**6.5**	(6.6)

Consolidated statement of comprehensive income

for the year ended 31 December 2015

£million	2015	2014
Profit/(loss) for the year	**10.4**	(10.5)
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	**2.5**	1.9
Loss on hedge of net investment in foreign operations	**(1.2)**	(0.6)
Loss on cash flow hedges taken to equity less amounts taken to income statement	**(0.1)**	(1.7)
Items that will never be reclassified to the income statement:		
Remeasurement of defined benefit pension schemes	**(11.4)**	4.6
Remeasurement of other post-employment benefits	**0.1**	(0.3)
Tax on remeasurement of defined benefit pension schemes	**1.9**	(1.1)
Tax on remeasurement of other post-employment benefits	**-**	0.1
Total comprehensive income/(loss) for the year	**2.2**	(7.6)

Total comprehensive income/ (loss) is entirely attributable to the owners of the Company.

Consolidated balance sheet

at 31 December 2015

£million	Note	2015	2014
ASSETS			
Non-current assets			
Property, plant and equipment		**89.6**	94.0
Goodwill		**94.9**	69.4
Other intangible assets		**36.6**	18.3
Deferred tax assets		**4.9**	5.6
Total non-current assets		**226.0**	187.3
Current assets			
Inventories		**79.9**	78.9
Trade and other receivables		**72.2**	70.7
Income taxes receivable		**-**	0.9
Derivative financial instruments		**0.2**	0.4
Cash and cash equivalents		**40.9**	39.4
Total current assets		**193.2**	190.3
Total assets		**419.2**	377.6
LIABILITIES			
Current liabilities			
Borrowings		**1.8**	53.7
Derivative financial instruments		**1.3**	1.3
Trade and other payables		**83.7**	81.6
Income taxes payable		**7.4**	10.0
Provisions		**12.6**	18.9
Total current liabilities		**106.8**	165.5
Non-current liabilities			
Borrowings		**95.2**	-
Deferred tax liability		**4.3**	5.6
Pensions	11	**21.1**	12.4
Provisions		**0.2**	0.2
Other non-current liabilities		**4.2**	6.1
Total non-current liabilities		**125.0**	24.3
Total liabilities		**231.8**	189.8
Net assets		**187.4**	187.8
EQUITY			
Share capital		**40.5**	39.8
Share premium		**5.2**	1.5
Share options reserve		**3.6**	1.9
Hedging and translation reserve		**18.1**	16.9
Retained earnings		**118.0**	125.7
Equity attributable to owners of the Company		**185.4**	185.8
Non-controlling interests		**2.0**	2.0
Total equity		**187.4**	187.8

Approved by the Board of Directors on 9 March 2016 and signed on their behalf by:

Richard Tyson Director

Mark Hoad Director

Consolidated statement of changes in equity

£million	Share capital	Share premium	Share based payment reserve	Hedging and translation reserve	Retained earnings	Sub-total	Non-controlling interest	Total
At 1 January 2014	39.7	1.4	1.2	17.3	141.7	201.3	2.0	203.3
Loss for the year	-	-	-	-	(10.5)	(10.5)	-	(10.5)
Other comprehensive income								
Exchange differences on translation of foreign operations	-	-	-	1.9	-	1.9	-	1.9
Net loss on hedge of net investment in foreign operations	-	-	-	(0.6)	-	(0.6)	-	(0.6)
Net loss on cash flow hedges taken to equity less amounts taken to income statement	-	-	-	(1.7)	-	(1.7)	-	(1.7)
Remeasurement of defined benefit pension schemes	-	-	-	-	4.6	4.6	-	4.6
Remeasurement of other post-employment benefits	-	-	-	-	(0.3)	(0.3)	-	(0.3)
Tax on remeasurement of defined benefit pension schemes	-	-	-	-	(1.1)	(1.1)	-	(1.1)
Tax on remeasurement of other post-employment benefits	-	-	-	-	0.1	0.1	-	0.1
Total other comprehensive income	-	-	-	(0.4)	3.3	2.9	-	2.9
Transactions with owners recorded directly in equity								

