

TT Electronics plc

Results for the half-year ended 30 June 2023

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A management presentation for analysts and investors will be held today at 09.30 and can be accessed on <https://stream.brrmedia.co.uk/broadcast/6489c7dba4eaa3202590592d>

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

A PDF of this half year announcement is available for download from <https://www.ttelectronics.com/investors/results-reports-presentations/>.

Interim Results for the half-year ended 30 June 2023

Delivering improved margins and cash generation; increased confidence in full year outlook

£ million (unless otherwise stated)	Adjusted Results ¹				Statutory Results	
	H1 2023	H1 2022	Change	Change Constant fx	H1 2023	H1 2022
Revenue	309.1	269.2	15%	12%	309.1	269.2
Operating profit	25.6	18.3	40%	34%	20.9	8.9
Operating profit margin	8.3%	6.8%	150bps	140bps	6.8%	3.3%
Profit before tax	20.7	15.0	38%	33%	16.0	5.6
Basic earnings per share	8.8p	6.6p	33%	28%	6.8p	2.3p
Return on invested capital (2022 ²)	12.0³%	10.5%	150bps			
Cash conversion	74%	(55)%				
Free cash flow ¹					6.9	(23.5)
Net debt (2022 ²) ¹					138.8	138.4
Leverage (2022 ²) ¹					1.8x	2.0x
Dividend per share					2.15p	2.00p

Financial highlights

- Revenue up 12% on a constant currency basis
- Adjusted operating profit up 34% at constant currency
- Adjusted operating margin, at constant currency, up 140 bps to 8.3%
- Statutory operating profit 120% up at £20.9m, statutory basic EPS of 6.8p
- Inflection in cash generation: free cash flow of £6.9m and cash conversion of 74%
- Continued deleveraging with net debt to adjusted EBITDA of 1.8x
- Interim dividend increased 8% to 2.15p per share reflecting confidence in full year outlook and future prospects

Operational highlights

- Order intake remains robust and is normalising as expected, 15 new significant contract wins in the half delivering over £150m of potential lifetime revenues
- Significant recovery in P&C performance, with continued momentum in GMS and S&SC
- Order book provides visibility for balance of 2023 revenues with cover building for 2024
- Expansion of facilities in Kuantan, Malaysia and now in Mexicali, Mexico increases our geographic diversification and facilitates re-shoring opportunities with customers
- Appointment of Peter France as CEO to succeed Richard Tyson on 2 October 2023

Richard Tyson, Chief Executive Officer, said:

“We are really pleased with a great performance by the team to achieve these results, delivering strong organic growth in revenue and profit. Adjusted operating margin is up by 140 basis points at constant currency. Leverage has reduced on the back of the inflection in cash generation and increased adjusted EBITDA.

The business is clearly demonstrating the benefit of the work to re-position in the right markets, with the right customers and from the right operational footprint. More new customer wins together with the ramp-up of previously awarded contracts continue to provide multi-year revenue visibility and the new business pipeline remains strong, supported by new re-shoring opportunities.

The Group’s order book underpins our full year anticipated revenue projections, and we remain focused on executing on the order book, delivering continued strong profit growth and driving a material step up in free cashflow and further reducing leverage by the year end. While mindful of the macroeconomic backdrop, our performance in the first half, alongside continued strong momentum in the business provides the Board with increased confidence in delivering its full year expectations. ”

About TT Electronics

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

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

Notes

1. *Throughout this announcement we refer to a number of alternative performance measures which provide additional useful information. The Directors have adopted these measures to provide additional information on the underlying trends, performance and position of the Group with further details set out in note 2c on page 25. The adjusted measures used are set out in the reconciliation of KPIs and non IFRS measures on pages 35 to 41.*
2. *As at December 2022*
3. *Calculated for the 12 months to June 2023*

CHIEF EXECUTIVE OFFICER'S REVIEW

Introduction

We have delivered a much-improved performance in the first half with further good revenue growth. Constant currency revenue increased by 12 per cent in the half. As expected, order intake has started to normalise, but has still broadly tracked our revenue growth in the first half. Our visibility covers our anticipated 2023 revenues and extends into 2024, reflecting both our success with customers and the structural growth in the end markets in which we operate. Our visibility remains materially ahead of pre-COVID levels.

Our Power and Connectivity (P&C) division has, as expected, delivered a much improved first half performance and is firmly on track back to double digit margins. Global Manufacturing Solutions (GMS) is a business fully transformed and has continued to build on the significant momentum of 2022. Sensors and Specialist Components (S&SC) delivered a robust performance against an exceptionally strong comparator. We have a clear line of sight to deliver a good second half performance across all divisions as we continue to execute on our order book.

Demand from our customers remains robust as our focus on building close, long-term relationships further up the value chain and collaborating on design-led solutions often leads to us being designed in for the life of the product. This is evidenced by new business, with 15 significant new wins in the half delivering over £150 million of potential lifetime revenues and further key customer growth from pipeline opportunities.

We believe our collaborative approach to deliver solutions based on our technical expertise has been a key factor in winning new orders. We are focused on leveraging expertise across the Group to pursue cross selling opportunities. Furthermore, we believe we are well placed, with locations in the United States, Mexico and Malaysia to collaborate with our customers on their re-shoring activities.

We have always believed strongly that high levels of employee engagement would enable excellent execution of strategy. We are delighted to have attained a 2023 employee engagement score in line with the three star "world class companies to work for" Best Companies Ltd benchmark.

With the spend on our self-help programme now complete, our focus turns to achieving further efficiencies from process improvements, including benefits from the consolidation of the Covina site into the Torotel site at Kansas City. Our facility in Plano, Texas completed the qualification of its high-volume products in late 2022 and is now focused on delivering operational efficiencies.

Plans are well advanced for the move of the Ferranti Power and Control (Ferranti) business into a new facility in Greater Manchester which is expected in the second half. Following the success of GMS' expansion into Malaysia, we are now following the same, low capital intensity model and establishing GMS capabilities within our existing facility in Mexicali, Mexico from where we expect to be able to commence customer deliveries in H1 2024.

Results and operations

Group revenue for the period was £309.1 million, up 12 per cent on a constant currency basis. The Group's adjusted operating profit for the period was £25.6 million, 34 per cent higher than the prior period on a constant currency basis.

Our results in the first half reflect good revenue growth across all our businesses, complemented by the incremental benefits of our self-help programme. Cost inflation continues to be largely mitigated through price increases.

The adjusted operating margin in the first half was 8.3 per cent (H1 2022: 6.8 per cent), up 140 basis points on a constant currency basis, and we expect to deliver further margin improvement in the second half. After the impact of adjusting items, including restructuring and acquisition related costs, the Group's half year statutory operating profit was £20.9 million (H1 2022: £8.9 million) and operating margin was 6.8 per cent (H1 2022: 3.3 per cent).

Cash conversion was significantly ahead of prior year at 74 per cent (H1 2022: minus 55 per cent) even with a modest working capital outflow of £6.9 million (H1 2022: £33.0 million outflow), reflecting normal H1 seasonality. Free cash flow has reached an inflection point, with an inflow of £6.9 million in the period (H1 2022: £23.5 million outflow). Adjusted operating cash inflow post capital expenditure during the period was £19.0 million (H1 2022: £10.0 million outflow). On a statutory basis, cash flow from operating activity was an inflow of £24.4 million (H1 2022: £12.3 million outflow).

Following the buy-in of the UK defined benefit scheme in November 2022, the scheme is de-risked and had a surplus of £29.2 million at 30 June 2023. The scheme liabilities are now matched by the buy-in insurance policy. The surplus in excess of these liabilities is largely invested in short-term money market funds. No contributions were made to the scheme in the period (H1 2022: £nil). The net surplus across all schemes was £26.3 million (H1 2022: £91.6 million).

At 30 June 2023 net debt was £138.8 million, (31 December 2022: £138.4 million), including IFRS 16 lease liabilities of £20.2 million (31 December 2022: £23.1 million), and as previously indicated leverage reduced to 1.8x (31 December 2022: 2.0x). We expect leverage to reduce further by December 2023.

Momentum across the Group remains good with the order book for 2023 covering expected revenues and we now have good visibility of revenues for 2024. As pass-through revenues reduce on a comparative basis in the second half of 2023 and more significantly in 2024, this will create a headwind to headline organic growth, but on an underlying basis the Group is well positioned to deliver growth in 2023 and beyond.

Dividend

The performance in the first half and size of our order book strengthens our confidence in our expectations for the full year and the Group's future prospects. As a result, the Board is declaring an interim dividend of 2.15 pence per share, an increase of 8 per cent. The total cost of this dividend will be approximately £3.8 million. Payment of the dividend will be made on 12 October 2023, to shareholders on the register at 15 September 2023.

OUR STRATEGY

Creating value through technology investment

We prioritise organic investment in the business, investing in R&D and capital equipment to drive differentiation in our offer to customers, resulting in us becoming firmly embedded as valued partners. This expenditure totalled £22.7 million in 2022 and in the first half of 2023 we invested £15.3 million, including £6.0 million (H1 2022: £5.4 million) in R&D spend, representing 3.8 per cent (H1 2022: 4.0 per cent) of the aggregate revenue of our product businesses.

Our focus on R&D and investment in equipment and facilities has been integral to our dialogue with our customers. This has resulted in us becoming firmly embedded with them, enabling us to stay ahead of their needs and meet the challenges they set us. Evidence of the value customers place on this can be seen in our organic sales growth.

In the second half of 2023 we will relocate our acquired Ferranti business to a new flagship Power Solutions facility in Greater Manchester. We are also expanding our GSM offering in existing TT facilities. This started in 2020 with Kuantan, Malaysia and we are now adopting the same low capital intensity approach in Mexicali, Mexico to support growth programmes for our customers and to enable their re-shoring priorities.

Creating value through margin enhancement

We are focused on activities which will enable the Group consistently to achieve double-digit operating margins. The operational leverage on organic revenue growth and the results of our restructuring and footprint rationalisation will also contribute to further margin improvement.

