

## GROUP ACCOUNTS

Notes to the consolidated  
financial statements**1 Segmental reporting**

Following the Strategy Review, the Group's businesses have been reorganised into the following divisions with effect from 1 January 2009:

- Components – specialist resistive components and microcircuits, connectors and interconnection systems.
- Sensors – electronic accelerator pedals, engine and wheel speed, temperature and pressure sensors and chassis height sensors.
- Integrated Manufacturing Services – the provision of global electronics manufacturing capability with logistics, interconnect and integrated solutions.
- Secure Power – standby generation and uninterruptible power systems manufacture and service.
- General Industrial – manufacturing operations serving a range of market sectors with applications including magnetics, electrical fusegear, compounding and fine wire.

Further descriptions of the operating segments are given in the Business review on pages 22 to 26. Comparatives have been restated.

|                                      | Revenue          |                  | Sector result    |                  |
|--------------------------------------|------------------|------------------|------------------|------------------|
|                                      | 2009<br>£million | 2008<br>£million | 2009<br>£million | 2008<br>£million |
| – Components                         | 190.8            | 192.1            | 5.9              | 9.7              |
| – Sensors                            | 105.4            | 125.9            | (3.9)            | 1.1              |
| – Integrated Manufacturing Services  | 75.1             | 103.4            | 2.4              | 6.0              |
| – Secure Power                       | 59.1             | 65.9             | 4.8              | 7.8              |
| – General Industrial                 | 69.2             | 97.0             | (2.7)            | 2.4              |
| Total                                | 499.6            | 584.3            | 6.5              | 27.0             |
| Exceptional operating items (note 4) |                  |                  | (18.0)           | (3.8)            |
| Operating (loss)/profit              |                  |                  | (11.5)           | 23.2             |
| Finance income (note 2)              |                  |                  | 15.8             | 18.1             |
| Finance costs (note 2)               |                  |                  | (21.5)           | (24.0)           |
| (Loss)/profit before tax             |                  |                  | (17.2)           | 17.3             |
| Taxation (note 5)                    |                  |                  | (2.4)            | (5.7)            |
| <b>(Loss)/profit for the year</b>    |                  |                  | <b>(19.6)</b>    | <b>11.6</b>      |

There are no significant sales between sectors.

|   | Assets           |                  | Liabilities      |                  | Total capital employed |                  |
|---|------------------|------------------|------------------|------------------|------------------------|------------------|
|   | 2009<br>£million | 2008<br>£million | 2009<br>£million | 2008<br>£million | 2009<br>£million       | 2008<br>£million |
| – Components                                | 181.1            | 226.8            | 32.3             | 38.3             | 148.8                  | 188.5            |
| – Sensors                                   | 80.9             | 98.1             | 25.2             | 24.6             | 55.7                   | 73.5             |
| – Integrated Manufacturing Services         | 39.1             | 56.9             | 19.2             | 22.2             | 19.9                   | 34.7             |
| – Secure Power                              | 28.8             | 33.9             | 17.2             | 15.5             | 11.6                   | 18.4             |
| – General Industrial                        | 34.2             | 51.3             | 11.0             | 15.5             | 23.2                   | 35.8             |
| Sector assets and liabilities               | 364.1            | 467.0            | 104.9            | 116.1            | 259.2                  | 350.9            |
| Pensions and other post-employment benefits | –                | –                | 43.7             | 18.6             | (43.7)                 | (18.6)           |
| Unallocated assets and liabilities          | 29.6             | 15.6             | 89.3             | 135.0            | (59.7)                 | (119.4)          |
| Total net assets                            | 393.7            | 482.6            | 237.9            | 269.7            | 155.8                  | 212.9            |

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Notes to the consolidated  
financial statements (continued)

## 1 Segmental reporting (continued)

|                                     | Capital additions |                  | Depreciation and amortisation |                  |
|-------------------------------------|-------------------|------------------|-------------------------------|------------------|
|                                     | 2009<br>£million  | 2008<br>£million | 2009<br>£million              | 2008<br>£million |
| – Components                        | 3.9               | 11.2             | 13.9                          | 13.6             |
| – Sensors                           | 9.1               | 16.0             | 16.5                          | 14.2             |
| – Integrated Manufacturing Services | 0.5               | 1.0              | 2.2                           | 2.3              |
| – Secure Power                      | 0.4               | 1.0              | 0.6                           | 0.6              |
| – General Industrial                | 2.4               | 3.6              | 2.7                           | 3.2              |
| Total – before exceptional items    | 16.3              | 32.8             | 35.9                          | 33.9             |
| Exceptional items                   | –                 | –                | –                             | 0.4              |
| Total                               | 16.3              | 32.8             | 35.9                          | 34.3             |