Equity dividends paid by the Company	-	-	-	-	(8.7)	(8.7)	-	(8.7)
Share-based payments	-	-	0.8	-	-	0.8	-	0.8
Deferred tax on share-based payments	-	-	(0.1)	-	-	(0.1)	-	(0.1)
New shares issued	0.1	0.1	-	-	(0.1)	0.1	-	0.1
At 31 December 2014	39.8	1.5	1.9	16.9	125.7	**185.8**	2.0	**187.8**
Profit for the year	-	-	-	-	10.4	**10.4**	-	**10.4**
Other comprehensive income								
Exchange differences on translation of foreign operations	-	-	-	2.5	-	**2.5**	-	**2.5**
Net loss on hedge of net investment in foreign operations	-	-	-	(1.2)	-	**(1.2)**	-	**(1.2)**
Net loss on cash flow hedges taken to equity less amounts taken to income statement	-	-	-	(0.1)	-	**(0.1)**	-	**(0.1)**
Remeasurement of defined benefit pension schemes	-	-	-	-	(11.4)	**(11.4)**	-	**(11.4)**
Remeasurement of other post-employment benefits	-	-	-	-	0.1	**0.1**	-	**0.1**
Tax on remeasurement of defined benefit pension schemes	-	-	-	-	1.9	**1.9**	-	**1.9**
Total other comprehensive income	-	-	-	1.2	(9.4)	**(8.2)**	-	**(8.2)**
Transactions with owners recorded directly in equity								
Equity dividends paid by the Company	-	-	-	-	(8.7)	**(8.7)**	-	**(8.7)**
Share-based payments	-	-	1.6	-	-	**1.6**	-	**1.6**
Deferred tax on share-based payments	-	-	0.1	-	-	**0.1**	-	**0.1**
New shares issued	0.7	3.7	-	-	-	**4.4**	-	**4.4**
At 31 December 2015	**40.5**	**5.2**	**3.6**	**18.1**	**118.0**	**185.4**	**2.0**	**187.4**

Consolidated cash flow statement

£million	Note	2015	2014
Cash flows from operating activities			
Profit/(loss) for the year		**10.4**	(10.5)
Taxation		**3.4**	4.6
Net finance costs		**2.5**	1.6
Restructuring		**2.9**	22.2
Acquisition related costs		**0.8**	1.9
Asset impairments		**1.7**	9.4
Underlying operating profit		**21.7**	29.2
Adjustments for:			
Depreciation of property, plant and equipment		**15.9**	16.5
Amortisation of intangible assets		**4.4**	5.8
Other items		**1.0**	1.0
Decrease in inventories		**2.2**	2.6
Decrease in receivables		**3.5**	5.5
Decrease in payables		**(1.1)**	(24.9)
Underlying operating cash flow		**47.6**	35.7
Special payments to pension funds		**(4.3)**	(4.1)
Restructuring and acquisition related costs		**(10.1)**	(13.0)
Net cash generated from operations		**33.2**	18.6
Net income taxes paid		**(7.9)**	(5.4)
Net cash flow from operating activities		**25.3**	13.2
Cash flows from investing activities			
Interest received		**0.1**	0.1
Purchase of property, plant and equipment		**(15.1)**	(24.9)
Proceeds from sale of property, plant and equipment and grants received		**0.8**	1.2
Development expenditure		**(1.3)**	(6.8)
Purchase of other intangibles		**(2.5)**	(4.3)
Acquisitions of businesses		**(39.8)**	(8.4)
Cash with acquired businesses	4	**1.6**	0.4
Deferred consideration paid		**-**	(0.5)
Net cash flow used in investing activities		**(56.2)**	(43.2)
Cash flows from financing activities			
Issue of share capital		**0.5**	0.1
Interest paid		**(2.2)**	(1.0)
Repayment of borrowings		**(2.9)**	-
Proceeds from borrowings		**44.6**	24.9
Other items		**-**	(0.5)
Finance leases		**(0.1)**	(0.1)
Dividends paid by the Company		**(8.7)**	(8.7)
Net cash flow from financing activities		**31.2**	14.7
Net increase/(decrease) in cash and cash equivalents		**0.3**	(15.3)
Cash and cash equivalents at beginning of year	10	**39.4**	54.5
Exchange differences	10	**0.6**	0.2
Cash and cash equivalents at end of year	10	**40.3**	39.4
Cash and cash equivalents comprise			
Cash at bank and in hand		**40.9**	39.4
Bank overdrafts	10	**(0.6)**	-
		40.3	39.4

1 General information

The information set out below, which does not constitute full financial statements, is extracted from the audited financial statements of the Group for the year ended 31 December 2015 which:

- were approved by the Directors 9 March 2016

- carry an unqualified audit report which did not contain statements under section 498(2) or (3) of the Companies Act 2006
- will be available to the shareholders and the public in April 2016
- will be filed with the Registrar of Companies following the Annual General Meeting.