We have increased Group margins in the first half of 2023 by 140 basis points (on a constant currency basis) to 8.3 per cent (H1 2022: 6.8 per cent) as our Power and Connectivity business delivered a much-improved performance and we remain focused on continued margin growth in the second half. Margins are currently being impacted by pass-through revenue, primarily in our GSM division, which inflates revenue with no profit benefit. Pass-through revenues in the first half were approximately £12 million (H1 2022: c. £10 million) and are expected to gradually reduce by the end of 2024. Excluding pass through revenues, adjusted operating margins would have been 8.6% (H1 2022: 7.1%).

We remain focused on continuing to enhance our margins, in part through operational leverage from revenue growth, our focus on costs and pricing discipline and the continued benefits of our strategic repositioning to build closer, more embedded customer relationships. Delivery of our 10 per cent adjusted operating margin milestone is within reach.

Creating value from mergers and acquisitions

M&A remains an important part of our growth proposition as we look to add higher margin businesses that enhance TT's capability in our key markets. While leverage has reduced and is expected to continue to fall, our near-term focus is on free cash flow generation and leverage reduction to generate capacity for M&A. We continue to monitor an active pipeline of opportunities.

Environmental, social and governance (ESG)

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

We have made great progress in reducing our carbon emissions to achieve our target to be Net Zero by 2035, for our Scope 1 & 2 emissions. In 2022 we delivered a 54 per cent reduction in our Scope 1 & 2 carbon emissions from our baseline set in 2019, achieving our short-term target of delivering a 50 per cent reduction a year ahead of plan. Earlier this year we commissioned our first solar project at our site in Kuantan, Malaysia. Further reductions in our carbon emissions will require additional such investment in solar power, acquiring alternative sources of renewable power within deregulated markets and progress in the supply of renewables in regulated Asian markets.

For our Scope 3 emissions we have commenced measurement and internal reporting of the six most relevant/measurable categories.

Employee engagement

We're delighted to have delivered a 2023 employee engagement score in line with the three star "world class companies to work for" Best Companies Ltd benchmark. The three star rating is the highest level achievable and demonstrates a year-on-year improvement on our two star (outstanding) rating in 2021 and one star (very good) result in 2020. Focus was directed on participation in 2023, encouraging our employees to have their say and make their voice heard, concluding with a record high of 91% of employees globally completing the survey, up from 86% in both 2021 and 2020.

DIVISIONAL REVIEW

POWER AND CONNECTIVITY

The Power and Connectivity division develops and manufactures power application products and connectivity devices which enable the capture and wireless transfer of data. We collaborate with our customers to develop innovative solutions to optimise their electronic systems.

	H1 2023	H1 2022	Change	Change constant fx ¹
Revenue	£79.9m	£68.8m	16%	13%
Adjusted operating profit ¹	£5.9m	£2.1m	181%	168%
Adjusted operating margin ¹	7.4%	3.1%	430bps	430bps

¹ See note 2c on page 25 for an explanation of alternative performance measures. Adjusting items are not allocated to divisions for reporting purposes. For further discussion of these items please refer to note 4 on page 29 of this document.

Revenue increased by £11.1 million to £79.9 million (H1 2022: £68.8 million). Organic revenue was 13 per cent higher against a comparative period which was impacted by the timing of programme revenues and the closure and transfer of production from the Lutterworth facility.

Adjusted operating profit increased by £3.8 million to £5.9 million (H1 2022: £2.1 million) given healthy levels of operational leverage on the organic growth and benefits from the self-help programme. Adjusted operating margin more than doubled to 7.4 per cent (H1 2022: 3.1 per cent). There was a £0.1 million foreign exchange benefit.

Overall order intake remains good and revenues from commercial aerospace are recovering. As we look into the second half, we expect a further step-up in margin performance.

Contract awards and growth drivers during the period, giving us confidence as we look forward, include:

- Within our healthcare end market, we have secured two major manufacturing wins in the period with total annual revenues of c£4.5 million for a top tier medtech company for high voltage transformers for use in surgical navigation and for implantables. We have also won ten new development wins including two new clinical applications in the surgical navigation space.
- Our Abercynon team has successfully secured work for a new customer to develop a custom connector solution incorporated in our manufactured cable assemblies for the Jubilee Line on the London Underground.
- In aerospace and defence, we have won work with a world leader in in-flight entertainment and communications solutions for its latest on-the-ground technology Astrova, designed initially for installation on the 737 and A321 platforms. We will be providing inductors and transformers for the system.

- Our work on the Boxer programme (the main UK army vehicle programme) continues to expand with significant recent additional contract wins. This expands our position on the programme which includes a cross sell of our expertise into GMS to design and manufacture printed circuit board assemblies. These are complex, high reliability power electronics assemblies and we will lead the design, production and delivery of the battery control and command display units providing signalling and communications functionality on every Boxer vehicle.
- We have recently been awarded a contract supporting feasibility studies relating to the technology development on the BAE Tempest programme. Harnessing our extensive engineering expertise, we will develop electrical power solutions in support of this crucial next generation combat air platform. Team Tempest is composed of the UK Ministry of Defence and industry partners BAE Systems, Rolls-Royce, Leonardo UK, and MBDA, which are all working together to deliver world firsts in advanced technical capabilities.

GLOBAL MANUFACTURING SOLUTIONS

The Global Manufacturing Solutions division provides manufacturing services and engineering solutions for our product divisions and to customers that often require a lower volume and higher mix of different products. We manufacture complex integrated product assemblies for our customers and provide engineering services including designing testing solutions and value-engineering.

	H1 2023	H1 2022	Change	Change constant fx ¹
Revenue	£153.8m	£135.3m	14%	12%
Adjusted operating profit ¹	£13.8m	£9.4m	47%	44%
Adjusted operating margin ¹	9.0%	6.9%	210 bps	200 bps

¹ See note 2c on page 25 for an explanation of alternative performance measures. Adjusting items are not allocated to divisions for reporting purposes. For further discussion of these items please refer to note 4 on page 29 of this document.

Revenue grew by £18.5 million to £153.8 million (H1 2022: £135.3 million). We have delivered organic growth of 12 per cent, reflecting partnerships with our key long term relationship customers and recent project wins. Pass-through revenue was around £12 million in the first half, around £2 million higher than in the first half of last year; this continues to create a technical head wind to margin progression.

The GMS division is fully booked for the remainder of the year. The order book has been underpinned by several multi-million pound wins, a number of which extend beyond 12 months.

Adjusted operating profit increased by £4.4 million to £13.8 million (H1 2022: £9.4 million) including a £0.2 million foreign exchange benefit. The adjusted operating profit margin was 9.0 per cent (H1 2022: 6.9 per cent) reflecting operational leverage on growth as well as the benefit of pricing actions. Excluding pass-through revenues adjusted operating margin was 9.7 per cent (H1 2022: 7.5 per cent).

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

- In the UK we have secured an £8 million win for cable harnesses for a market-leading safety and mission-critical solutions provider in the UK defence market. TT has supported this customer on the Joint Strike Fighter (JSF) programme for several years and this contract runs through to 2025.
- Our Suzhou facility has secured a £6 million contract for a global leader in patient-focused innovations for structural heart disease and critical care monitoring. This is our first win for the Japanese division of this key customer, and we will provide electronics assembly and box-build solutions for vacuum pumps used in semi-conductor equipment. Furthermore, we will incorporate value added services such as product life cycle management and NPI to accelerate time to market.
- We have recently expanded our relationship geographically with a key leading industrial customer to include our Kuantan facility in Malaysia, to support its expansion in Singapore. This follows on from our award of a 'best in class' supplier award and our work on high level assemblies (HLA) for a new programme for semiconductors. The customer has chosen TT on the back of the proven partnership and confidence in our global teams. Our vertical integration strategy and HLA capabilities are key to winning with this customer.

Overall, the GMS division delivers best in class margins with a 24% ROIC. Order visibility remains strong, and our enhanced customer relationships and business development initiatives positions us for medium term sustainable revenue growth.

SENSORS AND SPECIALIST COMPONENTS

The Sensors and Specialist Components division works with customers to develop high specification, standard and customised solutions, including sensors and power management devices. Our solutions improve the precision, speed and reliability of critical aspects of our customers' applications.

	H1 2023	H1 2022	Change	Change constant fx ¹
Revenue	£75.4m	£65.1m	16%	11%
Adjusted operating profit ¹	£9.8m	£10.6m	(8)%	(12)%
Adjusted operating margin ¹	13.0%	16.3%	(330) bps	(330) bps

¹ See note 2c on page 25 for an explanation of alternative performance measures. Adjusting items are not allocated to divisions for reporting purposes. For further discussion of these items please refer to note 4 on page 29 of this document.

Revenue increased by £10.3 million to £75.4 million (H1 2022: £65.1 million). Organic revenue was 11 per cent higher even with some output shifting from the first half into the second half, due to a machinery breakdown in June. We are broadly covered for the balance of this year's revenue and are starting to build the order book for 2024, even as order intake normalises as anticipated. This is significantly better than the 8-12 weeks visibility we typically had in the past.

Adjusted operating profit reduced slightly by £0.8 million to £9.8 million (H1 2022: £10.6 million) including a £0.5 million foreign exchange benefit. The adjusted operating profit margin reduced to 13.0 per cent (H1 2022: 16.3 per cent) impacted by the output shift noted above. Prior period margins were strong, boosted by an attractive drop through on volume growth and favourable product mix. Second half margins are expected to return to prior levels.

