



# Delivering operational excellence

# Our performance

## Highlights

| £million                                     | Six months ended<br>30 June<br>2011 | Six months ended<br>30 June<br>2010 | Change       |
|----------------------------------------------|-------------------------------------|-------------------------------------|--------------|
| <b>Continuing operations</b>                 |                                     |                                     |              |
| Revenue                                      | <b>294.6</b>                        | 262.5                               | +12.2%       |
| Operating profit*                            | <b>16.0</b>                         | 10.8                                | +48.1%       |
| Operating profit margin*                     | <b>5.4%</b>                         | 4.1%                                | +1.3% points |
| Profit before taxation and exceptional items | <b>14.1</b>                         | 8.9                                 | +58.4%       |
| Profit before taxation                       | <b>21.6</b>                         | 13.4                                | +61.2%       |
| Headline earnings per share*                 | <b>6.2p</b>                         | 3.7p                                | +67.6%       |
| Dividend per share                           | <b>1.2p</b>                         | 0.8p                                | +50.0%       |
| Net debt                                     | <b>24.2</b>                         | 44.6                                |              |

\*Before exceptional items.

## Key points

Further significant improvement in performance and progress towards target margins

Results demonstrate success in delivering sustainable profitable growth

Well positioned in markets and geographies with underlying medium- and long-term growth drivers

Interim dividend of 1.2 pence per share declared, reflecting good performance and confidence in future prospects

### Cautionary statement

This announcement contains forward-looking statements which are made in good faith based on the information available to the time of its approval. It is believed that the expectations reflected in these statements are reasonable but they may be affected by a number of risks and uncertainties that are inherent in any forward-looking statement which could cause actual results to differ materially from those currently anticipated..



**“The Group delivered further significant improvement in performance in the first half of 2011, demonstrating continued progress in our strategy to realise sustainable profitable growth.”**

### Financial results

The Group delivered further significant improvement in performance in the first half of 2011, demonstrating continued progress in our strategy to realise sustainable profitable growth. Revenue from continuing operations increased by 12.2 per cent to £294.6 million (2010: £262.5 million). Operating profit from continuing operations before exceptional items was £16.0 million compared with £10.8 million, an increase of 48.1 per cent. The Group continues to deliver margin growth, with the operating margin increasing from 4.1 per cent in the first half of 2010 to 5.4 per cent. There remains significant potential to improve margins and we expect to reach the target for the Group of 8 per cent by the end of 2013.

Headline earnings per share from continuing operations were 6.2 pence compared with 3.7 pence in 2010. The Board is pleased to declare an interim dividend of 1.2 pence per share (2010: 0.8 pence). This represents an increase of 50.0 per cent over the prior year, reflecting the strong first half performance and the Board's confidence in the Group's future prospects.

### Positioning the Group

We saw good growth in our core Components and Sensors divisions resulting from the implementation of the strategy to create integrated businesses with the ability to operate on a global basis. These divisions represented 71.2 per cent of Group revenue and contributed £11.6 million of operating profit in the first half of the year. The Components division made progress in the period in the majority of its markets with a significant increase in the value of new business opportunities. The Sensors division benefited from strong demand from its traditional European customers, in addition to securing new wins from both international and domestic OEMs in emerging regions, with higher volumes contributing to an operating profit margin of 5.3 per cent. The progress of both divisions has been most encouraging and we see opportunities to deliver revenue growth and further margin improvement. In the IMS division, increased revenue from key customers and the transfer of business to lower cost manufacturing sites increased underlying sales (after adjusting for foreign exchange movements) by 23.0 per cent with an operating profit margin of 5.6 per cent. Revenues and margins in the Secure Power division declined following a strong performance in the first half of 2010, with lower than anticipated demand from key markets in Mexico and South America.



We have embarked on the next phase of our operational excellence programme which will align our manufacturing footprint with our global customers and further reduce our cost base. As part of this, we intend to open a new low cost facility in Eastern Europe in the second half of 2011; significantly expand our Components site in Mexicali, Mexico; and close our factory in Boone, North Carolina, by the end of 2012. We are increasing our facilities in China to service growing customer demand and the Sensors division is commencing manufacturing in Mexico following new wins with the Volkswagen Group.

The sale of the last business in the former General Industrial division, which we had been running for value, was made shortly after the period end. I am very pleased that we have brought this programme to a successful conclusion.

### Outlook

Overall the Group experienced strong trading during the first half of the year which has continued into the second half. We continue to monitor leading indicators against the backdrop of the ongoing uncertainty in global markets. However, to-date, we have not seen a material change in end-market demand, beyond normal seasonal effects.

The Components division is benefiting from its focus on market segments where it can deliver added value and on key account management, with further margin growth achieved by improving efficiencies. The Sensors division, which delivered an exceptionally good first half with significant margin growth, is expected to continue to benefit from the strong demand seen in the global automotive markets. We anticipate that customer demand in the IMS division will remain reasonably buoyant with further new projects coming into production and component lead times reducing. Although demand in Mexico and South America is difficult to predict, we expect the Secure Power division to deliver a better performance in the second half of the year as it benefits from a stronger order book and increasing project enquiries.

While the economic outlook remains uncertain, we continue to develop deeper relationships with our customers, improve our product portfolio, strengthen our position in growth markets and expand our presence in key regions. At the same time we are driving operational improvements across our existing facilities, with further significant opportunities as we optimise our manufacturing footprint in the short- and medium-term. These actions, coupled with the strong performance in the first half of 2011 and taking into account our current trading and order book, provide the Board with confidence that the Group will meet its expectations for the full year.

**“There remains significant potential to improve margins and we expect to reach the target for the Group of 8 per cent by the end of 2013.”**



Sean M Watson Chairman

24 August 2011

**“Revenue from continuing operations increased by 12.2 per cent in the half year to £294.6 million, against our target of mid to high single digit growth.”**

**“There remains significant potential to increase margins as we continue to improve the quality of new business being won and deliver further operational efficiencies.”**



**Geraint Anderson** Group Chief Executive

**Shatish D Dasani** Group Finance Director

24 August 2011

The business has performed well in the first half of 2011. Sales growth with key customers and our focus on the delivery of differentiated products and services to targeted end-markets resulted in strong sales in the period. These actions, combined with our strong position in markets and geographies with medium- and long-term structural growth drivers, position the Group well for the future and we are seeing increasing opportunities to deliver organic growth, supplemented by strategic investments.

We continue to globalise the business expanding our capabilities in key regions, most notably in China and Mexico. Headcount in China increased to over 700 in the first half of the year. This increase included

additional sales and engineering resource for the Components and Sensors divisions to support new business wins in the region for both overseas and domestic customers. There are significant growth opportunities in Asia as reflected in our key account programme where three out of the four customers added during the first half of the year come from that region. Overall growth from the Group's key accounts was approximately 17 per cent in the period. In Mexico, the Sensors division established a manufacturing operation and secured its first contract with the Volkswagen Group, a customer that we are now serving in Europe, Asia and the Americas. This win was particularly encouraging as it resulted from strong collaboration across divisions with support from the Components business in Mexico enabling a rapid and effective response to our customer's requirements.

We continue to make progress developing our position in markets which we believe have the potential to deliver high quality revenue growth over the short, medium and long term. Although still small in absolute terms, revenue from the medical market grew by a further 45.6 per cent at constant currency rates. Sales to the passenger car market increased by 23.2 per cent as our German OEM customers experienced significant demand, particularly from emerging regions, and revenue from other transportation segments increased by 52.0 per cent.

Further improvements were delivered in the efficiency and productivity of the Group's manufacturing operations. We are optimising our operating footprint to reflect the global

nature of our business and improve profitability through the development of regional lower cost manufacturing centres of excellence, providing local support to our customers and enabling the transfer of business from high cost regions. As part of this strategy, a new facility will be opened in Eastern Europe in the second half of 2011, initially to meet increased demand in Europe from existing customers of the Components division. Our existing facility in Mexicali, Mexico, has been identified as the preferred lower cost solution in the Americas for the Components division. This site will be significantly developed over the next 18 months as we transfer existing business from other facilities. As part of this programme, we will close our operation in Boone, North Carolina, by the end of 2012. The Sensors division is further developing its presence in Mexico, India and China and, across all divisions, we continue to prioritise our low cost locations when making investment decisions.

In July we completed the disposal of AEI Compounds Ltd which was the last remaining business within the General Industrial division, comprising those businesses identified in the Strategic Review in 2009 as non-core and to be run for value. This disposal brings to a close the activities within this division which is treated as discontinued. In total, the Group received more than £30 million net proceeds, considerably exceeding the Board's initial expectations.