2 Basis of accounting

The consolidated financial statements have been prepared on a historical cost basis modified by the revaluation of financial assets and derivatives held at fair value and by the revaluation of certain property, plant and equipment at the transition date to International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, as adopted by the European Union, and in accordance with the provisions of the Companies Act 2006.

The financial statements have been prepared using consistent accounting policies.

Adoption of new and amendments to published standards and interpretations effective for the Group for the year ended 31 December 2015 did not have any impact on the financial position or performance of the Group.

3 Segmental reporting

As part of the organisational change announced in November 2014, the Group is now organised into four divisions, as shown below, according to the nature of the products and services provided. Each of these divisions represent 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:
- Transportation Sensing and Control - The Transportation Sensing and Control division develops both sensors and control solutions for automotive OEMs and tier one suppliers including powertrain providers for passenger cars and trucks. The division develops a wide range of sensors for multiple applications on a vehicle, from gear position and pedal sensors to fluid and emission sensors and with almost all of them focused on safety and driver assistance features required by our customers;
- Industrial Sensing and Control - The Industrial Sensing and Control division addresses challenging sensing requirements in terms of precision; speed of response; reliability or physical environment in developing position, pressure, temperature, flow and fluid quality sensors which are used for critical applications in a range of end markets including industrial automation, industrial process control, medical and aerospace sectors;
- Advanced Components - The Advanced Components division creates specialist, high performance, ultra-reliable, highly engineered electronic components for circuit protection, power management, signal conditioning and connectivity applications in harsh environments. The division serves customers in the industrial, automotive, aerospace, defence and medical markets and focus on creating value by developing innovative electronic solutions that solve especially challenging problems for our customers electronic circuits or systems; and
- Integrated Manufacturing Services - The IMS division draws on its manufacturing design engineering capabilities, global facilities and world-class quality standards to provide highly complex electronic manufacturing solutions to customers in the aerospace and defence, medical, and high technology industrial sectors. The division has broad capabilities ranging from printed circuit board assembly to environmental test and full systems integration. This global suite of end-to-end solutions is focused exclusively on low volume, high mix business.

3 Segmental reporting (continued)

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

The key performance measure of the operating segments is underlying operating profit. The Group reports non-trading income or expenditure outside underlying profit when the size, nature or function of an item or aggregation of similar items is such that separate presentation is relevant to an understanding of its financial position, see note 6. Segment operating profit represents the profit earned by each segment after allocation of central head office administration costs and is reviewed by the chief operating decision maker.

Group financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

Goodwill is allocated to the individual cash generating units which are smaller than the segment which they are part of.

a) Income statement information - continuing operations

					2015
£million	Transportation Sensing and Control	Industrial Sensing and Control	Advanced Components	Integrated Manufacturing Services	Total
Sales to external customers	**205.8**	**61.0**	**95.3**	**147.8**	**509.9**
Segment underlying operating profit	**(1.4)**	**11.4**	**6.0**	**5.7**	**21.7**
Adjustments to underlying operating profit (note 6)					**(5.4)**
Operating profit					**16.3**
Net finance costs					**(2.5)**
Profit before taxation					**13.8**

2014

£million	Transportation Sensing and Control (represented)[1]	Industrial Sensing and Control (represented)[1]	Advanced Components	Integrated Manufacturing Services	Total
Sales to external customers	230.5	58.8	98.8	136.2	524.3
Segment underlying operating profit	1.4	12.8	9.5	5.5	29.2
Adjustments to underlying operating profit (note 6)					(33.5)
Operating loss					(4.3)
Net finance costs					(1.6)
Loss before taxation					(5.9)

1. In 2014 the results of Transportation and Industrial Sensing and Control were disclosed as a single segment within a combined Sensing and Control division.