There have been a number of key developments during the first half of the year including:

- In the US we provided two custom high reliability hermetically packaged optical sensors for a global security and aerospace company's Stinger Missile Program. We were able quickly to provide products with the necessary level of screening to meet the application requirements. These are high-reliability sensors used for the Stinger's fuse warhead body assembly. Our team worked closely with the company's engineers from the very beginning to fully understand the requirements and develop the right sensor to meet the harsh environment demands.
- We have had a long-standing relationship with Delta Electronics. Delta trusts our team to provide excellent sales and engineering support, which helped us to win a 5 year opportunity (worth over £7 million over the life of the contract) providing resistors for use in Delta's compact, high-density, high-power, power supply for an ICT (Information and Communication Technologies) data centre. Our product's technical capabilities and our ability to deliver the product 40% ahead of our published leadtime secured us this win. The ICTBG (Information and Communication Technologies Business Group) division of Delta is new to TT and could provide future cross-selling opportunities.
- In India we won a further opportunity for a custom electric power steering sensor to a long-standing customer, Rane Madras, for use in one of India's largest heavy commercial vehicle manufacturer's 4 wheeler commercial electric vehicle. TT Electronics has a great relationship with the customer and is positioned as a single source of supply for all its electronics power assisted steering projects.
- S&SC has provided an optical sensor to be used in the Centre Information Display of electric vehicles manufactured by Foxconn/Fisker. Our sensor will be used to detect the CID in either horizontal or vertical position. This opportunity began during COVID, where our prompt communication and excellent commercial and technical support from the Asia team set us apart from the competition. We won this opportunity with great support from our local distributor, Arrow.

Outlook

We are really pleased with a great performance by the team to achieve these results, with strong organic growth in revenue and profit. Adjusted operating margin is up by 140 basis points on a constant currency basis. Leverage has reduced on the back of the inflection in cash generation and increased adjusted EBITDA.

The business is clearly demonstrating the benefit of the work to re-position in the right markets, with the right customers and from the right operational footprint. More new customer wins together with the ramp-up of previously awarded contracts continue to provide multi-year revenue visibility and the new business pipeline remains strong, supported by new re-shoring opportunities.

The Group's order book underpins our full year anticipated revenue projections, and we remain focused on executing on the order book, delivering continued strong profit growth and driving a material step up in free cashflow and further reducing leverage by the year end. While mindful of the macroeconomic backdrop, our performance in the first half, alongside continued strong momentum in the business provides the Board with increased confidence in delivering its full year expectations.

OTHER FINANCIAL INFORMATION

Group revenue was £309.1 million (H1 2022: £269.2 million). Group revenue was 12 per cent higher than in the same period last year on a constant currency basis. Sales volumes in all key markets, including more recently the bounce back in commercial aerospace, are buoyant and the order book and forward pipeline of new business opportunities gives us confidence that this momentum will continue.

The Group reported an adjusted operating profit of £25.6 million (H1 2022: £18.3 million) with the improvement driven by revenue growth. Statutory operating profit for the period was £20.9 million (H1 2022: £8.9 million) after a charge of £4.7 million (H1 2021: £9.4 million) for items excluded from adjusted operating profit including:

- Acquisition and disposal related costs of £3.5 million (H1 2022: £3.9 million), comprising £2.7 million of amortisation of acquired intangible assets, £0.4 million of integration costs relating to the acquisition of Ferranti and £0.4 million of Torotel integration costs.
- Restructuring and other costs of £1.2 million (H1 2022: £5.5 million), comprising pension project costs of £0.9 million (£0.7 million in respect of the buy-in of the UK pension scheme and a settlement charge of £0.2 million in respect of the partial buy out of the US scheme) and £0.3 million (H1 2022: £0.7 million) comprises £0.2 million relating to the relocation of production facilities from Covina, USA to Kansas and £0.1 million relating to clean up operations.

The Group generated an adjusted operating margin of 8.3 per cent (H1 2022: 6.8 per cent) with the increase a result of operational leverage on growth, supplemented by the benefits of our self-help programme.

The net finance cost was higher at £4.9 million (H1 2022: £3.3 million) due to a higher level of borrowing over the half year and sharply higher interest rates. The comparative period included a non-cash accelerated amortisation of fees of £0.6 million, associated with the previous RCF. The Group's overall tax charge was £4.1 million (H1 2022: £1.5 million). The tax charge on adjusted profit before tax was £5.2 million (H1 2022: £3.4 million), resulting in an effective adjusted tax rate of 25.2 per cent (H1 2022: 22.8 per cent) with the increase due to the increase in the UK corporation tax rate.

Basic earnings per share (EPS) increased to 6.8 pence (H1 2022: 2.3 pence). Adjusted EPS increased to 8.8 pence (H1 2022: 6.6 pence), reflecting the improvement in adjusted operating profit partly offset by a higher interest and tax charge.

Adjusted operating cash flow post capital expenditure was higher with a £19.0 million inflow (H1 2022: £10.0 million outflow) which was primarily due to a much improved £6.9 million working capital outflow (H1 2022: £33.0 million outflow), reflecting normal seasonality. This resulted in operating cash conversion of 74 per cent (H1 2022: minus 55 per cent). On a statutory basis, cash flow from operating activity was an inflow of £24.4 million (H1 2022: £12.3 million outflow).

There was a free cash inflow of £6.9 million (H1 2022: £23.5 million outflow), including £1.0 million of restructuring and acquisition related payments (H1 2022: £7.0 million).

As at 30 June 2023 the Group's net debt was £138.8 million (31 December 2022: £138.4 million), including £20.2 million of lease liabilities (31 December 2022: £23.1 million). Leverage, consistent with the bank covenants, was 1.8 times at 30 June 2023 (31 December 2022: 2.0 times).

In June 2022 the Group re-financed its bank revolving credit facility (RCF) with a syndicate of five relationship banks at commercially attractive rates. This £147.4 million facility had a four-year tenor with one year extension option. In the first half of 2023 we exercised £15 million of a £32.6 million accordion, thereby increasing the facility size to £162.4 million, and we also exercised the one year extension, taking the facility maturity out to June 2027. The RCF is complemented by £75 million of private placement fixed rate loan notes, which were issued in December 2021, with 7 and 10 year maturities.

Following the buy-in of the UK defined benefit scheme in November 2022, the scheme is de-risked and had a surplus of £29.2 million at 30 June 2023. No contributions were made to the scheme in the period (H1 2022: £nil) and none are expected going forwards. The scheme data is now being adopted by Legal and General and a decision on moving to buy-out is expected to be made by the end of the year.

Summary of Adjusted results

To assist with the understanding of earnings trends, the Group has included within its non-GAAP alternative performance measures including adjusted operating profit and adjusted profit. Further information is contained in the 'Reconciliation of KPIs and non IFRS measures' on pages 35 to 41.

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

£ million	H1 2023	H1 2022
Revenue	309.1	269.2
Adjusted Operating profit	25.6	18.3
<i>Adjusted Operating margin</i>	8.3%	6.8%
Net finance expense	(4.9)	(3.3)
Profit before tax	20.7	15.0
Tax	(5.2)	(3.4)
<i>Tax rate</i>	25.2%	22.8%
Profit after tax	15.5	11.6
<i>Weighted average number of shares</i>	176.0 million	175.7 million
EPS	8.8p	6.6p

Reconciliation of Adjusted results

£ million	Note	H1 2023	H1 2022
Operating profit		20.9	8.9
Adjusted to exclude:			
Restructuring and other items			
Pension restructuring costs	1	(0.9)	(1.0)
Restructuring	2	(0.3)	(4.5)
		(1.2)	(5.5)
Acquisition related costs	3		
Amortisation of intangible assets arising on business combinations		(2.7)	(3.1)
Torotel integration costs		(0.4)	(0.1)
Ferranti integration costs		(0.4)	(0.6)
Other acquisition related costs		-	(0.1)
		(3.5)	(3.9)
Total operating reconciling items		(4.7)	(9.4)
Adjusted operating profit		25.6	18.3
Profit before tax		16.0	5.6
Total operating reconciling items (as above)		4.7	9.4
Adjusted profit before tax		20.7	15.0
Taxation charge on adjusted profit		(5.2)	(3.4)
Adjusted profit after taxation		15.5	11.6

Note 1: Pension restructuring costs of £0.9 million (2022: £1.0 million) comprise £0.7 million relating to costs associated with liability management exercises and cleansing of scheme data and £0.2 million as a settlement cost upon completion of the buyout of our US pension scheme.

Note 2: Restructuring costs charged in the period of £0.3 million (H1 2022: £4.5 million) relates to the relocation of production facilities from Covina, USA to Kansas and £0.1 million relating to clean up operations. Prior year restructuring costs also included £2.6 million relating to the restructure of the North America Resistors business, which includes pre-production costs at our new Plano facility; £1.0 million relating to closure of our site in Lutterworth, UK, and £0.2 million relating to the relocation of production facilities from Medina, USA to Minnesota, USA.

Note 3: Acquisition related costs of £3.5 million (H1 2022: £3.9 million) comprise £2.7 million (H1 2022: £3.1 million) of amortisation of acquisition intangibles, £0.4 million (H1 2022: £0.1 million) of integration costs relating to the acquisition of Torotel, Inc and £0.4 million (H1 2022: £0.4 million integration costs and £0.2 million acquisition costs) of integration costs relating to the acquisition of the Power and Control business of Ferranti Technologies Ltd. based in Oldham.

Cash flow, net debt and leverage

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

£ million	H1 2023	H1 2022
Adjusted operating profit	25.6	18.3
Depreciation and amortisation	8.6	7.9
Working capital movement	(6.9)	(33.0)
Net capital expenditure	(9.3)	(5.0)
Capitalised development expenditure	(0.9)	(1.0)
Other	1.9	2.8
Adjusted Operating Cash Flow post Capex	19.0	(10.0)
Restructuring and acquisition costs	(1.0)	(7.0)
Net interest and tax	(8.8)	(4.6)
Lease payments	(2.3)	(1.9)
Free Cash Flow	6.9	(23.5)
Dividends	(7.5)	(6.7)
Lease payments	2.3	1.9
Equity issued	0.1	0.2
Acquisitions & disposals	-	(8.3)
Other	-	(0.2)
Net debt impacting cashflow	1.8	(36.6)
Opening net debt	(138.4)	(102.5)
Other non-cash (new leases and lease reassessments)	(0.5)	(1.1)
FX	(1.7)	(1.8)
Closing net debt	(138.8)	(142.0)

At 30 June 2023 the Group's net debt was £138.8 million (31 December 2022: £138.4 million). Included within net debt was £20.2 million of lease liabilities (31 December 2022: £23.1 million).