### Overview of Group performance

Revenue from continuing operations increased by 12.2 per cent in the half year to £294.6 million, against our target of mid to high single digit growth. After adjusting for a foreign exchange impact of 1.9 per cent, the underlying increase was 14.1 per cent. The core Components and Sensors divisions grew underlying sales by 12.9 per cent and 25.7 per cent respectively and together now represent 71.2 per cent of Group revenue. The Components division experienced strong trading across all key markets whilst the Sensors division benefited from the global management structure implemented last year and the strong recovery in the automotive market. Revenue in the IMS division grew by 23.0 per cent on an underlying basis during the period due to growth in its customers' end-markets and new business won in 2010 coming into production. Revenues in the Secure Power division reduced by 13.7 per cent on an underlying basis as a result of lower than expected demand in Mexico coupled with fewer high power projects in key export markets.

The strong overall revenue performance, a continued focus on winning new high quality business and our operational excellence programme delivered an operating profit before exceptional items from continuing operations of £16.0 million, an increase of 48.1 per cent compared to £10.8 million in the first half of 2010. All divisions delivered higher margins except Secure Power, which experienced difficult trading in the first half of the year. Group overall operating margin improved from 4.1 per cent in the first half of 2010 to 5.4 per cent. There remains significant potential to increase margins as we continue to improve the quality of new business being won and deliver further operational efficiencies.

There was a small variation in average exchange rates in the first six months of 2011 compared with 2010, with the main change being a strengthening of sterling against the US dollar by 5.2 per cent. At constant exchange rates, the increase in revenue was 14.1 per cent (against 12.2 per cent on the published figures) and there was an adverse impact on operating profits of £0.6m.

#### Revenue



#### Operating profit<sup>1</sup>



### Continuing operations

| £million                            | Six months ended<br>30 June 2011 | Six months ended<br>30 June 2010 | Year ended<br>31 December 2010 |
|-------------------------------------|----------------------------------|----------------------------------|--------------------------------|
| <b>Revenue</b>                      |                                  |                                  |                                |
| Components                          | 124.2                            | 112.9                            | 234.6                          |
| Sensors                             | 85.6                             | 68.5                             | 143.5                          |
| Integrated Manufacturing Services   | 51.8                             | 43.1                             | 92.2                           |
| Secure Power                        | 33.0                             | 38.0                             | 85.2                           |
|                                     | <b>294.6</b>                     | 262.5                            | 555.5                          |
| <b>Operating profit<sup>1</sup></b> |                                  |                                  |                                |
| Components                          | 7.1                              | 5.2                              | 10.7                           |
| Sensors                             | 4.5                              | 1.1                              | 3.9                            |
| Integrated Manufacturing Services   | 2.9                              | 2.0                              | 4.1                            |
| Secure Power                        | 1.5                              | 2.5                              | 6.2                            |
|                                     | <b>16.0</b>                      | 10.8                             | 24.9                           |

<sup>1</sup> Throughout this review operating profit is stated before exceptional items.

**“There are significant growth opportunities in Asia as reflected in our key account programme where three out of the four customers added during the first half of the year come from that region.”**

| Components              |                               |                               |                        |
|-------------------------|-------------------------------|-------------------------------|------------------------|
| £million                | Six months ended 30 June 2011 | Six months ended 30 June 2010 | Year ended 31 Dec 2010 |
| Revenue                 | 124.2                         | 112.9                         | 234.6                  |
| Operating profit        | 7.1                           | 5.2                           | 10.7                   |
| Operating profit margin | 5.7%                          | 4.6%                          | 4.6%                   |

Through its global network of engineers, the Components division develops differentiated electronic components for applications where performance, reliability and the ability to work in harsh environments are critical.

Underlying revenue increased by 12.9 per cent, after adjusting for a foreign exchange impact of 2.9 per cent, reflecting growth across the business as a result of strength in the majority of markets served. We secured new business across several markets including smart meters, alternative energy, medical devices and power modules for switching applications. We successfully implemented price increases to protect our margins against raw material inflation. As a result, operating profit for the period was £7.1 million and the operating margin improved to 5.7 per cent.

The investment in our sales team, the key account management programme and our global Customer Relationship Management tool are helping us to identify significantly more new business opportunities. We are securing an increasing share of spend, with several customers buying from additional parts of our product portfolio and we have won contracts with several new indigenous customers in Asia, having expanded our presence there with the addition of sales and application engineering resources. Three new key accounts have been added in the region.

We plan to open a new facility in Eastern Europe later this year and significantly expand our site in Mexicali, Mexico, during 2011 and 2012, with the associated closure of our facility in Boone, North Carolina, as part of the Group's strategy to align its footprint with key customers and increase profitability. The closure of the Boone facility will lead to an exceptional cost of approximately £5.5 million, of which around £4.5 million will arise in the second half and the balance in 2012. Once fully implemented, the full year benefit from 2013 onwards is expected to be approximately £2.5 million per year.

Our existing operations continue to improve their performance, which is tracked using a number of key performance indicators including quality, stock turns and on-time delivery.

| Sensors                 |                               |                               |                        |
|-------------------------|-------------------------------|-------------------------------|------------------------|
| £million                | Six months ended 30 June 2011 | Six months ended 30 June 2010 | Year ended 31 Dec 2010 |
| Revenue                 | 85.6                          | 68.5                          | 143.5                  |
| Operating profit        | 4.5                           | 1.1                           | 3.9                    |
| Operating profit margin | 5.3%                          | 1.6%                          | 2.7%                   |

The Sensors division provides highly engineered sensor solutions for critical applications in the automotive, broader transportation and industrial markets globally.

The division has delivered an excellent performance during the period. Underlying revenue, excluding a foreign exchange impact of 0.7 per cent, increased by 25.7 per cent as we grew sales in most regions and benefited from increased sensor content on new vehicle platforms. Our growth was supported by strong demand from key European automotive customers who increased their sales, particularly in emerging markets. Additionally, we experienced good growth from domestic OEMs in newer geographies including China and India and sales to transportation customers (outside of passenger cars) doubled on an underlying basis compared to the first half of 2010. The ongoing improvement in volumes, improved operating efficiencies and the effect of exiting some low margin and end of life programmes resulted in an operating profit of £4.5 million, well ahead of the operating profit of £3.9 million reported for full year 2010. The operating margin for the period was 5.3 per cent.

The global management structure put in place last year is delivering excellent results, leading to contract wins in both China and Mexico with the Volkswagen Group. These contracts were underpinned by our global organisation structure and also, in Mexico, by collaboration with the Components division. In addition to strengthening relationships with our existing customers, we achieved our first wins with several of the leading indigenous Chinese OEMs including JAC, Chery and BYD. The division's Global Operations leader relocated to China in August, reflecting the region's importance and our growing manufacturing presence there. We continue to strengthen our product portfolio with several new product variations introduced in the first half of the year contributing to further wins with European and overseas customers.

| IMS                     |                               |                               |                        |
|-------------------------|-------------------------------|-------------------------------|------------------------|
| £million                | Six months ended 30 June 2011 | Six months ended 30 June 2010 | Year ended 31 Dec 2010 |
| Revenue                 | 51.8                          | 43.1                          | 92.2                   |
| Operating profit        | 2.9                           | 2.0                           | 4.1                    |
| Operating profit margin | 5.6%                          | 4.6%                          | 4.4%                   |

With manufacturing in the UK, USA, China and Malaysia, the division provides high quality electronic manufacturing support for customers in the defence and aerospace, telecom and premium industrial sectors.

Underlying revenue for the period, excluding a foreign exchange impact of 2.8 per cent, increased by 23.0 per cent versus the first six months of 2010. Progress with our key strategic customers and improvements in margins as we transferred work to lower cost sites have underpinned growth and, as a result, operating profit has improved by 45.0 per cent in the first half to £2.9 million and operating margin was 5.6 per cent.

During the first half we strengthened the sales team to support our global customers and key account programmes. New product wins remained strong throughout the period and we were particularly pleased to secure a significant new global customer bringing potential business for all of our key sites. Whilst we saw some challenges in the electronics component supply chain, especially after the earthquake in Japan, the division was able to maintain high standards of on-time delivery and quality. Indications are that parts availability should improve in the second half of the year.

The division also made further progress in our target market segments and in June, our facility in Suzhou, China, obtained the NADCAP quality standard which is widely recognised as the leading quality standard in the aerospace industry.

| Secure Power            |                               |                               |                        |
|-------------------------|-------------------------------|-------------------------------|------------------------|
| £million                | Six months ended 30 June 2011 | Six months ended 30 June 2010 | Year ended 31 Dec 2010 |
| Revenue                 | 33.0                          | 38.0                          | 85.2                   |
| Operating profit        | 1.5                           | 2.5                           | 6.2                    |
| Operating profit margin | 4.5%                          | 6.6%                          | 7.3%                   |

The division provides secure power solutions including generating sets, uninterruptible power supplies, and service and support for customers' critical power needs in selected markets worldwide.