There are no significant sales between segments.

3 Segmental reporting (continued)

b) Geographic information

Revenue by destination

The Group operates on a global basis. Revenue from external customers by geographical destination is shown below. Management monitor and review revenue by region rather than by individual country given the significant number of countries where customers are based.

£million	**2015**	2014
United Kingdom	**82.6**	86.4
Rest of Europe	**234.5**	256.0
North America	**101.9**	101.0
Central and South America	**2.4**	3.4
Asia	**84.6**	74.5
Rest of the World	**3.9**	3.0
Total Revenue	**509.9**	524.3

No individual customer directly accounts for more than 10% of Group revenue. Revenue from services is less than 5% of Group revenues. All other revenue is from the sale of goods.

4 Acquisitions

On 18 December 2015 the Group announced the acquisition of Aero Stanrew Group Limited.

The consideration was paid through a combination of £39.8 million in cash and the issue of 2,575,669 shares (with a fair value of £4.0 million) to key members of the management team.

£million	Book value at date of acquisition	Fair value adjustments (provisional)	**2015 Fair value at date of acquisition (provisional)**
Non-current assets			
Property, plant and equipment	**1.2**	**-**	**1.2**
Identifiable intangible assets	**0.1**	**18.8**	**18.9**
Current assets / (liabilities)			
Inventory	**2.5**	**0.4**	**2.9**
Trade and other receivables	**4.2**	**-**	**4.2**
Cash	**1.6**	**-**	**1.6**
Trade and other payables	**(3.2)**	**-**	**(3.2)**
Income tax payable	**(0.7)**	**-**	**(0.7)**
Non-current liabilities			
Deferred tax	**(0.1)**	**(3.4)**	**(3.5)**
	5.6	**15.8**	**21.4**
Consideration paid/payable			
Cash			**39.8**
Fair value of shares			**4.0**
Goodwill			**22.4**

4 Acquisitions (continued)

As consideration exceeds the value of net assets acquired, goodwill of £22.4 million has been recognised on the balance sheet. The goodwill represents the Group's view of the future earnings growth potential of Aero Stanrew and the technical know-how in the business.

£18.8 million of intangible assets have been recognised representing the fair value of the customer relationships (£16.6 million) and order backlog (£2.2 million) acquired. The useful economic life of the customer relationships is 15 years and that of the order backlog is 1.4 years. A deferred tax liability of £3.4 million has been recognised on the fair value adjustment to the assets and liabilities acquired.

On 14 July 2014 the Group announced the acquisition of Roxspur Measurement & Control Limited. Initial net consideration of £8.4 million was paid in cash with subsequent adjustments due to the determination of net asset values acquired bringing consideration to £8.3 million. As a result of the impact of a broader slowdown in the oil and gas sector, a further £2.5 million contingent consideration will not now become payable. £0.8 million contingent consideration accrued to date was released through non-underlying profit during the year. As consideration payable exceeded the £6.2 million net assets acquired (including identifiable intangible assets of £4.5 million), goodwill of £2.1 million was recognised on the balance sheet. The measurements period closed on 14 July 2015 with no further adjustments to provisional fair values.

5 Finance income and finance costs

£million	**2015**	2014
Interest expense	**(2.2)**	(1.0)
Foreign exchange losses	**(1.5)**	(0.7)
Net interest on employee obligations	**(0.4)**	(0.8)
Amortisation of arrangement fees	**(0.2)**	(0.2)
Finance costs	**(4.3)**	(2.7)
Interest income	**0.1**	0.1
Foreign exchange gains	**1.7**	1.0
Finance income	**1.8**	1.1
Net finance costs	**(2.5)**	(1.6)

6 Underlying measures

To assist with the understanding of earnings trends, the Group has included within its published financial statements non-GAAP measures including underlying profit and underlying earnings.

These are considered by the Board to be the most meaningful measures under which to assess the true operating performance of the Group.

Underlying operating profit
This has been defined as operating profit from continuing operations excluding restructuring costs, asset impairments and acquisition related costs as detailed below.