Consistent with the Group's borrowing agreements, which exclude the impact of IFRS 16 leases, leverage ratio was 1.8 times at 30 June 2023 (31 December 2022: 2.0 times). Net interest cover was 7.0 times (31 December 2022: 7.4 times). The Group's debt covenants state that the leverage ratio must not exceed 3.0 times and that interest cover must be more than 4.0 times.

Principal risks and uncertainties

The Group has an established, structured approach to identifying and assessing the impact of financial and operational risks on its business, which is reviewed and updated quarterly. The principal risks and uncertainties for the remainder of the financial year are not expected to change materially from those included on pages 69 to 72 of the Annual Report and Accounts 2022. The risks identified relate to the following areas: general revenue reduction due to geopolitical instability or economic downturn; contractual risks; research and development; people and capability; supplier resilience; IT systems and information; M&A and integration; sustainability, climate change and the environment; health and safety and legal and regulatory compliance. Further information in relation to the Group's financial position and going concern is included on page 17.

Cautionary statement

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

TT Electronics plc

Interim Results for the half-year ended 30 June 2023

Going Concern

The Group has experienced continued improvement in trading momentum and strong growth from our 2022 results. We continue to see benefit from our strategic repositioning in our chosen structural growth markets as well as our focus on building close relationships with our clients and this can be seen in both the order book and financial performance of the Group.

The Group's financial position remains stable, on 30 June 2023 it had £289.8 million of total borrowing facilities available (comprising committed facilities of £258.6 million, of which £190.6 million is drawn, and uncommitted facilities of £31.2 million representing overdraft lines and an undrawn accordion facility of £17.6 million).

The Group's primary source of finance is the £162.4 million committed revolving credit facility (RCF) which was signed in June 2022 and will mature in June 2027 following the Group exercising an option to extend the previously existing maturity by one year in May 2023. The RCF includes a £15.0 million committed extension converted from the existing uncommitted accordion facilities in February 2023. At 30 June 2023 £115.6 million of this facility had been drawn down. The Group's RCF is payable on a floating rate basis above GBP SONIA, USD SOFR or EURIBOR depending on the currency of the loan.

In December 2021, TT completed a debut issue of £75 million of private placement fixed rate loan notes with three institutional investors; the issue is evenly split between 7 and 10 year maturities with an average interest rate of 2.9% and covenants in line with our bank facility.

The Group had a leverage ratio of 1.8 times on 30 June 2023 compared to an RCF covenant maximum of 3.0 times and interest cover (pre-IFRS 16 and excluding pension interest) of 7.0 times compared to an RCF covenant minimum of 4.0 times.

The Group has prepared and reviewed cash flow forecasts across the business over the twelve-month period from the date of the approval of these interim results, considering the Group's current financial position and the potential impact of our principal risks on divisional performance.

Under the Group's base case financial projections, the Group retains significant liquidity and covenant headroom, with both metrics improving from the position as at 30 June 2023.

The Group's downside stress test scenario has been sensitised for supply chain challenges, interest rate risks, general economic downturn and people and capability challenges which show a reduction in revenue and operating profit compared to the latest forecast. Despite this further reduction these projections show that the Group should remain well within its facilities headroom and within bank covenants during 2023 and 2024. A 'reverse' stress test was also modelled to understand the conditions which could jeopardise the ability of the Group to continue as a going concern including assessing against covenant testing and facility headroom. The reverse stress test scenario is deemed to have a remote likelihood and helped inform the Directors' assessment that there are no material uncertainties in relation to going concern.

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

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

Responsibility statement of the Directors

We confirm that to the best of our knowledge:

- The 2023 annual financial statements of TT Electronics plc will be prepared in accordance with United Kingdom adopted International Accounting Standards. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34 'Interim Financial Reporting';
- the interim management report includes a fair review of the information required by DTR 4.2.7R:
 - (i) an indication of important events that have occurred during the first six months of the financial year, and their impact on the condensed set of financial statements; and
 - (ii) a description of the principal risks and uncertainties for the remaining six months of the year.
- the interim management report includes a fair review of the information required by DTR 4.2.8R:
 - (i) related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the Group in that period; and
 - (ii) any changes in the related parties transactions described in the 2022 Annual Report that could have a material effect on the financial position or performance of the Group in the current period.

By order of the Board

Richard Tyson

Chief Executive Officer
2 August 2023

Mark Hoad

Chief Financial Officer
2 August 2023

Cautionary statement

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

Independent review report to TT Electronics plc

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 which comprises of the condensed consolidated income statement, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 13.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2023 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

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

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

Conclusion relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This Conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410; however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

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

In preparing the half-yearly financial report, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the group a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our conclusion relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with ISRE (UK) 2410. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
London, United Kingdom
2 August 2023

TT Electronics plc
Interim results for the half-year ended 30 June 2023

Condensed consolidated income statement (unaudited)

for the six months ended 30 June 2023

£million (unless otherwise stated)	Note	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022 (audited)
Revenue	3	309.1	269.2	617.0
Cost of sales		(235.6)	(206.8)	(481.5)
Gross profit		73.5	62.4	135.5
Distribution costs		(14.8)	(15.0)	(29.6)
Administrative expenses		(37.8)	(38.5)	(109.3)
Operating profit/(loss)		20.9	8.9	(3.4)
Analysed as:				
Adjusted operating profit	3	25.6	18.3	47.1
Restructuring and other	4	(1.2)	(5.5)	(20.2)
Asset impairments	4	-	-	(23.1)
Acquisition and disposal related costs	4	(3.5)	(3.9)	(7.2)
Finance income		0.8	0.8	2.3
Finance costs		(5.7)	(4.1)	(9.0)
Profit/(loss) before taxation		16.0	5.6	(10.1)
Taxation	5	(4.1)	(1.5)	(3.1)
Profit/(loss) for the period attributable to the owners of the Company		11.9	4.1	(13.2)
EPS/(LPS) attributable to owners of the Company (pence)				
Basic	6	6.8	2.3	(7.5)
Diluted	6	6.7	2.3	(7.5)

Condensed consolidated statement of comprehensive income (unaudited)

for the six months ended 30 June 2023

£million	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022 (audited)
Profit/(loss) for the period	11.9	4.1	(13.2)
Other comprehensive income/(loss) for the period after tax			
Items that are or may be reclassified subsequently to the income statement:			
Exchange differences on translation of foreign operations	(18.1)	26.6	26.9
Tax on exchange differences	-	-	(1.6)
Gain/(loss) on hedge of net investment in foreign operations	1.9	(3.0)	(3.4)
Gain/(loss) on cash flow hedges taken to equity less amounts recycled to the income statement	3.2	(4.8)	(2.9)
Deferred tax loss on movements in cash flow hedge reserves	(0.5)	(0.8)	(0.4)
Items that will never be reclassified to the income statement:			
Remeasurement of defined benefit pension schemes	(1.4)	16.8	(35.9)
Tax on remeasurement of defined benefit pension schemes	0.5	(4.4)	6.5
Total comprehensive income/(loss) for the period attributable to the owners of the Company	(2.5)	34.5	(24.0)

Condensed consolidated statement of financial position (unaudited)

£million	Note	30 June 2023	30 June 2022	31 December 2022 (audited)
ASSETS				
Non-current assets				
Right-of-use assets		17.4	19.8	19.6
Property, plant and equipment		56.5	54.7	54.8
Goodwill		149.7	171.6	155.1
Other intangible assets		49.9	56.2	53.7
Deferred tax assets		12.6	9.1	13.2
Derivative financial instruments		2.0	0.9	0.8
Pensions	9	29.2	95.0	31.3
Total non-current assets		317.3	407.3	328.5
Current assets				
Inventories		181.4	193.7	189.2
Trade and other receivables		107.6	102.5	120.3
Income taxes receivable		0.3	0.7	1.1
Derivative financial instruments		5.9	1.9	3.1
Cash and cash equivalents	10	75.4	76.3	65.0
Total current assets		370.6	375.1	378.7
Total assets		687.9	782.4	707.2
LIABILITIES				
Current liabilities				
Borrowings	10	5.6	12.6	3.7
Lease liabilities		4.0	4.5	4.4
Derivative financial instruments		3.7	4.0	3.6
Trade and other payables		153.0	160.3	173.2
Income taxes payable		9.0	6.6	9.6
Provisions		3.2	4.7	3.5
Total current liabilities		178.5	192.7	198.0
Non-current liabilities				
Borrowings	10	188.4	182.3	176.6
Lease liabilities		16.2	18.9	18.7
Derivative financial instruments		1.2	1.2	0.8
Deferred tax liability		12.5	23.5	12.4
Pensions	9	2.9	3.4	2.9
Provisions and other non-current liabilities		1.1	0.9	0.8
Total non-current liabilities		222.3	230.2	212.2
Total liabilities		400.8	422.9	410.2
Net assets		287.1	359.5	297.0
EQUITY				
Share capital	11	44.1	44.1	44.1
Share premium	11	23.0	22.8	22.9
Translation reserve		38.9	56.8	55.1
Other reserves		10.0	3.0	7.3
Retained earnings		171.1	230.8	167.6
Equity attributable to owners of the Company		287.1	357.5	297.0
Non-controlling interests		-	2.0	-
Total equity		287.1	359.5	297.0

Approved by the Board of Directors on 2 August 2023 and signed on their behalf by:

Richard Tyson
Director

Mark Hoad
Director

TT Electronics plc
Interim results for the half-year ended 30 June 2023

Condensed consolidated statement of changes in equity (unaudited)

for the six months ended 30 June 2023

£million	Share capital	Share premium	Translation Reserve	Other reserves	Retained earnings	Sub total	NCI ⁽¹⁾	Total
At 31 December 2021 (audited)	44.1	22.6	33.2	7.1	221.0	328.0	2.0	330.0
Profit for the period	-	-	-	-	4.1	4.1	-	4.1
Other comprehensive income								
Exchange differences on translation of foreign operations	-	-	26.6	-	-	26.6	-	26.6
Loss on hedge of net investment in foreign operations	-	-	(3.0)	-	-	(3.0)	-	(3.0)
Loss on cash flow hedges taken to equity less amounts recycled to the income statement	-	-	-	(4.8)	-	(4.8)	-	(4.8)
Deferred tax on movement in cash flow hedge reserves	-	-	-	(0.8)	-	(0.8)	-	(0.8)
Remeasurement of defined benefit pension schemes	-	-	-	-	16.8	16.8	-	16.8
Tax on remeasurement of defined benefit pension schemes	-	-	-	-	(4.4)	(4.4)	-	(4.4)
Total comprehensive income	-	-	23.6	(5.6)	16.5	34.5	-	34.5
Transactions with owners recorded directly in equity								
Equity dividends paid by the Company	-	-	-	-	(6.7)	(6.7)	-	(6.7)
Share based payments	-	-	-	2.3	-	2.3	-	2.3
Deferred tax on share-based payments	-	-	-	(0.8)	-	(0.8)	-	(0.8)
New shares issued	-	0.2	-	-	-	0.2	-	0.2
At 30 June 2022	44.1	22.8	56.8	3.0	230.8	357.5	2.0	359.5
At 31 December 2022 (audited)	44.1	22.9	55.1	7.3	167.6	297.0	-	297.0
Profit for the period	-	-	-	-	11.9	11.9	-	11.9
Other comprehensive income								
Exchange differences on translation of foreign operations	-	-	(18.1)	-	-	(18.1)	-	(18.1)
Gain on hedge of net investment in foreign operations	-	-	1.9	-	-	1.9	-	1.9
Gain on cash flow hedges taken to equity less amounts recycled to the income statement	-	-	-	3.2	-	3.2	-	3.2
Deferred tax loss on movements in cash flow hedge reserves	-	-	-	(0.5)	-	(0.5)	-	(0.5)
Remeasurement of defined benefit pension schemes	-	-	-	-	(1.4)	(1.4)	-	(1.4)
Tax on remeasurement of defined benefit pension schemes	-	-	-	-	0.5	0.5	-	0.5
Total comprehensive (loss)/income	-	-	(16.2)	2.7	11.0	(2.5)	-	(2.5)
Transactions with owners recorded directly in equity								
Equity dividends paid by the Company	-	-	-	-	(7.5)	(7.5)	-	(7.5)
Share-based payments	-	-	-	0.2	-	0.2	-	0.2
Deferred tax on share-based payments	-	-	-	(0.2)	-	(0.2)	-	(0.2)
New shares issued	-	0.1	-	-	-	0.1	-	0.1
At 30 June 2023	44.1	23.0	38.9	10.0	171.1	287.1	-	287.1

1. Non-controlling interests ('NCI') were eliminated in the second half of 2022.

TT Electronics plc
Interim results for the half-year ended 30 June 2023

Condensed consolidated cash flow statement (unaudited)

for the six months ended 30 June 2023

£million	Note	Six months ended 30 June 2023	Six months ending 30 June 2022	Year ended 31 December 2022 (audited)
Cash flows from operating activities				
Profit for the year		11.9	4.1	(13.2)
Taxation		4.1	1.5	3.1
Net finance costs		4.9	3.3	6.7
Restructuring and other		1.2	5.5	43.3
Acquisition related costs		3.5	3.9	7.2
Adjusted operating profit		25.6	18.3	47.1
Adjustments for:				
Depreciation		7.3	6.8	13.9
Amortisation of intangible assets		1.3	1.1	2.2
Share based payment expense		1.5	2.5	4.8
Other items		0.4	0.3	0.5
Increase in inventories		(2.6)	(39.1)	(40.4)
Decrease/(increase) in receivables		7.3	(8.4)	(26.3)
(Decrease)/increase in payables and provisions		(11.6)	14.5	27.9
Adjusted operating cash flow		29.2	(4.0)	29.7
Restructuring and acquisition related costs		(1.0)	(7.0)	(11.1)
Net cash generated from / (used in) operations		28.2	(11.0)	18.6
Net income taxes paid		(3.8)	(1.3)	(5.9)
Net cash generated from / (used in) operating activities		24.4	(12.3)	12.7
Cash flows from investing activities				
Purchase of property, plant and equipment		(9.0)	(5.1)	(11.4)
Proceeds from sale of property, plant and equipment and government grants received		0.1	0.2	0.3
Capitalised development expenditure		(0.9)	(1.0)	(2.3)
Purchase of other intangibles		(0.4)	(0.1)	(0.6)
Acquisitions of businesses		-	(8.3)	(8.3)
Net cash flow used in investing activities		(10.2)	(14.3)	(22.3)
Cash flows from financing activities				
Issue of share capital		0.1	0.2	0.4
Interest paid		(5.0)	(3.3)	(7.5)
Repayment of borrowings		(4.0)	(109.5)	(149.3)
Proceeds from borrowings		17.5	141.3	174.3
Payment of lease liabilities		(2.3)	(1.9)	(4.3)
Other items		-	(0.2)	(1.0)
Dividends paid to minority shareholders		-	-	(2.0)
Dividends paid by the Company		(7.5)	(6.7)	(10.2)
Net cash flow (used in) / generated from financing activities		(1.2)	19.9	0.4
Net change in cash and cash equivalents		13.0	(6.7)	(9.2)
Cash and cash equivalents at beginning of year	10	61.3	67.2	67.2
Exchange differences	10	(4.5)	3.2	3.3
Cash and cash equivalents at end of year	10	69.8	63.7	61.3
Cash and cash equivalents comprise:				
Cash at bank and in hand		75.4	76.3	65.0
Bank overdrafts		(5.6)	(12.6)	(3.7)
		69.8	63.7	61.3

Notes to the condensed consolidated financial statements (unaudited)

1. General information

The condensed consolidated financial statements for the six months ended 30 June 2023 are unaudited and were authorised for issue in accordance with a resolution of the Board of Directors. The information for the six months ended 30 June 2023 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. Comparative information for the year ended 31 December 2022 has been taken from the published statutory accounts, a copy of which has been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

2. Basis of preparation

a) Condensed consolidated half-year financial statements

The 2023 annual financial statements of TT Electronics plc will be prepared in accordance with United Kingdom adopted International Accounting Standards. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34 'Interim Financial Reporting'. These condensed consolidated half-year financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the 2022 Annual Report.

b) Basis of accounting

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

c) Alternative performance measures

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

Adjusted operating profit has been defined as operating profit from continuing operations excluding the impacts of significant restructuring programmes, significant one-off items including property disposals, impairment charges significant in nature and/or value, certain one-off pension costs, business acquisition, integration and divestment related activity; and the amortisation of intangible assets recognised on acquisition. Acquisition and disposal related items include the writing off of the pre-acquisition profit element of inventory written up on acquisition, other direct costs associated with business combinations and adjustments to contingent consideration related to acquired businesses. Restructuring includes significant changes in footprint (including movement of production facilities) and significant costs of management changes.

In addition to the items above, adjusting items impacting profit after tax include:

- The net effect on tax of significant restructuring from strategy changes that are not considered by the Group to be part of the normal operating costs of the business; and
- The tax effects of adjustments to profit before tax.

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

These interim results include alternative performance measures that are not prepared in accordance with IFRS. These alternative performance measures have been selected by the Directors to assist them in making operating decisions because they represent the underlying operating performance of the Group and facilitate internal comparisons of performance over time.

The Directors consider the adjusted results to be an important measure used to monitor how the businesses are performing as this provides a meaningful reflection of how the businesses are managed and measured on a day-to-day basis and achieves consistency and comparability between reporting periods, when all businesses are held for a complete reporting period.

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

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

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

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

d) Estimates and judgements

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

Significant judgements relate to the determination of items of income and expense excluded from operating profit to arrive at adjusted operating profit. Judgements are required as to whether items are disclosed as adjusting with consideration given to both quantitative and qualitative factors. Further information about the determination of adjusting items is included in note 1c of the 2022 Annual Report.

Significant estimates relate to uncertain tax provisions and goodwill. Accruals for tax contingencies require management to make judgements and estimates in relation to tax authority audits and exposures. Amounts accrued are based on management's interpretation of country-specific tax law and the likelihood of settlement. Tax benefits are not recognised unless the tax positions are probable of being sustained. Once considered to be probable, management reviews each material tax benefit to assess whether a provision should be taken against full recognition of the benefit on the basis of potential settlement through negotiation and/or litigation. These amounts are expected to be utilised or to reverse as tax audits occur or as the statute of limitations is reached in the respective countries concerned. The Group's current tax liability at 30 June 2023 includes tax provisions of £9.3 million (2022: £8.4 million). The Group believes the range of reasonable possible outcomes in respect of these exposures is tax liabilities of up to £12.3 million (2022: £11.1 million).

There is a significant estimate over the carrying value of the goodwill attributable to the IoT Solutions cash generating unit ('CGU'). The goodwill was impaired in 2022 so therefore the headroom as at 31 December 2022 was limited. The raising of interest rates by the Bank of England in 2023 has caused the discount factor which is used in assessing the headroom to rise. The rise in rates and the fact that the goodwill was impaired in 2022 is an indicator of impairment. On 30 June 2023 an impairment analysis was performed and headroom was determined to be £0.9 million. Sensitivity analysis has been performed and indicates that a change in the pre-tax discount rate and long-term growth rate from 15.6% to 15.9% or from 1.8% to 1.3% respectively would reduce headroom to £nil. A reduction in the terminal value of operating profit by 3.7% would also reduce the headroom to £nil.

e) Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate resources and financial headroom to continue in operational existence for at least twelve months from the date of signing these interim results. Therefore, they continue to adopt the going concern basis of accounting in preparing the condensed consolidated half-year financial statements. Page 17 outlines the going concern assessment.