Following a strong performance by the division in the first half of 2010, Ottomotores in Mexico has experienced lower levels of underlying demand this year in its home market and fewer high power projects in key export markets. Dale Power Solutions performed in line with expectations. As a result, underlying revenue for the division overall for the period, excluding a foreign exchange benefit of 0.5 per cent, reduced by 13.7 per cent. Operating profit was £1.5 million giving an operating margin of 4.5 per cent.

We have continued to invest in our sales channels, focusing on growth markets, such as petrochemical, and export markets. This has led to a number of successes, most notably in Kuwait, and the Middle East continues to represent a promising growth region for us. The division made good progress in the expansion of its product portfolio with substantial orders in the UK and Middle East for the new containerised generating set range targeted at the rental market. In addition, we are seeing increasing sales from the commercial UPS product range.

These developments have strengthened the business over the course of the first half and we entered the second half in an improved position with a stronger order book. Whilst the key markets in Mexico and Latin America remain difficult to predict, project enquiries are promising.

**"We are optimising our operating footprint to reflect the global nature of our business and improve profitability through the development of regional lower cost manufacturing centres of excellence."**



## Measuring our performance

The Group has a clear strategy to improve performance and deliver shareholder value. Key Financial Performance Indicators were identified in the 2009 Annual Report to monitor progress. Organic revenue growth for continuing operations in the first half of the year compared to the same period in 2010 was 14.1 per cent against the overall target of mid to high single digit growth. The improvement in the Group operating margin in the first half of the year to 5.4 per cent represents progress towards the goal of 8 to 10 per cent in the medium term. In the first half of the year the Components, Sensors and IMS divisions all made excellent progress towards their respective operating margin targets. The operating margin in the Secure Power division declined in the period. We are on course to achieve the overall target margin for the Group of 8 per cent by the end of 2013. Earnings per share growth and relative total shareholder return both exceeded the targets set. Operating cash conversion was below the target due to the working capital outflow discussed further below.

## Exceptional items

| £million                                     | Six months ended 30 June 2011 | Six months ended 30 June 2010 |
|----------------------------------------------|-------------------------------|-------------------------------|
| Reduction in UK pension liabilities          | 7.5                           | –                             |
| Pension curtailment gain from scheme closure | –                             | 4.3                           |
| Profit on sale of property interest          | –                             | 1.0                           |
| Onerous property leases                      | –                             | (0.8)                         |
| Total                                        | 7.5                           | 4.5                           |

The exceptional item in the first half of 2011 relates to a one-off reduction in the future liabilities of the UK pension scheme following the UK Government's change in the basis of indexation of occupational pension schemes from the Retail Price Index (RPI) to the Consumer Price Index (CPI). This was communicated to members in the first half of 2011 and has therefore been recognised.

As noted above, the planned closure of the Components facility in Boone, North Carolina, will give rise to an exceptional cost of approximately £5.5 million, of which £4.5 million will be charged in the second half of 2011.

## Taxation

The tax charge for the half year was £4.4 million (2010: £3.1 million), which represents an effective tax rate of 31.2 per cent on continuing operations excluding exceptional items (2010 full year: 32.4 per cent excluding exceptional items). The charge arises from the profits generated in overseas countries, in particular USA, Mexico and China.

## Earnings per share and dividends

Headline earnings per share from continuing operations were 6.2 pence which represents an increase of 67.6 per cent over the 2010 figure. Basic earnings per share from continuing operations were 11.1 pence (2010: 6.6 pence).

The Directors have declared an interim dividend of 1.2 pence per share, an increase of 50.0 per cent over the interim dividend paid in 2010. The Group's policy is to increase dividends progressively whilst maintaining cover of at least two times underlying earnings per share. The interim dividend will be paid on 3 November 2011 to shareholders on the register on 21 October 2011.

## Discontinued operations

AEI Compounds Ltd, the last business remaining in the General Industrial division, has been treated as discontinued with its assets and related liabilities classified as being held for sale at 30 June 2011. The disposal was completed on 11 July 2011 for a consideration of £8.6 million in cash before costs. Discontinued operations shown for 2010 comprise AEI Compounds and the other General Industrial businesses which were sold during that year.

## Pensions

The Group operates one significant defined benefit scheme in the UK and two overseas defined benefit schemes in the USA and Japan. All of these schemes are closed to new members and the UK and USA schemes were closed to future accrual during 2010.

The assets and liabilities of the Group's defined benefit schemes are summarised below:

| £million             | At 30 June 2011 | At 30 June 2010 | At 31 Dec 2010 |
|----------------------|-----------------|-----------------|----------------|
| Fair value of assets | 347.8           | 317.8           | 338.1          |
| Liabilities          | (377.8)         | (361.4)         | (379.3)        |
| Total Group deficit  | (30.0)          | (43.6)          | (41.2)         |

As noted above, there was a one-off reduction in future liabilities of the UK scheme of £7.5 million arising from the UK Government's change to use the CPI rather than the RPI.

The triennial valuation of the UK scheme as at April 2010 showed a deficit of £39.8 million. A funding agreement is in place with the Trustee, fixing contributions at £3.5 million in 2011 and increasing by £0.2 million each year to £4.5 million in 2016. In addition, the Company has agreed to set aside £1.0 million per year for the next three years to be utilised in agreement with the Trustee for reducing the long-term liabilities of the scheme.

## Cash flow, borrowings and facilities

There was an increase in working capital of £23.3 million in the first half due to the underlying increase in revenue of 14.1 per cent, continued good trading activity in the summer months and the impact of the Japanese crisis which led to a number of our businesses increasing inventory levels in order to guarantee customer deliveries. Working capital was also impacted by the weak trading performance at Ottomotores in Mexico. As a percentage of sales, trade working capital was 20 per cent compared with 17 per cent at December 2010 and 20 per cent at June 2010. It is anticipated that this ratio will reduce in the second half.

Operating cash flow before exceptional payments was £7.0 million compared with £20.5 million in the first half of 2010 due largely to the working capital outflow. Capital expenditure increased to £8.0 million (2010: £5.0 million) but remained below depreciation of £9.6 million.

Net debt at 30 June 2011 was £24.2 million compared with £9.9 million at the start of the year, £44.6 million at 30 June 2010 and £113.2 million at the end of 2008.

The Group has total borrowing facilities of approximately £110 million, including £60 million from the three year committed Club facility put in place in May 2010. During the first half, a £10 million facility provided by the Royal Bank of Scotland was repaid in full.

The main financial covenants in the Club facility restrict net debt to below 2.0 times EBITDA before exceptional items. In addition, EBITDA before exceptional items is required to cover net finance charges by 6.25 times to May 2012 and 6.5 times thereafter. The covenants are tested quarterly on a rolling 12-month basis and were satisfied comfortably at 30 June 2011.

|                                                     | Covenant | June 2011 <sup>1</sup> |
|-----------------------------------------------------|----------|------------------------|
| Net debt/EBITDA before exceptional items            | <2.0     | 0.4                    |
| EBITDA before exceptional items/net finance charges | >6.25    | 15.1                   |

<sup>1</sup> Based on EBITDA and net finance charges for 12 months ended 30 June 2011.

The Directors have considered the future funding requirements of the Group and compared them with the level of available borrowing facilities and are satisfied that the Group has adequate resources for the foreseeable future.

### Principal risks and uncertainties

As described on pages 37 to 39 of the 2010 Annual Report, the Group continues to be exposed to a number of operational and financial risks and has an established, structured approach to identifying, assessing and managing those risks. The Directors do not believe that the risks faced by the Group have changed significantly during the first six months of 2011.

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# Responsibility statement

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We confirm that to the best of our knowledge:

- (a) The condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU.
- (b) 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.
- (c) The interim management report includes a fair review of the information required by DTR 4.2.8R:
  - (i) related parties transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group in that period, and
  - (ii) any changes in the related parties transactions described in the Annual Report 2010 that could have a material effect on the financial position or performance of the Group in the current period.

On behalf of the Board:

**Geraint Anderson**  
Group Chief Executive

**Shatish D Dasani**  
Group Finance Director

24 August 2011

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# Independent review report

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## Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half year report for the six months ended 30 June 2011 which comprises the Condensed consolidated income statement, the Condensed consolidated statement of comprehensive income, the Condensed consolidated balance sheet, the Condensed consolidated statement of changes in equity, the Condensed consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the half year report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement to assist the Company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

## Directors' responsibilities

The half year report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half year report in accordance with the DTR of the UK FSA. The annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half year report has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU.

## Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half year 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 Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) 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 half year financial statements for the six months ended 30 June 2011 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

**A J Sykes (Senior Statutory Auditor)**  
**for and on behalf of KPMG Audit Plc, Statutory Auditor**  
Chartered Accountants  
15 Canada Square  
London E14 5GL  
24 August 2011



# Condensed consolidated income statement (unaudited)

for the six months ended 30 June 2011

| £million (unless otherwise stated)                                                  | Note  | Six months<br>ended<br>30 June<br>2011 | Six months<br>ended<br>30 June<br>2010* | Year ended<br>31 December<br>2010* |
|-------------------------------------------------------------------------------------|-------|----------------------------------------|-----------------------------------------|------------------------------------|
| <b>Continuing operations</b>                                                        |       |                                        |                                         |                                    |
| <b>Revenue</b>                                                                      | 3 a,b | <b>294.6</b>                           | 262.5                                   | 555.5                              |
| Cost of sales                                                                       |       | <b>(234.7)</b>                         | (216.0)                                 | (456.4)                            |
| <b>Gross profit</b>                                                                 |       | <b>59.9</b>                            | 46.5                                    | 99.1                               |
| Distribution costs                                                                  |       | <b>(21.1)</b>                          | (17.3)                                  | (34.5)                             |
| Administrative expenses                                                             |       | <b>(16.1)</b>                          | (15.3)                                  | (37.6)                             |
| Other operating income                                                              |       | <b>0.8</b>                             | 1.4                                     | 2.4                                |
| <b>Operating profit</b>                                                             |       | <b>23.5</b>                            | 15.3                                    | 29.4                               |
| Analysed as:                                                                        |       |                                        |                                         |                                    |
| Operating profit before exceptional items                                           |       | <b>16.0</b>                            | 10.8                                    | 24.9                               |
| Exceptional items                                                                   | 5     | <b>7.5</b>                             | 4.5                                     | 4.5                                |
| Finance income                                                                      | 6     | <b>10.2</b>                            | 9.6                                     | 19.5                               |
| Finance costs                                                                       | 6     | <b>(12.1)</b>                          | (11.5)                                  | (23.8)                             |
| <b>Profit before taxation</b>                                                       |       | <b>21.6</b>                            | 13.4                                    | 25.1                               |
| Taxation                                                                            | 7     | <b>(4.4)</b>                           | (3.1)                                   | (6.7)                              |
| <b>Profit from continuing operations</b>                                            |       | <b>17.2</b>                            | 10.3                                    | 18.4                               |
| <b>Discontinued operations</b>                                                      |       |                                        |                                         |                                    |
| Profit/(loss) for the period from discontinued operations                           | 4     | <b>0.1</b>                             | (0.1)                                   | 7.5                                |
| <b>Profit for the period attributable to owners of the Company</b>                  |       | <b>17.3</b>                            | 10.2                                    | 25.9                               |
| <b>Earnings per share attributable to owners of the Company – basic and diluted</b> | 8     |                                        |                                         |                                    |
| From continuing operations                                                          |       | <b>11.1p</b>                           | 6.6p                                    | 11.9p                              |
| From discontinued operations                                                        |       | <b>–</b>                               | –                                       | 4.8p                               |
|                                                                                     |       | <b>11.1p</b>                           | 6.6p                                    | 16.7p                              |

\*Re-presented for discontinued operations in accordance with IFRS.

# Condensed consolidated statement of comprehensive income (unaudited)

for the six months ended 30 June 2011

| £million                                                                                   | Six months<br>ended<br>30 June<br>2011 | Six months<br>ended<br>30 June<br>2010 | Year ended<br>31 December<br>2010 |
|--------------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|-----------------------------------|
| <b>Profit for the period</b>                                                               | <b>17.3</b>                            | 10.2                                   | 25.9                              |
| <b>Other comprehensive income/(loss) for the year after tax</b>                            |                                        |                                        |                                   |
| Exchange differences on retranslation of foreign operations                                | <b>0.8</b>                             | 4.3                                    | 2.1                               |
| Tax on exchange differences                                                                | –                                      | –                                      | 0.1                               |
| Gain/(loss) on hedge of net investment in foreign operations                               | <b>0.8</b>                             | –                                      | (0.9)                             |
| (Loss)/gain on cash flow hedges taken to equity less amounts taken to the income statement | <b>(0.5)</b>                           | 0.6                                    | (0.2)                             |
| Foreign exchange loss on disposals taken to the income statement                           | –                                      | (1.6)                                  | (1.7)                             |
| Fair value of minority put option                                                          | –                                      | (3.5)                                  | (3.9)                             |
| Actuarial gain/(loss) on defined benefit pension schemes                                   | <b>2.5</b>                             | (5.9)                                  | (5.9)                             |
| Tax on actuarial amounts in pension deficit movement                                       | <b>(3.3)</b>                           | –                                      | 8.1                               |
| <b>Total comprehensive income for the period</b>                                           | <b>17.6</b>                            | 4.1                                    | 23.6                              |

Total comprehensive income for the six months ended 30 June 2011 is entirely attributable to the owners of the Company.

# Condensed consolidated balance sheet (unaudited)

at 30 June 2011

| £million                                                                | Note | At<br>30 June<br>2011 | At<br>30 June<br>2010 | At<br>31 December<br>2010 |
|-------------------------------------------------------------------------|------|-----------------------|-----------------------|---------------------------|
| <b>ASSETS</b>                                                           |      |                       |                       |                           |
| <b>Non-current assets</b>                                               |      |                       |                       |                           |
| Property, plant and equipment                                           |      | 90.8                  | 100.7                 | 93.5                      |
| Goodwill                                                                |      | 65.5                  | 69.4                  | 66.9                      |
| Other intangible assets                                                 |      | 13.7                  | 15.2                  | 14.7                      |
| Deferred tax assets                                                     |      | 17.4                  | 4.9                   | 20.1                      |
| Total non-current assets                                                |      | 187.4                 | 190.2                 | 195.2                     |
| <b>Current assets</b>                                                   |      |                       |                       |                           |
| Inventories                                                             |      | 91.0                  | 94.9                  | 81.4                      |
| Trade and other receivables                                             |      | 98.7                  | 98.5                  | 92.7                      |
| Derivative financial instruments                                        |      | 0.2                   | 1.3                   | 0.4                       |
| Cash and cash equivalents                                               |      | 28.3                  | 23.0                  | 44.8                      |
| Total current assets                                                    |      | 218.2                 | 217.7                 | 219.3                     |
| Assets classified as held for sale                                      | 4    | 11.8                  | –                     | –                         |
| <b>Total assets</b>                                                     |      | <b>417.4</b>          | <b>407.9</b>          | <b>414.5</b>              |
| <b>LIABILITIES</b>                                                      |      |                       |                       |                           |
| <b>Current liabilities</b>                                              |      |                       |                       |                           |
| Borrowings                                                              |      | 14.3                  | 8.4                   | 5.4                       |
| Derivative financial instruments                                        |      | 0.7                   | 0.7                   | 0.4                       |
| Trade and other payables                                                |      | 105.0                 | 110.0                 | 112.9                     |
| Income taxes payable                                                    |      | 4.5                   | 2.6                   | 4.5                       |
| Provisions                                                              |      | 5.7                   | 8.5                   | 3.0                       |
| Total current liabilities                                               |      | 130.2                 | 130.2                 | 126.2                     |
| <b>Non-current liabilities</b>                                          |      |                       |                       |                           |
| Borrowings                                                              |      | 39.6                  | 59.2                  | 49.3                      |
| Derivative financial instruments                                        |      | 4.0                   | –                     | 4.3                       |
| Deferred tax liability                                                  |      | 8.9                   | 5.6                   | 8.9                       |
| Pensions and other post employment benefits                             | 10   | 30.0                  | 43.6                  | 41.2                      |
| Provisions                                                              |      | 0.4                   | 0.3                   | 0.1                       |
| Other non-current liabilities                                           |      | 5.8                   | 9.1                   | 5.4                       |
| Total non-current liabilities                                           |      | 88.7                  | 117.8                 | 109.2                     |
| Liabilities directly associated with assets classified as held for sale | 4    | 3.5                   | –                     | –                         |
| <b>Total liabilities</b>                                                |      | <b>222.4</b>          | <b>248.0</b>          | <b>235.4</b>              |
| <b>Net assets</b>                                                       |      | <b>195.0</b>          | <b>159.9</b>          | <b>179.1</b>              |
| <b>EQUITY</b>                                                           |      |                       |                       |                           |
| Share capital                                                           |      | 38.8                  | 38.7                  | 38.8                      |
| Share premium                                                           |      | 0.5                   | 0.2                   | 0.4                       |
| Share options reserve                                                   |      | 2.4                   | 1.0                   | 1.6                       |
| Hedging and translation reserve                                         |      | 27.7                  | 30.5                  | 26.6                      |
| Retained earnings                                                       |      | 123.6                 | 87.5                  | 109.7                     |
| Equity attributable to owners of the Company                            |      | 193.0                 | 157.9                 | 177.1                     |
| Non-controlling interests                                               |      | 2.0                   | 2.0                   | 2.0                       |
| <b>Total equity</b>                                                     |      | <b>195.0</b>          | <b>159.9</b>          | <b>179.1</b>              |