6 Underlying Measures (continued)

£million	**2015**	2014
Restructuring		
Operational Improvement Plan	**(1.8)**	(15.0)
Other restructuring	**(0.7)**	(4.8)
Charges associated with management changes	**(0.4)**	(2.4)
	(2.9)	(22.2)
Asset impairments		
Impairment charges associated with capitalised development costs	**-**	(8.4)
Other impairments	**(1.7)**	(1.0)
	(1.7)	(9.4)
Acquisition related costs		
Contingent consideration	**0.8**	(0.8)
Amortisation of intangible assets arising on business combinations	**(0.8)**	(0.7)
M&A costs (included aborted deals)	**(0.8)**	(0.4)
	(0.8)	(1.9)
Total	**(5.4)**	(33.5)

Restructuring costs £2.9 million (2014: £22.2 million)

In the year ended 31 December 2015 total restructuring costs of £2.9 million were incurred, of which £1.8 million related to the Operational Improvement Plan, £0.7 million related to other restructuring costs and £0.4m related to the change of management structure.

In the year ended 31 December 2014 total restructuring costs of £22.2 million were incurred, including £15 million relating to the Operational Improvement Plan and £7.2 million relating to other restructuring costs including UK site consolidation, costs related to the IMS Romania facility and change of management structure.

Asset Impairments £1.7 million (2014: £9.4 million)

In the year ended 31 December 2015 asset impairment costs of £1.7 million were incurred, relating mainly to the North American resistors business, reflecting the downturn in activity experienced in the second half of the year.

In the year ended 31 December 2014 £9.4 million of costs were incurred for the impairment of assets, relating mainly to capitalised development expenditure.

Acquisition costs £0.8 million (2014: £1.9 million)

In the year ended 31 December 2015 acquisition costs amounted to £0.8 million which related to £0.8 million of acquisition related costs, £0.8 million of amortisation of acquired intangible assets and a £0.8 million credit relating to the reversal of an accrual for deferred acquisition consideration.

In the year ended 31 December 2014 £1.9 million of acquisition related costs were incurred, including deferred acquisition consideration of £0.8 million, £0.7 million relating to amortisation of acquired intangible assets and M&A costs of £0.4 million.

7 Taxation

a) Analysis of the tax charge for the year

£million	**2015**	2014
Current tax		
Current income tax charge	**7.1**	5.7
Adjustments in respect of current income tax of previous year	**(1.5)**	(1.7)
Total current tax charge	**5.6**	4.0
Deferred tax		
Relating to origination and reversal of temporary differences	**(2.2)**	0.6
Total tax charge in the income statement	**3.4**	4.6

UK tax is calculated at 20.25% (2014: 21.5%) of taxable profits. Overseas tax is calculated at the tax rates prevailing in the relevant countries. The Group's effective tax rate for the year from continuing operations was 24.5% (27.0% underlying).

Included within the total tax charge above is a £1.8 million credit relating to items reported outside underlying profit (2014: £2.5 million).

b) Reconciliation of the total tax charge for the year

£million	**2015**	2014
Profit/(loss) before tax	**13.8**	(5.9)
Profit/ (loss) before tax multiplied by the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	**2.8**	(1.3)
Effects of:		
Overseas tax rate differences	**0.7**	(0.3)
Items not deductible for tax purposes or income not taxable	**0.4**	6.6
Adjustment to current tax in respect of prior periods	**(1.5)**	(1.7)
Impact on deferred tax arising from changes in tax rates	**0.1**	(0.1)
Recognition and utilisation of tax losses and other items not previously recognised	**(0.1)**	(0.3)
Current year tax losses and other items not recognised	**2.0**	2.1
Adjustment to value of deferred tax assets	**(1.0)**	(0.4)
Total tax charge reported in the income statement	**3.4**	4.6

The enacted UK corporation tax rate applicable from 1 April 2015 is 20%, from 1 April 2017 is 19% and from 1 April 2020 is 18%.