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

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

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

Pages 69 to 72 of the 2022 Annual Report provide details of the Group's policy on managing its operational and financial risks.

3. Segmental reporting

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

- Power and Connectivity – the Power and Connectivity division develops and manufactures power application products and connectivity devices which enable the capture and wireless transfer of data. We collaborate with our customers to develop innovative solutions to optimise their electronic systems;
- Global Manufacturing Solutions – the Global Manufacturing Solutions division provides manufacturing services and engineering solutions for our product divisions and to customers that often require a lower volume and higher mix of different products. We manufacture complex integrated product assemblies for our customers and provide engineering services including designing testing solutions and value-engineering; and
- Sensors and Specialist Components – the Sensors and Specialist Components division works with customers to develop standard and customised solutions, including sensors and power management devices. Our solutions improve the precision, speed and reliability of critical aspects of our customers' applications.

The key performance measure of the operating segments is adjusted operating profit. Refer to the section titled 'Reconciliation of KPIs and non IFRS Measures' for a definition of adjusted operating profit.

Corporate costs - Resources and costs of the head office managed centrally but deployed in support of the operating units are allocated to segments based on a combination of revenue and adjusted operating profit.

Resources and costs of the head office which are not related to the operating activities of the trading units are not allocated to divisions and are separately disclosed, equivalent to the segment disclosure information, so that reporting is consistent with the format that is used for review by the chief operating decision maker. This gives greater transparency of the adjusted operating profits for each segment. Adjusting items are not allocated to divisions for reporting purposes. For further discussion of these items see note 4.

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

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

Six months ended 30 June 2023						
£million	Power and Connectivity	Global Manufacturing Solutions	Sensors and Specialist Components	Total Operating Segments	Corporate	Total
Sales to external customers	79.9	153.8	75.4	309.1	-	309.1
Adjusted operating profit	5.9	13.8	9.8	29.5	(3.9)	25.6
Add back: adjustments made to operating profit (note 4)						(4.7)
Operating profit						20.9
Net finance costs						(4.9)
Profit before taxation						16.0

Six months ended 30 June 2022						
£million	Power and Connectivity	Global Manufacturing Solutions	Sensors and Specialist Components	Total Operating Segments	Corporate	Total
Sales to external customers	68.8	135.3	65.1	269.2	-	269.2
Adjusted operating profit	2.1	9.4	10.6	22.1	(3.8)	18.3
Add back: adjustments made to operating profit (note 4)						(9.4)
Operating profit						8.9
Net finance costs						(3.3)
Profit before taxation						5.6

£million	Power and Connectivity	Global Manufacturing Solutions	Sensors and Specialist Components	Total Operating Segments	Corporate	Total
Sales to external customers	154.2	323.0	139.8	617.0	-	617.0
Adjusted operating profit	7.9	25.2	21.8	54.9	(7.8)	47.1
Add back: adjustments made to operating profit (note 4)						(50.5)
Operating loss						(3.4)
Net finance costs						(6.7)
Loss before taxation						(10.1)

There is no significant intergroup trading between segments.

The tables below show the geographies and markets in which the Group's revenues arose during the period.

£million	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
United Kingdom	70.3	59.4	130.0
Rest of Europe	51.4	44.1	104.3
North America	111.9	102.7	236.6
Central and South America	0.5	0.6	1.5
Asia	74.2	61.9	143.2
Rest of the World	0.8	0.5	1.4
	309.1	269.2	617.0

£million	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
Healthcare	79.1	70.7	172.0
Aerospace and defence	51.2	38.8	91.7
Automation and electrification	112.9	105.6	229.6
Distribution	65.9	54.1	123.7
	309.1	269.2	617.0

4. Adjusting items

Restructuring costs charged in the period of £0.3 million comprises £0.2 million (2022: £0.7 million) relating to the relocation of production facilities from Covina, USA to Kansas and £0.1 million (2022: £nil) relating to clean up operations. Prior year restructuring costs also included £2.6 million relating to the restructure of the North America Resistors business, which includes pre-production costs at our new Plano, USA facility; £1.0 million relating to closure of our site in Lutterworth, UK, and £0.2 million relating to the relocation of production facilities from Medina, USA to Minnesota, USA.

Pension restructuring costs of £0.9 million (2022: £1.0 million) comprise £0.7 million relating to costs associated with liability management exercises and cleansing of scheme data and £0.2 million as a settlement cost upon completion of the buyout of our US pension scheme.

Acquisition related costs of £3.5 million (2022: £3.9 million) comprise £2.7 million (2022: £3.1 million) of amortisation of acquisition intangibles, £0.4 million (2022: £0.1 million) of integration costs relating to the acquisition of Torotel, Inc and £0.4 million (2022: £0.4 million integration costs and £0.2m acquisition costs) of integration costs relating to the acquisition of the Power and Control business of Ferranti Technologies Ltd. based in Oldham, UK.

£million	Six months ended 30 June 2023		Six months ended 30 June 2022		Year ended 31 December 2022	
	Operating profit	Tax	Operating profit	Tax	Operating profit	Tax
As reported	20.9	(4.1)	8.9	(1.5)	(3.4)	(3.1)
Restructuring and other						
Restructuring	(0.3)	0.1	(4.5)	0.9	(6.4)	1.2
Pension restructuring costs	(0.9)	0.2	(1.0)	0.2	(2.0)	0.4
Pension enhanced transfer value exercise	-	-	-	-	(11.8)	2.2
	(1.2)	0.3	(5.5)	1.1	(20.2)	3.8
Asset impairments						
Goodwill impairment	-	-	-	-	(17.7)	-
Other impairments	-	-	-	-	(5.4)	1.0
	-	-	-	-	(23.1)	1.0
Acquisition and disposal related costs						
Amortisation of intangible assets arising on business combinations	(2.7)	0.6	(3.1)	0.6	(6.0)	0.3
Torotel integration and acquisition costs	(0.4)	0.1	(0.1)	-	(0.1)	-
Ferranti Power and Control acquisition and integration costs	(0.4)	0.1	(0.6)	0.2	(1.1)	0.2
Other acquisition related costs	-	-	(0.1)	-	-	-
	(3.5)	0.8	(3.9)	0.8	(7.2)	0.5
Total items excluded from adjusted measure	(4.7)	1.1	(9.4)	1.9	(50.5)	5.3
Adjusted measure	25.6	(5.2)	18.3	(3.4)	47.1	(8.4)

5. Taxation

The half-year tax charge of £4.1 million (2022: £1.5 million) is based on a forecast effective tax rate of 25.2 per cent (2022: 22.8 per cent) on adjusted profit and a £1.1 million (2022: £1.9 million) credit on restructuring, asset impairments and acquisition related costs.

The enacted UK tax rate applicable since 1 April 2017 to 31 March 2023 was 19 per cent. From 1 April 2023 the UK tax rate increased to 25 per cent meaning the current year blended rate is 23.5 per cent.

6. 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 176.0 million (30 June 2022: 175.7 million, 31 December 2022: 175.8 million). The calculation of the diluted earnings per share excludes 3,666,008 (30 June 2022: 2,175,908) share options whose effect would have been anti-dilutive. Adjusted earnings per share is based on the adjusted profit after interest and tax.

	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
Earnings (millions)			
Profit for the period attributable to owners of the Company	11.9	4.1	(13.2)
Adjusted earnings	15.5	11.6	32.0
Earnings / (loss) per share (pence)			
Basic (pence)	6.8	2.3	(7.5)
Diluted (pence)	6.7	2.3	(7.5)

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

£million (unless otherwise stated)	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
Profit for the period attributable to owners of the Company	11.9	4.1	(13.2)
Restructuring and other	1.2	5.5	20.2
Asset impairments	-	-	23.1
Acquisition and disposal related costs	3.5	3.9	7.2
Tax effect of above items (see note 4)	(1.1)	(1.9)	(5.3)
Adjusted earnings	15.5	11.6	32.0
Adjusted earnings per share (pence)	8.8	6.6	18.2
Adjusted diluted earnings per share (pence)	8.7	6.5	18.0

The weighted average number of shares used to calculate statutory and adjusted earnings per share are disclosed below:

Million	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
Basic	176.0	175.7	175.8
Adjustment for share awards	2.2	2.8	2.0
Diluted	178.2	178.5	177.8

7. Dividends

	2023 pence per share	2023 £million	2022 pence per share	2022 £million
Final dividend paid for prior year	4.30	7.5	3.80	6.7
Interim dividend declared for current year	2.15	3.8	2.00	3.5

The Directors have declared an interim dividend of 2.15 pence per share which will be paid on 12 October 2023 to shareholders on the register on 15 September 2023. Shares will become ex-dividend on 14 September 2023.

8. Fair value of financial instruments

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

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

£million	Fair value hierarchy	30 June 2023		30 June 2022		31 December 2022	
		Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Held at amortised cost							
Cash and cash equivalents	n/a	75.4	75.4	76.3	76.3	65.0	65.0
Trade and other receivables	n/a	84.0	84.0	87.0	87.0	101.3	101.3
Trade and other payables	n/a	(118.2)	(118.2)	(123.9)	(123.9)	(135.1)	(135.1)
Borrowings (excluding unsecured loan notes)	2	(119.0)	(119.0)	(119.9)	(119.9)	(105.3)	(105.3)
Unsecured loan notes	3	(75.0)	(54.1)	(75.0)	(57.8)	(75.0)	(55.1)
Held at fair value							
Derivative financial instruments (assets)	2	7.9	7.9	2.8	2.8	3.9	3.9
Derivative financial instruments (liabilities)	2	(4.9)	(4.9)	(5.2)	(5.2)	(4.4)	(4.4)
Held at depreciated cost							
Investment properties	3	-	0.7	-	0.7	-	0.7

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

- cash and cash equivalents, trade and other receivables and trade and other payables approximate to their carrying amounts largely due to the short-term maturities of these instruments;
- the fair value of borrowings is estimated by discounting future cash flows using rates currently available for debt and remaining maturities (level 2);
- the fair value of unsecured loan notes has been derived from available market data for borrowings of similar terms and maturity period (level 3);
- The fair value of derivative financial instrument assets (£7.9 million) and liabilities (£4.9 million) are estimated by discounting expected future cash flows using current market indices such as yield curves and forward exchange rates over the remaining term of the instrument (level 2);
- the fair value of investment properties are based on market valuations obtained through third party valuations (level 3).