# Condensed consolidated statement of changes in equity (unaudited)

for the six months ended 30 June 2011

| £million                                                                             | Attributable to owners of the Company |               |                       |                 |                     |                   | Non-controlling interest | Total        |
|--------------------------------------------------------------------------------------|---------------------------------------|---------------|-----------------------|-----------------|---------------------|-------------------|--------------------------|--------------|
|                                                                                      | Share capital                         | Share premium | Share options reserve | Hedging reserve | Translation reserve | Retained earnings |                          |              |
| At 1 January 2011                                                                    | 38.8                                  | 0.4           | 1.6                   | (11.7)          | 38.3                | 109.7             | 177.1                    | 179.1        |
| <b>Profit for the period</b>                                                         | –                                     | –             | –                     | –               | –                   | 17.3              | 17.3                     | 17.3         |
| <b>Other comprehensive income</b>                                                    |                                       |               |                       |                 |                     |                   |                          |              |
| Exchange differences on translation of foreign operations                            | –                                     | –             | –                     | –               | 0.8                 | –                 | 0.8                      | 0.8          |
| Loss on cash flow hedges taken to equity less amounts taken to the income statement  | –                                     | –             | –                     | (0.5)           | –                   | –                 | (0.5)                    | (0.5)        |
| Net gain on hedge of net investment in foreign operations                            | –                                     | –             | –                     | –               | 0.8                 | –                 | 0.8                      | 0.8          |
| Actuarial gain on defined benefit pension scheme                                     | –                                     | –             | –                     | –               | –                   | 2.5               | 2.5                      | 2.5          |
| Tax on actuarial amounts in pension deficit movement                                 | –                                     | –             | –                     | –               | –                   | (3.3)             | (3.3)                    | (3.3)        |
| Total other comprehensive income                                                     | –                                     | –             | –                     | (0.5)           | 1.6                 | (0.8)             | 0.3                      | 0.3          |
| <b>Transactions with owners recorded directly in equity</b>                          |                                       |               |                       |                 |                     |                   |                          |              |
| Equity dividends paid by the Company                                                 | –                                     | –             | –                     | –               | –                   | (3.1)             | (3.1)                    | (3.1)        |
| Share based payments                                                                 | –                                     | –             | 0.7                   | –               | –                   | –                 | 0.7                      | 0.7          |
| Deferred tax on share-based payments                                                 | –                                     | –             | 0.1                   | –               | –                   | –                 | 0.1                      | 0.1          |
| Change in fair value of minority put option                                          | –                                     | –             | –                     | –               | –                   | 0.5               | 0.5                      | 0.5          |
| New shares issued                                                                    | –                                     | 0.1           | –                     | –               | –                   | –                 | 0.1                      | 0.1          |
| <b>At 30 June 2011</b>                                                               | <b>38.8</b>                           | <b>0.5</b>    | <b>2.4</b>            | <b>(12.2)</b>   | <b>39.9</b>         | <b>123.6</b>      | <b>193.0</b>             | <b>195.0</b> |
| At 1 January 2010                                                                    | 38.7                                  | 0.2           | 1.0                   | (11.5)          | 38.7                | 86.3              | 153.4                    | 155.8        |
| <b>Profit for the period</b>                                                         | –                                     | –             | –                     | –               | –                   | 10.2              | 10.2                     | 10.2         |
| <b>Other comprehensive income</b>                                                    |                                       |               |                       |                 |                     |                   |                          |              |
| Exchange differences on translation of foreign operations                            | –                                     | –             | –                     | –               | 4.3                 | –                 | 4.3                      | 4.3          |
| Gains on cash flow hedges taken to equity less amounts taken to the income statement | –                                     | –             | –                     | 0.6             | –                   | –                 | 0.6                      | 0.6          |
| Foreign exchange loss on disposals taken to the income statement                     | –                                     | –             | –                     | –               | (1.6)               | –                 | (1.6)                    | (1.6)        |
| Fair value of minority put option                                                    | –                                     | –             | –                     | –               | –                   | (3.1)             | (3.1)                    | (3.5)        |
| Actuarial loss on defined benefit pension scheme                                     | –                                     | –             | –                     | –               | –                   | (5.9)             | (5.9)                    | (5.9)        |
| Tax on actuarial amounts in pension deficit movement                                 | –                                     | –             | –                     | –               | –                   | –                 | –                        | –            |
| Total other comprehensive income                                                     | –                                     | –             | –                     | 0.6             | 2.7                 | (9.0)             | (5.7)                    | (6.1)        |
| <b>Transactions with owners recorded directly in equity</b>                          |                                       |               |                       |                 |                     |                   |                          |              |
| Share-based payments                                                                 | –                                     | –             | –                     | –               | –                   | –                 | –                        | –            |
| <b>At 30 June 2010</b>                                                               | <b>38.7</b>                           | <b>0.2</b>    | <b>1.0</b>            | <b>(10.9)</b>   | <b>41.4</b>         | <b>87.5</b>       | <b>157.9</b>             | <b>159.9</b> |

# Condensed consolidated cash flow statement (unaudited)

for the six months ended 30 June 2011

| £million                                                                    | Note | Six months ended<br>30 June<br>2011 | Six months ended<br>30 June<br>2010* | Year ended<br>31 December<br>2010* |
|-----------------------------------------------------------------------------|------|-------------------------------------|--------------------------------------|------------------------------------|
| <b>Cash flows from operating activities</b>                                 |      |                                     |                                      |                                    |
| <b>Profit for the period</b>                                                |      | <b>17.3</b>                         | 10.2                                 | 25.9                               |
| Taxation                                                                    |      | <b>4.4</b>                          | 3.1                                  | 7.1                                |
| Net finance costs                                                           |      | <b>1.9</b>                          | 1.9                                  | 4.5                                |
| Exceptional items                                                           |      | <b>(7.5)</b>                        | (4.5)                                | (4.5)                              |
| Loss/(profit) on disposal of discontinued operations                        |      | <b>–</b>                            | 0.7                                  | (7.1)                              |
| Operating profit from discontinued operations before exceptional items      |      | <b>(0.1)</b>                        | (0.6)                                | (1.0)                              |
| <b>Operating profit from continuing operations before exceptional items</b> |      | <b>16.0</b>                         | 10.8                                 | 24.9                               |
| Adjustments for:                                                            |      |                                     |                                      |                                    |
| Depreciation of property, plant and equipment                               |      | <b>9.6</b>                          | 10.7                                 | 21.2                               |
| Amortisation of intangible assets                                           |      | <b>4.1</b>                          | 5.2                                  | 9.6                                |
| Other items                                                                 |      | <b>0.6</b>                          | (0.1)                                | (0.5)                              |
| Increase in inventories                                                     |      | <b>(11.5)</b>                       | (13.7)                               | (6.0)                              |
| Increase in receivables                                                     |      | <b>(10.3)</b>                       | (16.8)                               | (15.2)                             |
| Decrease/increase in payables                                               |      | <b>(1.5)</b>                        | 24.4                                 | 26.2                               |
| <b>Operating cash flow before exceptional payments</b>                      |      | <b>7.0</b>                          | 20.5                                 | 60.2                               |
| Special payments to pension funds                                           |      | <b>(1.8)</b>                        | (1.6)                                | (3.2)                              |
| Exceptional restructuring costs                                             |      | <b>(0.4)</b>                        | (3.1)                                | (5.0)                              |
| Net cash generated from operations                                          |      | <b>4.8</b>                          | 15.8                                 | 52.0                               |
| Income taxes paid                                                           |      | <b>(4.8)</b>                        | (2.4)                                | (7.0)                              |
| <b>Net cash from operating activities</b>                                   |      | <b>–</b>                            | 13.4                                 | 45.0                               |
| <b>Cash flows from investing activities</b>                                 |      |                                     |                                      |                                    |
| Interest received                                                           |      | <b>0.1</b>                          | –                                    | 0.2                                |
| Purchase of property, plant and equipment                                   |      | <b>(8.0)</b>                        | (5.0)                                | (10.8)                             |
| Proceeds from sale of property, plant and equipment and grants received     |      | <b>0.4</b>                          | 1.3                                  | 1.7                                |
| Development expenditure                                                     |      | <b>(3.0)</b>                        | (3.3)                                | (6.0)                              |
| Purchase of other intangibles                                               |      | <b>–</b>                            | –                                    | (1.4)                              |
| Disposal of subsidiaries (net of cash in subsidiaries at date of disposal)  |      | <b>–</b>                            | 6.5                                  | 21.7                               |
| Deferred consideration received                                             |      | <b>0.8</b>                          | –                                    | –                                  |
| <b>Net cash (used in)/from investing activities</b>                         |      | <b>(9.7)</b>                        | (0.5)                                | 5.4                                |
| <b>Cash flows from financing activities</b>                                 |      |                                     |                                      |                                    |
| Issue of share capital                                                      |      | <b>0.1</b>                          | –                                    | 0.3                                |
| Interest paid                                                               |      | <b>(1.4)</b>                        | (1.4)                                | (2.9)                              |
| Repayment of borrowings                                                     | 11   | <b>(10.8)</b>                       | (75.3)                               | (86.5)                             |
| Proceeds from borrowings (2010: net of arrangement costs of £2.0 million)   | 11   | <b>0.2</b>                          | 58.0                                 | 59.1                               |
| Finance leases                                                              |      | <b>–</b>                            | –                                    | (0.1)                              |
| Dividends paid by the Company                                               |      | <b>(3.1)</b>                        | –                                    | (1.2)                              |
| <b>Net cash used in financing activities</b>                                |      | <b>(15.0)</b>                       | (18.7)                               | (31.3)                             |
| <b>Net (decrease)/increase in cash and cash equivalents</b>                 | 11   | <b>(24.7)</b>                       | (5.8)                                | 19.1                               |
| Cash and cash equivalents at beginning of period                            |      | <b>44.2</b>                         | 24.5                                 | 24.5                               |
| Cash transferred to assets held for sale                                    |      | <b>(1.4)</b>                        | –                                    | –                                  |
| Exchange differences                                                        |      | <b>0.1</b>                          | 0.5                                  | 0.6                                |
| <b>Cash and cash equivalents at end of period</b>                           | 11   | <b>18.2</b>                         | 19.2                                 | 44.2                               |
| <b>Cash and cash equivalents comprise</b>                                   |      |                                     |                                      |                                    |
| Cash at bank and in hand                                                    |      | <b>28.3</b>                         | 23.0                                 | 44.8                               |
| Bank overdrafts                                                             |      | <b>(10.1)</b>                       | (3.8)                                | (0.6)                              |
|                                                                             | 11   | <b>18.2</b>                         | 19.2                                 | 44.2                               |