8 Dividends

	2015 pence per share	**2015 £million**	2014 pence per share	2014 £million
Final dividend for prior year	**3.8**	**6.0**	3.8	6.0
Interim dividend for current year	**1.7**	**2.7**	1.7	2.7
	5.5	**8.7**	5.5	8.7

The Directors recommend a final dividend of 3.8 pence which when combined with the interim dividend of 1.7 pence gives a total dividend for the year of 5.5 pence per share. The Group has a progressive dividend policy. The final dividend will be paid on 2 June 2016 to shareholders on the register on 20 May 2016.

9 Earnings per share

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

Underlying earnings per share is based on underlying profit after tax.

Pence	2015	2014
Basic earnings/(loss) per share	**6.5**	(6.6)
Diluted earnings/(loss) per share	**6.5**	(6.6)

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

Underlying earnings per share:

£million	2015	2014
Continuing operations		
Profit/(loss) for the period attributable to owners of the Company	**10.4**	(10.5)
Restructuring	**2.9**	22.2
Asset impairments	**1.7**	9.4
Acquisition related costs	**0.8**	1.9
Tax effect of above items (see note 7a)	**(1.8)**	(2.5)
Underlying earnings	**14.0**	20.5
Underlying earnings per share (pence)	**8.8**	12.9

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

Million	2015	2014
Basic	**159.2**	158.3
Adjustment for share awards	**0.1**	0.5
Diluted	**159.3**	158.8

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

£million	Net cash	Borrowings and finance leases	Net (debt)/funds
At 1 January 2014	54.5	(27.6)	26.9
Cash flow	(15.3)	(24.9)	(40.2)
Non-cash items	-	(0.2)	(0.2)
Exchange differences	0.2	(1.0)	(0.8)
At 1 January 2015	39.4	(53.7)	(14.3)
Cash flow	0.3	(41.6)	(41.3)
Non-cash items	-	(0.2)	(0.2)
Exchange differences	0.6	(0.9)	(0.3)
At 31 December 2015	**40.3**	**(96.4)**	**(56.1)**

Net cash includes overdraft balances of £0.6 million (2014: £nil).

11 Retirement benefit schemes

Defined contribution schemes

The Group operates 401(k) plans in North America and defined contribution arrangements in the rest of the world. The assets of these schemes are held independently of the Group. The total contributions charged by the Group in respect of defined contribution schemes were £2.4 million (2014: £2.4 million).

Defined benefit schemes

During the year the Group operated a significant defined benefit scheme in the UK and schemes in the USA (which include a post-retirement medical benefit element). The Group's main scheme is the UK plan which commenced in 1993 and increased in size in 2006 and 2007 through the merger of the UK former schemes. The parent company is the sponsoring employer in the UK plan. The UK plan is governed by TTG Pension Trustees Limited (the "Trustee") that has control over the operation, funding and investment strategy in consultation with the Group.

Both the UK and USA schemes are closed to new members and the UK scheme was closed to future accrual in 2010.

The triennial valuation of the UK scheme as at April 2013 showed a deficit of £19.1m against the Trustee's funding objective compared with £39.4 million at April 2010. It was agreed with the Trustee that the existing recovery plan is sufficient to address the deficit; namely contributions of £4.5 million to be paid in respect of 2016. £4.3 million was paid during the year: £3.2 million in respect of 2015 and £1.1 million in respect of 2014. A further £1.1 million was paid early in 2016 in respect of 2015. In addition, the Company has set aside £3.0 million to be utilised in agreement with the Trustee for reducing the long-term liabilities of the scheme.

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

£million	2015	2014

Fair value of assets	**442.2**	464.9
Present value of defined benefit obligation	**(463.3)**	(477.3)
Net liability recognised in the Consolidated balance sheet	**(21.1)**	(12.4)

Amounts recognised in the Consolidated income statement are:

£million	**2015**	2014
Scheme administration costs	**0.8**	0.7
Net interest costs	**0.4**	0.8

12 Related party transactions

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

No related party transactions have taken place in 2015 or 2014 that have affected the financial position or performance of the Group.

13 Principal risk and uncertainties

The Group continues to be exposed to a number of operational and financial risks and has an established, structured approach to identifying, assessing and managing those risks. The principal risks relate to the following areas:

General economic downturn, Product development; margin erosion; health and safety; people and capability; supplier resilience and continuity; product quality, product liability and contractual risk; legal and regulatory compliance.

END

FR UKSWRNWAORAR