9. Retirement benefit schemes

At 30 June 2023 the Group operated one defined benefit scheme in the UK (the TT Group (1993) scheme) and overseas defined benefit schemes in the USA. These schemes are closed to new members and the UK scheme is closed to future accrual. Given the nature of the Company's control of the plan under the Scheme's rules, a pension surplus has been recognised under IFRIC 14.

In the period ended 30 June 2023 the Trustees of the BI Technologies Corporation Retirement Plan, one of the US defined benefit schemes in the USA, completed a partial buy-out, extinguishing gross liabilities of £3.9m, with effect from March 2023. A settlement cost of £0.2 million was recognised within items excluded from adjusted operating profit as a result of this exercise.

In November 2022, the Trustees of the TT Group Scheme entered into a bulk annuity insurance contract with an insurer in respect of the liabilities of the defined benefit scheme (also known as a 'buy-in'). Following the buy-in the Trustees and Company agreed that there was no requirement for any further contributions to be paid to the Scheme.

In October 2022, the Trustees of the Southern & Redfern Ltd Retirement Benefits Scheme completed a buy-out of the scheme with a leading insurer.

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

£million	30 June 2023	30 June 2022	31 December 2022
TT Group (1993)	29.2	95.0	31.3
Southern & Redfern	-	-	-
USA schemes	(2.9)	(3.4)	(2.9)
Net surplus	26.3	91.6	28.4

£million	30 June 2023	30 June 2022	31 December 2022
Fair value of assets	349.9	521.3	396.8
Defined benefit obligation	(323.6)	(429.7)	(368.4)
Net surplus recognised in the statement of financial position	26.3	91.6	28.4
Represented by			
Schemes in net surplus	29.2	95.0	31.3
Schemes in net deficit	(2.9)	(3.4)	(2.9)
	26.3	91.6	28.4

The costs recognised in the condensed consolidated income statement are:

£million	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
Scheme administration costs	0.5	0.5	1.2
Net cost on pension projects (excluded from adjusted operating profit)	0.9	1.0	13.8
Net interest credit	(0.7)	(0.7)	(2.1)

Amounts recognised in the consolidated statement of comprehensive income are a loss of £1.4 million (2022: gain of £16.8 million) which comprises a £40.4 million loss on schemes' assets of £349.9 million (2022: loss of £126.4 million) and a £39.0 million gain on the remeasurement of the schemes' obligations of £323.6 million (2022: gain of £143.2 million). Following the buy-in of the UK pension scheme in 2022, all actuarial remeasurements on the UK scheme liabilities are fully offset by movements in the value of the buy-in contract.

The decrease in the scheme obligation is due to increases in yields on corporate bonds and experience losses in the half year.

The triennial valuation of the TT Group scheme as at April 2022 showed a net surplus of £45.4 million against the Trustee's funding objective compared with a surplus of £0.3 million at April 2019.

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

£million	Net cash	Lease liabilities	Borrowings	Net debt
As at 1 January 2022	67.2	(22.6)	(147.1)	(102.5)
Cash flow	(6.7)	-	-	(6.7)
Businesses acquired	-	(0.2)	-	(0.2)
Repayment of borrowings	-	-	109.5	109.5
Proceeds from borrowings excluding capitalised loan arrangement fees	-	-	(142.2)	(142.2)
Capitalised loan arrangement fees	-	-	0.9	0.9
Amortisation of loan arrangement fees	-	-	(0.8)	(0.8)
Payment of lease liabilities	-	1.9	-	1.9
New leases	-	(0.6)	-	(0.6)
Exchange differences	3.2	(1.9)	(2.6)	(1.3)
As at 30 June 2022	63.7	(23.4)	(182.3)	(142.0)
Cash flow	(2.5)	-	-	(2.5)
Repayment of borrowings	-	-	39.8	39.8
Proceeds from borrowings excluding capitalised loan arrangement fees	-	-	(33.8)	(33.8)
Capitalised loan arrangement fees	-	-	0.8	0.8
Amortisation of loan arrangement fees	-	-	(0.2)	(0.2)
Payment of lease liabilities	-	2.4	-	2.4
New leases	-	(1.7)	-	(1.7)
Exchange differences	0.1	(0.4)	(0.9)	(1.2)
At 1 January 2023	61.3	(23.1)	(176.6)	(138.4)
Cash flow	13.0	-	-	13.0
Repayment of borrowings	-	-	4.0	4.0
Proceeds from borrowings excluding capitalised loan arrangement fees	-	-	(17.9)	(17.9)
Capitalised loan arrangement fees	-	-	0.4	0.4
Amortisation of loan arrangement fees	-	-	(0.2)	(0.2)
Payment of lease liabilities	-	2.3	-	2.3
New leases and reassessment of lease liabilities	-	(0.5)	-	(0.5)
Exchange differences	(4.5)	1.1	1.9	(1.5)
At 30 June 2023	69.8	(20.2)	(188.4)	(138.8)
Net cash comprises:				
Cash at bank and in hand	75.4	-	-	75.4
Bank overdrafts	(5.6)	-	-	(5.6)
Net cash at end of period	69.8	-	-	69.8

The Group's primary source of finance is the £162.4 million committed revolving credit facility (RCF) which was signed in June 2022 and will mature in June 2027 following the Group exercising an option to extend the previously existing maturity by one year in May 2023. The RCF includes a £15.0 million committed extension converted from existing uncommitted accordion facilities in February 2023. At 30 June 2023 £115.6 million of this facility had been drawn down. The Group's RCF is payable on a floating rate basis above GBP SONIA, USD SOFR or EURIBOR depending on the currency of the loan.

In December 2021, TT completed a debut issue of £75 million of private placement fixed rate loan notes with three institutional investors; the issue is evenly split between 7 and 10 year maturities with an average interest rate of 2.9% and covenants in line with our bank facility.

11. Share capital

During the period the Company issued 92,555 ordinary shares (2022: 134,804) as a result of share options being exercised under the Sharesave scheme and Share Purchase plans. The aggregate consideration received in respect of all new issues of shares was £0.1 million (2022: £0.2 million), which was represented by a £0.1 million (2022: £0.2 million) increase in share premium.

During the period grants of awards were made under the LTIP for the issue of shares in 2026. An award is a contingent right to receive shares in the future, subject to continued employment and the achievement of predetermined performance criteria. During the period grants of awards were made under the 2023 LTIP scheme for the issue of up to 1,680,053 shares in 2026.

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 2023 that have materially affected the financial position or performance of the Group.

13. Subsequent events

There were no subsequent events to report between the balance sheet date of 30 June 2023 and the date of issue of these financial statements.

Reconciliation of KPIs and non IFRS Measures

In accordance with the Guidelines on APMs issued by the European Securities and Markets Authority (ESMA), additional information is provided on the APMs used by the Group below.

To assist with the understanding of earnings trends, the Group has included within its financial statements APMs adjusted operating profit and other adjusted profit measures. The APMs used are not defined terms under IFRS and therefore may not be comparable to similar measures used by other companies. They are not intended to be a substitute for, or superior to, GAAP measures.

Management uses adjusted measures to assess the operating performance of the Group, having adjusted for specific items as detailed in note 4. They form the basis of internal management accounts and are used for decision making, including capital allocation, with a subset also forming the basis of internal incentive arrangements. By using adjusted measures in segmental reporting, this enables readers of the financial statements to recognise how incentive performance is targeted. Adjusted measures are also presented in this announcement because the Directors believe they provide additional useful information to shareholders on comparable trends over time. Finally, this presentation allows for separate disclosure and specific narrative to be included concerning the adjusting items; this helps to ensure performance in any one year can be more clearly understood by the user of the financial statements.

Income statement measures:

Alternative Performance Measure	Closest equivalent statutory measure	Note reference to reconciliation to statutory measure	Definition and purpose
Adjusted operating profit	Operating profit	Adjusting items as disclosed in note 4	Adjusted operating profit has been defined as operating profit from continuing operations excluding the impacts of significant restructuring programmes, significant one-off items including property disposals, impairment charges significant in nature and/or value, business acquisition, integration, and divestment related activity; and the amortisation of intangible assets recognised on acquisition. Acquisition and disposal related items include the writing off of the pre-acquisition profit element of inventory written up on acquisition, other direct costs associated with business combinations and adjustments to contingent consideration related to acquired businesses. Restructuring includes significant changes in footprint (including movement of production facilities) and significant costs of management changes. To provide a measure of the operating profits excluding the impacts of significant items such as restructuring or acquisition related activity and other items such as amortisation of intangibles which may not be present in peer companies which have grown organically.
Adjusted operating margin	Operating profit margin	Adjusting items as disclosed in note 4	Adjusted operating profit as a percentage of revenue. To provide a measure of the operating profits excluding the impacts of significant items such as restructuring or acquisition related activity and other items such as amortisation of intangibles which may not be present in peer companies which have grown organically.
Adjusted earnings per share	Earnings per share	See note 6 for the reconciliation and calculation of adjusted earnings per share	The profit for the year attributable to the owners of the Group adjusted to exclude the items not included within adjusted operating profit divided by the weighted average number of shares in issue during the year. To provide a measure of earnings per share excluding the impacts of significant items such as restructuring or acquisition related activity and other items such as amortisation of intangibles which may not be present in peer companies which have grown organically.