The Condensed consolidated cash flow statement includes cash flows from both continuing and discontinued operations.

\*Re-presented for discontinued operations in accordance with IFRS.



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# Notes to the condensed consolidated financial statements (unaudited)

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## 1 General information

The condensed consolidated financial statements for the six months ended 30 June 2011 are unaudited and were authorised for issue in accordance with a resolution of the Board of Directors. They do not constitute statutory financial statements as defined in Section 434 of the Companies Act 2006. The comparative figures for the year ended 31 December 2010 are based on the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditors and delivered to the registrar of companies. The report of the auditors was unqualified, did not include a reference to any matter to which the auditors drew attention by way of emphasis without qualifying their report, and did not contain a statement under Section 498 of the Companies Act 2006.

## 2 Basis of preparation

### a) Condensed consolidated half-yearly financial statements

These condensed consolidated half year financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU. These condensed consolidated half year financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the 2010 Annual Report and Accounts.

### 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 2010. Adoption of amendments to published standards and interpretations effective for the Group for the half year ended 30 June 2011 did not have any impact on the financial position and performance of the Group.

### c) Discontinued operations

In accordance with IFRS 5 "Non-current assets held for sale and discontinued operations", comparatives for prior periods have been re-presented for businesses treated as discontinued.

### d) Estimates

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

In preparing the condensed consolidated half year financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those applied to the consolidated financial statements as at and for the year ended 31 December 2010.

### e) Going concern

After making appropriate enquiry, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the condensed consolidated half year financial statements. The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Business review on pages 4 to 9.

Pages 37 to 39 of the 2010 Annual Report provide details of the Group's policy on managing its operational and financial risks.

### 3 Segmental reporting

For management purposes, the Group is organised into four 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:

- Components – specialist resistive components and microcircuits, connectors and interconnection systems;
- Sensors – electronic accelerator pedals, engine and wheel speed, temperature and pressure sensors and chassis height sensors;
- Integrated Manufacturing Services – global electronics manufacturing capability with logistics and integrated solutions; and
- Secure Power – standby generation and uninterruptible power systems manufacture and service.

Following the disposal of AEI Compounds Ltd in July 2011, the General Industrial division ceased to exist. This business is shown as a discontinued operation in these condensed consolidated half-yearly financial statements.

The accounting policies of the reportable segments are the same as the Group's accounting policies and are as published in the 2010 Annual Report and Accounts.

The key performance measure of the operating segments is operating profit before exceptional items. The Group reports non-trading income or expenditure as exceptional 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. Segment operating profit represents the profit earned by each segment after the allocation of central head office administration costs.

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 they are a part.

#### a) Income statement information – continuing operations

|                                                          | Six months ended 30 June 2011 |             |                                         |                 |              |
|----------------------------------------------------------|-------------------------------|-------------|-----------------------------------------|-----------------|--------------|
| £million                                                 | Components                    | Sensors     | Integrated<br>Manufacturing<br>Services | Secure<br>Power | Total        |
| <b>Sales to external customers</b>                       | <b>124.2</b>                  | <b>85.6</b> | <b>51.8</b>                             | <b>33.0</b>     | <b>294.6</b> |
| <b>Segment operating profit before exceptional items</b> | <b>7.1</b>                    | <b>4.5</b>  | <b>2.9</b>                              | <b>1.5</b>      | <b>16.0</b>  |
| Exceptional items                                        |                               |             |                                         |                 | <b>7.5</b>   |
| <b>Operating profit</b>                                  |                               |             |                                         |                 | <b>23.5</b>  |
| Net finance costs                                        |                               |             |                                         |                 | <b>(1.9)</b> |
| <b>Profit before taxation</b>                            |                               |             |                                         |                 | <b>21.6</b>  |

|                                                   | Six months ended 30 June 2010 (re-presented) |         |                                         |                 |       |
|---------------------------------------------------|----------------------------------------------|---------|-----------------------------------------|-----------------|-------|
| £million                                          | Components                                   | Sensors | Integrated<br>Manufacturing<br>Services | Secure<br>Power | Total |
| Sales to external customers                       | 112.9                                        | 68.5    | 43.1                                    | 38.0            | 262.5 |
| Segment operating profit before exceptional items | 5.2                                          | 1.1     | 2.0                                     | 2.5             | 10.8  |
| Exceptional items                                 |                                              |         |                                         |                 | 4.5   |
| Operating profit                                  |                                              |         |                                         |                 | 15.3  |
| Net finance costs                                 |                                              |         |                                         |                 | (1.9) |
| Profit before taxation                            |                                              |         |                                         |                 | 13.4  |

# Notes to the condensed consolidated financial statements (continued)

## 3 Segmental reporting continued

### a) Income statement information – continuing operations continued

| £million                                          | Year ended 31 December 2010 (re-presented) |         |                                   |              | Total |
|---------------------------------------------------|--------------------------------------------|---------|-----------------------------------|--------------|-------|
|                                                   | Components                                 | Sensors | Integrated Manufacturing Services | Secure Power |       |
| Sales to external customers                       | 234.6                                      | 143.5   | 92.2                              | 85.2         | 555.5 |
| Segment operating profit before exceptional items | 10.7                                       | 3.9     | 4.1                               | 6.2          | 24.9  |
| Exceptional items                                 |                                            |         |                                   |              | 4.5   |
| Operating profit                                  |                                            |         |                                   |              | 29.4  |
| Net finance costs                                 |                                            |         |                                   |              | (4.3) |
| Profit before taxation                            |                                            |         |                                   |              | 25.1  |

There are no significant sales between segments.

With effect from 1 January 2011, Abtest Ltd, a business which was formerly part of the General Industrial division, is now managed as part of the Integrated Manufacturing Services division. Accordingly the results for the comparative periods for the business have been re-presented to show within the Integrated Manufacturing Services division. For the year ended 31 December 2010, the revenue and operating loss of Abtest Ltd was £0.8 million and £0.2 million, and £0.4 million with an operating profit of £0.2 million for the six months ended 30 June 2010 respectively.

### b) Analysis of revenue – continuing operations

| £million                           | Six months ended 30 June 2011 | Six months ended 30 June 2010 (re-presented) | Year ended 31 December 2010 (re-presented) |
|------------------------------------|-------------------------------|----------------------------------------------|--------------------------------------------|
| <b>By destination</b>              |                               |                                              |                                            |
| United Kingdom                     | 48.8                          | 42.1                                         | 95.0                                       |
| Rest of Europe                     | 127.3                         | 105.6                                        | 222.4                                      |
| North America                      | 55.7                          | 50.4                                         | 102.3                                      |
| Central and South America          | 21.2                          | 28.6                                         | 58.5                                       |
| Asia                               | 39.1                          | 33.4                                         | 72.3                                       |
| Rest of the World                  | 2.5                           | 2.4                                          | 5.0                                        |
| <b>Total continuing operations</b> | <b>294.6</b>                  | 262.5                                        | 555.5                                      |
| Discontinued operations            | 11.9                          | 27.5                                         | 44.2                                       |
| <b>Total revenue</b>               | <b>306.5</b>                  | 290.0                                        | 599.7                                      |

## 4 Discontinued operations and assets held for sale

### a) Income statement

The Directors had decided before 30 June 2011 to dispose of AEI Compounds Ltd, the last business remaining within the General Industrial division. This business was therefore classified as a discontinued operation, with the assets and related liabilities shown as being held for sale at the balance sheet date. The disposal of the business completed on 11 July 2011 for a consideration of £8.6 million in cash before costs.

#### 4 Discontinued operations and assets held for sale continued

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

| £million                                             | Six months ended<br>30 June<br>2011 | Six months ended<br>30 June<br>2010 | Year ended<br>31 December<br>2010 |
|------------------------------------------------------|-------------------------------------|-------------------------------------|-----------------------------------|
| <b>Revenue</b>                                       | <b>11.9</b>                         | 27.5                                | 44.2                              |
| Cost of sales                                        | (10.8)                              | (22.4)                              | (36.3)                            |
| <b>Gross profit</b>                                  | <b>1.1</b>                          | 5.1                                 | 7.9                               |
| Distribution costs                                   | (0.2)                               | (1.9)                               | (2.9)                             |
| Administrative expenses                              | (0.8)                               | (2.6)                               | (4.0)                             |
| <b>Operating profit</b>                              | <b>0.1</b>                          | 0.6                                 | 1.0                               |
| Net finance income                                   | –                                   | –                                   | (0.2)                             |
| <b>Profit before taxation</b>                        | <b>0.1</b>                          | 0.6                                 | 0.8                               |
| Taxation                                             | –                                   | –                                   | (0.4)                             |
| <b>Profit after taxation</b>                         | <b>0.1</b>                          | 0.6                                 | 0.4                               |
| Profit/(loss) on disposal of discontinued operations | –                                   | (0.7)                               | 7.1                               |
| <b>Profit/(loss) from discontinued operations</b>    | <b>0.1</b>                          | (0.1)                               | 7.5                               |

The disposal of AEI Compounds Ltd resulted in a profit on disposal and hence no impairment charge has been recognised to write down the business to its expected fair value less costs to sell.

#### b) Balance sheet

The major classes of assets and liabilities of AEI Compounds Ltd classified as held for sale at 30 June 2011 were as follows:

|                                                                         | £million     |
|-------------------------------------------------------------------------|--------------|
| <b>Assets</b>                                                           |              |
| Property, plant and equipment                                           | <b>3.0</b>   |
| Inventories                                                             | <b>2.8</b>   |
| Trade and other receivables                                             | <b>4.6</b>   |
| Cash and cash equivalents                                               | <b>1.4</b>   |
| Assets classified as held for sale                                      | <b>11.8</b>  |
| <b>Liabilities</b>                                                      |              |
| Trade and other payables                                                | <b>(3.5)</b> |
| Liabilities directly associated with assets classified as held for sale | <b>(3.5)</b> |
| Net assets classified as held for sale                                  | <b>8.3</b>   |

#### c) Cash flows

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

| £million             | Six months ended<br>30 June<br>2011 | Six months ended<br>30 June<br>2010 | Year ended<br>31 December<br>2010 |
|----------------------|-------------------------------------|-------------------------------------|-----------------------------------|
| Operating activities | <b>0.2</b>                          | 0.4                                 | 0.9                               |
| Investing activities | <b>(0.3)</b>                        | (0.6)                               | (0.6)                             |
| <b>Net cash flow</b> | <b>(0.1)</b>                        | (0.2)                               | 0.3                               |

# Notes to the condensed consolidated financial statements (continued)

## 5 Exceptional items

| £million                                        | Six months ended<br>30 June<br>2011 | Six months ended<br>30 June<br>2010 | Year ended<br>31 December<br>2010 |
|-------------------------------------------------|-------------------------------------|-------------------------------------|-----------------------------------|
| <b>Continuing operations – income/(expense)</b> |                                     |                                     |                                   |
| Reduction in UK pension liabilities             | 7.5                                 | –                                   | –                                 |
| Profit on sale of property interest             | –                                   | 1.0                                 | 1.0                               |
| Onerous property leases                         | –                                   | (0.8)                               | (0.8)                             |
| Pensions curtailment gain from scheme closure   | –                                   | 4.3                                 | 4.3                               |
| <b>Total</b>                                    | <b>7.5</b>                          | <b>4.5</b>                          | <b>4.5</b>                        |

### a) Six months ended 30 June 2011

For the six months ended 30 June 2011, the exceptional item relates to a one-off reduction in the future liabilities of the UK pension scheme following the UK Government's announcement in 2010 to change the basis of indexation of occupational pension schemes from RPI to CPI. This was communicated to members in the first half of 2011 and has therefore been recognised in the current period.

### b) Six months ended 30 June 2010 and year ended 31 December 2010

For the six months ended 30 June 2010 and year ended 31 December 2010, the exceptional items relate to:

- a curtailment gain of £4.3 million arising from the closure of the UK defined benefit scheme to future accrual;
- a profit of £1.0 million arising from the sale of property interests; and
- a provision of £0.8 million which has been recognised in respect of two vacant properties subject to onerous long-term leases.

## 6 Finance income and costs

| £million                                            | Six months ended<br>30 June<br>2011 | Six months ended<br>30 June<br>2010<br>(re-presented) | Year ended<br>31 December<br>2010<br>(re-presented) |
|-----------------------------------------------------|-------------------------------------|-------------------------------------------------------|-----------------------------------------------------|
| Interest expense                                    | 1.0                                 | 1.6                                                   | 3.0                                                 |
| Foreign exchange losses                             | 0.6                                 | –                                                     | –                                                   |
| Interest on employee obligations                    | 9.9                                 | 9.9                                                   | 19.8                                                |
| Amortisation of arrangement fees                    | 0.3                                 | –                                                     | 0.6                                                 |
| Unwinding of discount factor on minority put option | 0.3                                 | –                                                     | 0.4                                                 |
| <b>Finance costs</b>                                | <b>12.1</b>                         | <b>11.5</b>                                           | <b>23.8</b>                                         |
| Interest income                                     | 0.1                                 | –                                                     | 0.2                                                 |
| Foreign exchange gains                              | 0.6                                 | –                                                     | –                                                   |
| Expected return on pension scheme assets            | 9.5                                 | 9.6                                                   | 19.3                                                |
| <b>Finance income</b>                               | <b>10.2</b>                         | <b>9.6</b>                                            | <b>19.5</b>                                         |
| <b>Net finance costs</b>                            | <b>1.9</b>                          | <b>1.9</b>                                            | <b>4.3</b>                                          |

## 7 Taxation

Taxation on the profit excluding exceptional items for the six months ended 30 June 2011 is based on the estimated full year rate of 31.2% for the year ending 31 December 2011 (2010: effective tax rate of 32.4% as published).

## 8 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 155.4 million (2010: 155.0 million). There is no difference between basic and diluted earnings per share.

Headline earnings per share is based on profit for the period from continuing operations excluding exceptional items and their associated tax effect.

|                                              | Six months ended<br>30 June<br>2011 | Six months ended<br>30 June<br>2010<br>(re-presented) | Year ended<br>31 December<br>2010<br>(re-presented) |
|----------------------------------------------|-------------------------------------|-------------------------------------------------------|-----------------------------------------------------|
| Pence                                        |                                     |                                                       |                                                     |
| <b>Basic and diluted earnings per share:</b> |                                     |                                                       |                                                     |
| Continuing operations                        | 11.1                                | 6.6                                                   | 11.9                                                |
| Discontinued operations                      | —                                   | —                                                     | 4.8                                                 |
| <b>Total</b>                                 | <b>11.1</b>                         | <b>6.6</b>                                            | <b>16.7</b>                                         |

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

|                                                             | Six months ended<br>30 June<br>2011 | Six months ended<br>30 June<br>2010<br>(re-presented) | Year ended<br>31 December<br>2010<br>(re-presented) |
|-------------------------------------------------------------|-------------------------------------|-------------------------------------------------------|-----------------------------------------------------|
| £million                                                    |                                     |                                                       |                                                     |
| <b>Continuing operations:</b>                               |                                     |                                                       |                                                     |
| Profit for the period attributable to owners of the Company | 17.2                                | 10.3                                                  | 18.4                                                |
| Exceptional items                                           | (7.5)                               | (4.5)                                                 | (4.5)                                               |
| Headline earnings                                           | 9.7                                 | 5.8                                                   | 13.9                                                |
| <b>Headline earnings per share (pence)</b>                  | <b>6.2</b>                          | <b>3.7</b>                                            | <b>9.0</b>                                          |

## 9 Dividends

|                                   | Pence per share | Six months ended<br>30 June<br>2011<br>£million | Pence per share | Year ended<br>31 December<br>2010<br>£million |
|-----------------------------------|-----------------|-------------------------------------------------|-----------------|-----------------------------------------------|
| Final dividend for prior year     | 2.0             | 3.1                                             | —               | —                                             |
| Interim dividend for current year | —               | —                                               | 0.8             | 1.2                                           |
|                                   | <b>2.0</b>      | <b>3.1</b>                                      | <b>0.8</b>      | <b>1.2</b>                                    |

The Directors have declared an interim dividend of 1.2 pence per share which will be paid on 3 November 2011 to shareholders on the register on 21 October 2011. Shares will become ex-dividend on 19 October 2011. The Group's dividend policy is to increase dividends progressively whilst maintaining cover of at least two times underlying earnings per share.