Income statement measures continued:

Alternative Performance Measure	Closest equivalent statutory measure	Note reference to reconciliation to statutory measure	Definition and purpose
Adjusted diluted earnings per share	Diluted earnings per share	See note 6 for the reconciliation and calculation of adjusted diluted earnings per share	<p>The profit for the year attributable to the owners of the Group adjusted to exclude the items not included within adjusted operating profit divided by the weighted average number of shares in issue during the year, adjusted for the effects of any potentially dilutive options.</p> <p>To provide a measure of earnings per share excluding the impacts of significant items such as restructuring or acquisition related activity and other items such as amortisation of intangibles which may not be present in peer companies which have grown organically.</p>
Prior year revenue and adjusted operating profit at constant currency	Revenue and operating profit	See note APM 1	Revenue and adjusted operating profit for the prior year retranslated at the current year's foreign exchange rates.
Organic revenue	Revenue	See note APM 2	<p>This is the percentage change in revenue from continuing operations in the current year compared to the prior year, excluding the effects of currency movements, acquisitions and disposals. This measures the underlying growth or decline of the business.</p> <p>To provide a comparable view of the revenue growth of the business from period to period excluding acquisition impacts.</p>
Adjusted effective tax charge	Effective tax charge	See note APM 3	<p>Tax charge adjusted to exclude tax on items not included within adjusted operating profit divided by adjusted profit before tax, which is also adjusted to exclude the items not included within adjusted operating profit.</p> <p>To provide a tax rate which excludes the impact of adjusting items such as restructuring or acquisition related activity and other items such as amortisation of intangibles which may not be present in peer companies which have grown organically.</p>
Return on invested capital	None	See note APM 4	<p>Adjusted operating profit for the year divided by average invested capital for the year. Average invested capital excludes pensions, provisions, tax balances, derivative financial assets and liabilities, cash and borrowings and is calculated at average rates taking 12 monthly balances.</p> <p>This measures how efficiently assets are utilised to generate returns with the target of exceeding the cost to hold the assets.</p>

Statement of financial position measures:

Alternative Performance Measure	Closest equivalent statutory measure	Note reference to reconciliation to statutory measure	Definition and purpose
Net debt	Cash and cash equivalents less borrowings and lease liabilities	Reconciliation of net cash flow to movement in net (debt)/ funds (note 10)	<p>Net debt comprises cash and cash equivalents and borrowings including lease liabilities.</p> <p>This is additional information provided which may be helpful to the user in understanding the liquidity and financial structure of the business.</p>
Leverage (bank covenant)	Cash and cash equivalents less borrowings	N/A	<p>Leverage is the net debt defined as per the banking covenants (net debt (excluding lease liabilities) adjusted for certain terms as per the bank covenants) divided by EBITDA excluding items removed from adjusted profit and further adjusted for certain terms as per the bank covenants.</p> <p>Provides additional information over the Group's financial covenants to assist with assessing solvency and liquidity.</p>
Net capital and development expenditure (net capex)	None	See note APM 5	<p>Purchase of property, plant and equipment net of government grants (excluding property disposals), purchase of intangibles (excluding acquisition intangibles) and capitalised development.</p> <p>A measure of the Group's investments in capex and development to support longer term growth.</p>
Dividend per share	Dividend per share	Not applicable	<p>Amounts payable by dividend in terms of pence per share.</p> <p>Provides the dividend return per share to shareholders.</p>

Statement of cash flows measures:

Alternative Performance Measure	Closest equivalent statutory measure	Note reference to reconciliation to statutory measure	Definition and purpose
Adjusted operating cash flow	Operating cash flow	See note APM 6	<p>Adjusted operating profit, excluding depreciation of property, plant and equipment and amortisation of intangible assets less working capital and other non-cash movements.</p> <p>An additional measure to help understand the Group's operating cash generation.</p>
Adjusted operating cash flow post capex	Operating cash flow	See note APM 7	<p>Adjusted operating cash flow less net capital and development expenditure.</p> <p>An additional measure to help understand the Group's operating cash generation after the deduction of capex.</p>
Working capital cashflow	Cashflow - inventories payables, provisions and receivables	See note APM 8	<p>Working capital comprises of three statutory cashflow figures: (increase)/decrease in inventories, increase/(decrease) in payables and provisions, and (increase)/decrease in receivables. This definition includes the movement of any provisions over trade receivables.</p> <p>To provide users a measure of how effectively the group is managing its working capital and the resultant impact on liquidity.</p>
Free cash flow	Net increase/decrease in cash and cash equivalents	See note APM 9	<p>Free cash flow represents cash generated from trading after all costs including restructuring, pension contributions, tax and interest payments. Cashflows to settle LTIP schemes are excluded.</p> <p>Free cash flow provides a measure of how successful the company is in creating cash during the period which is then able to be used by the Group at its discretion.</p>
Cash conversion	None	See note APM 10	<p>Adjusted operating cash flow post capex (less any property disposals which were part of restructuring programmes) divided by adjusted operating profit.</p> <p>Cash conversion measures how effectively we convert profit into cash and tracks the management of our working capital and capital expenditure.</p>
R&D cash spend as a percentage of revenue	None	See note APM 11	<p>R&D cash spend and R&D investment as a percentage of revenue excludes Global Manufacturing Solutions which is a manufacturing services business and therefore has no R&D.</p> <p>To provide a measure of the company's expenditure on R&D relative to its overall size which may be helpful in considering the Group's longer-term investment in future product pipeline.</p>

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

£million	Six months ended 30 June 2022			Total
	Power and Connectivity	Global Manufacturing Solutions	Sensors and Specialist Components	
2022 revenue	68.8	135.3	65.1	269.2
Foreign exchange impact	2.2	2.2	3.0	7.4
2022 revenue at 2023 exchange rates	71.0	137.5	68.1	276.6

£million	Six months ended 30 June 2022					Total
	Power and Connectivity	Global Manufacturing Solutions	Sensors and Specialist Components	Total Operating Segments	Corporate	
2022 adjusted operating profit	2.1	9.4	10.6	22.1	(3.8)	18.3
Foreign exchange impact	0.1	0.2	0.5	0.8	-	0.8
2022 adjusted operating profit at 2023 exchange rates	2.2	9.6	11.1	22.9	(3.8)	19.1

APM 2 - Organic revenue:

£million	Six months ended 30 June			Total
	Power and Connectivity	Global Manufacturing Solutions	Sensors and Specialist Components	
2023 revenue	79.9	153.8	75.4	309.1
2022 revenue	68.8	135.3	65.1	269.2
Foreign exchange impact	2.2	2.2	3.0	7.4
2022 revenue at 2023 exchange rates	71.0	137.5	68.1	276.6
Organic revenue increase (%)	13%	12%	11%	12%

APM 3 – Effective tax charge:

£million	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
Adjusted operating profit	25.6	18.3	47.1
Net interest	(4.9)	(3.3)	(6.7)
Adjusted profit before tax	20.7	15.0	40.4
Adjusted tax	(5.2)	(3.4)	(8.4)
Adjusted effective tax rate	25.2%	22.8%	20.8%

APM 4 – Return on invested capital:

£million	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
Adjusted operating profit	25.6	18.3	47.1
Adjusted operating profit H2 prior year (adjustment required for half year only)	28.8	18.9	-
Average invested capital	452.0	415.7	448.6
Return on invested capital	12.0%	8.9%	10.5%

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

£million	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
Purchase of property, plant and equipment	(9.0)	(5.1)	(11.4)
Proceeds from sale of investment property, plant and equipment and capital grants received	0.1	0.2	0.3
Capitalised development expenditure	(0.9)	(1.0)	(2.3)
Purchase of other intangibles	(0.4)	(0.1)	(0.6)
Net capital and development expenditure	(10.2)	(6.0)	(14.0)

APM 6 - Adjusted operating cash flow:

£million	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
Adjusted operating profit	25.6	18.3	47.1
Adjustments for:			
Depreciation	7.3	6.8	13.9
Amortisation of intangible assets	1.3	1.1	2.2
Share based payment expense	1.5	2.5	4.8
Other items	0.4	0.3	0.5
Increase in inventories	(2.6)	(39.1)	(40.4)
Decrease/(increase) in receivables	7.3	(8.4)	(26.3)
(Decrease)/increase in payables and provisions	(11.6)	14.5	27.9
Adjusted operating cash flow	29.2	(4.0)	29.7
Restructuring and acquisition related costs	(1.0)	(7.0)	(11.1)
Net cash generated from / (used in) operations	28.2	(11.0)	18.6
Net income taxes paid	(3.8)	(1.3)	(5.9)
Net cash flow from operating activities	24.4	(12.3)	12.7

APM 7 - Adjusted operating cash flow post capex:

£million	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
Adjusted operating cash flow	29.2	(4.0)	29.7
Purchase of property, plant and equipment	(9.0)	(5.1)	(11.4)
Proceeds from sale of property, plant and equipment and government grants received	0.1	0.2	0.3
Capitalised development expenditure	(0.9)	(1.0)	(2.3)
Purchase of other intangibles	(0.4)	(0.1)	(0.6)
Adjusted operating cash flow post capex	19.0	(10.0)	15.7

APM 8 – Working capital cashflow:

£million	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
Increase in inventories	(2.6)	(39.1)	(40.4)
Decrease/(increase) in receivables	7.3	(8.4)	(26.3)
(Decrease)/increase in payables and provisions	(11.6)	14.5	27.9
Working capital cashflow	(6.9)	(33.0)	(38.8)

APM 9 – Free cash flow:

£million	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
Net cash flow from operating activities	24.4	(12.3)	12.7
Net cash flow from investing activities	(10.2)	(14.3)	(22.3)
Add back: Acquisition of business	-	8.3	8.3
Payment of lease liabilities	(2.3)	(1.9)	(4.3)
Interest paid	(5.0)	(3.3)	(7.5)
Free cash flow	6.9	(23.5)	(13.1)

APM 10 – Cash conversion:

£million	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
Adjusted operating profit	25.6	18.3	47.1
Adjusted operating cash flow post capex	19.0	(10.0)	15.7
Cash conversion	74%	-55%	33%

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

£million	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 December 2022
Revenue (excluding GMS)	155.3	133.9	294.0
R&D cash spend	6.0	5.4	11.0
R&D cash spend as a percentage of revenue	3.9%	4.0%	3.7%