## 10 Retirement benefit schemes

The Group operates one significant defined benefit scheme in the UK and two overseas defined benefit schemes in the USA and Japan. All of these schemes are closed to new members and, in April 2010, the UK scheme was closed to future accrual following extensive consultation, with affected employees being transferred into an enhanced Group defined contribution scheme. A one-off reduction in future liabilities of £4.3 million was recognised as an exceptional item in the Condensed consolidated income statement in 2010.

Following the UK Government's announcement in July 2010 to change the basis of statutory minimum indexation of occupational pension schemes from the Retail Price Index (RPI) to the Consumer Price Index (CPI), the Company communicated this change to affected members in this reporting period. This has resulted in a one-off reduction in the future liabilities of £7.5 million which has been recognised as an exceptional item within the Condensed consolidated income statement (see note 5).

The Company had reached agreement with the Trustee of the UK scheme for additional fixed contributions extending to 2016 based on the actuarial deficit at April 2007, which were confirmed under the actuarial valuation at April 2010. £3.2 million was paid in 2010, £3.5 million will be paid in 2011 (of which £1.75 million was paid in the period), and further planned contributions amount to: 2012: £3.7 million; 2013: £3.9 million; then increasing by £0.2 million each year to £4.5 million in 2016.

Actuarial valuations of the schemes were carried out by independent qualified actuaries in 2007 and 2010 using the projected unit credit method. These actuarial valuations have been updated by the actuaries to assess the assets and liabilities of the schemes at 30 June 2011. Pension scheme assets are stated at market value at 30 June 2011.



# Notes to the condensed consolidated financial statements (continued)

## 10 Retirement benefit schemes continued

The amounts recognised in the consolidated balance sheet are:

| £million                                      | At<br>30 June<br>2011 | At<br>30 June<br>2010 | At<br>31 December<br>2010 |
|-----------------------------------------------|-----------------------|-----------------------|---------------------------|
| Fair value of assets                          | 347.8                 | 317.8                 | 338.1                     |
| Present value of liabilities                  | (377.8)               | (361.4)               | (379.3)                   |
| Net liability recognised on the balance sheet | (30.0)                | (43.6)                | (41.2)                    |

The costs/(income) recognised in the consolidated income statement are:

| £million                                 | Six months<br>ended<br>30 June<br>2011 | Six months<br>ended<br>30 June<br>2010 | Year ended<br>31 December<br>2010 |
|------------------------------------------|----------------------------------------|----------------------------------------|-----------------------------------|
| Current service cost                     | –                                      | 0.7                                    | 0.3                               |
| RPI/CPI change to indexation             | (7.5)                                  | –                                      | –                                 |
| Curtailment gain                         | –                                      | (4.3)                                  | (4.3)                             |
| Interest on employee obligations         | 9.9                                    | 9.9                                    | 19.8                              |
| Expected return on pension scheme assets | (9.5)                                  | (9.6)                                  | (19.3)                            |

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

| £million                                           | Net cash    | Borrowings<br>and finance<br>leases | Net debt      |
|----------------------------------------------------|-------------|-------------------------------------|---------------|
| Balance at 31 December 2009                        | 24.5        | (81.4)                              | (56.9)        |
| Cash flow                                          | (5.8)       | 17.3                                | 11.5          |
| Non-cash items                                     | –           | (0.1)                               | (0.1)         |
| Exchange differences                               | 0.5         | 0.4                                 | 0.9           |
| Balance at 30 June 2010                            | 19.2        | (63.8)                              | (44.6)        |
| Cash flow                                          | 24.9        | 10.2                                | 35.1          |
| Non-cash items                                     | –           | (0.5)                               | (0.5)         |
| Exchange differences                               | 0.1         | –                                   | 0.1           |
| Balance at 31 December 2010                        | 44.2        | (54.1)                              | (9.9)         |
| Cash flow                                          | (24.7)      | 10.6                                | (14.1)        |
| Transferred to assets held for sale                | (1.4)       | –                                   | (1.4)         |
| Non-cash items                                     | –           | (0.3)                               | (0.3)         |
| Exchange differences                               | 0.1         | –                                   | 0.1           |
| Sub-total                                          | 18.2        | (43.8)                              | (25.6)        |
| Net cash within assets classified as held for sale | 1.4         | –                                   | 1.4           |
| <b>Balance at 30 June 2011</b>                     | <b>19.6</b> | <b>(43.8)</b>                       | <b>(24.2)</b> |

Net cash represents cash and cash equivalents less bank overdrafts.

In April 2011, the Group repaid the £10 million Royal Bank of Scotland manufacturing fund loan in full.

## 12 Related party transactions

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

No related party transactions have taken place during the six months ended 30 June 2011 that have affected the financial position or performance of the Group.

## 13 Subsequent events

On 11 July 2011, the Group disposed of AEI Compounds Ltd, a company which was part of the General Industrial division. The consideration for the sale was £8.6 million (before costs) in cash with the proceeds being used to reduce Group borrowings. This sale brought to a conclusion the disposal of the businesses which previously comprised the General Industrial division.

## 14 Principal risks and uncertainties

As described on pages 37 to 39 of the 2010 Annual Report, the Group continues to be exposed to a number of operational and financial risks and has an established, structured approach to identifying, assessing and managing those risks. The Directors do not believe that the risks faced by the Group have changed significantly during the first six months of 2011.

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# Shareholder information

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## Results

Preliminary announcement of 2011 results – late March 2012.

Annual report 2011 – to be posted mid April 2012.

Announcement of 2012 half year results – late August 2012.

## Dividends

The interim dividend in respect of the year to 31 December 2011 will be paid on 3 November 2011 to those shareholders on the register on 21 October 2011. Shares become ex dividend on 19 October 2011.

For those shareholders who currently receive dividends by post, arrangements can be made to pay your dividends automatically into your bank or building society account. A registration form will be included with the interim dividend.

## Share dealing services

Shareview Dealing is a telephone and internet service provided by Equiniti and provides a simple and convenient way of buying and selling TT electronics plc shares.

Log on to [www.shareview.co.uk/dealing](http://www.shareview.co.uk/dealing) or call 0845 603 7037 between 8.30 am and 4.30 pm, Monday to Friday, for more information about this service and for details of the rates and charges.

A weekly postal dealing service is also available and a form together with terms and conditions can be obtained by calling 0871 384 2248\*. Commission is 1.75% with a minimum of £30.

## ShareGift

ShareGift is a charity share donation scheme for shareholders, administered by The Orr Mackintosh Foundation. It is especially for those who may wish to dispose of a small parcel of shares whose value makes it uneconomical to sell on a commission basis. Further information can be obtained at [www.sharegift.org](http://www.sharegift.org) or from Equiniti.

## Shareholder enquiries

Equiniti maintain the register of members of the Company. If you have any queries concerning your shareholding, or if any of your details change, please contact the Registrars:

Equiniti Limited  
Aspect House  
Spencer Road  
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Telephone 0871 384 2396\* (or +44 121 415 7047 if calling from outside the United Kingdom)

Fax 0871 384 2100\* (or +44 190 369 8403 if faxing from outside the United Kingdom)

Textphone for shareholders with hearing difficulties 0871 384 2255\*

Equiniti also offer a range of shareholder information on-line at [www.shareview.co.uk](http://www.shareview.co.uk).

\* Calls to this number are charged at 8p per minute from a BT landline. Other telephony provider costs may vary.

## Website

Information on the Group's financial performance, activities and share price is available at [www.ttelectronics.com](http://www.ttelectronics.com).



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