## Geographical analysis

The Group operates globally. Revenue by geographical destination is:

|                   | 2009<br>£million | 2008<br>£million |
|-------------------|------------------|------------------|
| United Kingdom    | 91.5             | 108.3            |
| Rest of Europe    | 195.9            | 213.4            |
| North America     | 132.5            | 154.3            |
| Rest of the World | 79.7             | 108.3            |
|                   | 499.6            | 584.3            |

Revenue from transactions with any individual major customers is below 10% of Group revenues. Revenue from services is less than 2% of Group revenues. All other revenue is from the sale of goods.

The carrying amount of non current assets, excluding deferred tax assets, analysed by the geographical area in which the assets are located is as follows:

|                   | 2009<br>£million | 2008<br>£million |
|-------------------|------------------|------------------|
| United Kingdom    | 40.0             | 47.6             |
| Rest of Europe    | 58.7             | 72.0             |
| North America     | 84.5             | 101.3            |
| Rest of the World | 11.6             | 14.6             |
|                   | 194.8            | 235.5            |

**2 Finance costs – net**

|   | 2009<br>£million | 2008<br>£million |
|---|------------------|------------------|
| Interest receivable                                     | 0.2              | 0.4              |
| Expected return on pension scheme assets                | 15.6             | 17.7             |
| Finance income  | 15.8             | 18.1             |
| Interest on bank overdrafts and loans                   | 3.6              | 4.4              |
| Interest on finance leases                              | –                | 0.1              |
| Unwinding of the discount on pension scheme liabilities | 17.9             | 19.5             |
| Finance costs   | 21.5             | 24.0             |
| Finance costs – net                                     | 5.7              | 5.9              |

**3 (Loss)/profit for the year**

(Loss)/profit for the year is stated after charging/(crediting):

|   | 2009<br>£million | 2008<br>£million |
|---|------------------|------------------|
| Depreciation of property, plant and equipment               | 24.1             | 23.4             |
| Amortisation of intangible assets included in cost of sales | 11.8             | 10.9             |
| Net foreign exchange losses                                 | 0.8              | 1.1              |
| Cost of inventories recognised as an expense                | 420.4            | 480.8            |
| Employee emoluments   | 139.3            | 153.9            |
| Fees to Group Auditors                                      |                  |                  |
| – Company and consolidation statutory audits                | 0.1              | 0.1              |
| Fees to Group Auditors and associates                       |                  |                  |
| – statutory audit of subsidiaries                           | 0.8              | 0.8              |
| – tax services  | 0.2              | 0.2              |
| Fees to other Auditors                                      |                  |                  |
| – statutory audit of subsidiaries                           | 0.1              | 0.1              |
| – tax services  | 0.1              | 0.1              |
| Government grants credited                                  | (1.1)            | (1.4)            |
| Share-based payment   | (0.2)            | 0.1              |

**4 Exceptional items**

|  | 2009<br>£million | 2008<br>£million |
|--|------------------|------------------|
| Restructuring costs                                |                  |                  |
| AB Automotive – closure costs                      | 4.1              | 2.7              |
| – property profit                                  | (0.9)            | –                |
| General Industrial – Climate control exit costs    | 3.2              | 2.7              |
| Sensors – European restructuring                   | 7.4              | –                |
| Sensors – Romford closure                          | 0.4              | 1.1              |
| IMS – UK consolidation including Aylesbury closure | 1.2              | –                |
| Components – BI SMT closure of manufacturing       | 1.0              | –                |
| General Industrial restructuring                   | 1.4              | –                |
| Other restructuring                                | 0.6              | –                |
| Profit on sale of properties                       | (1.0)            | –                |
| Exceptional restructuring costs                    | 14.2             | 3.8              |
| Exceptional impairment of goodwill, see note 10    | 3.8              | –                |
| Exceptional items                                  | 18.0             | 3.8              |

Exceptional restructuring costs include redundancy costs of £13.7 million, impairment to plant and equipment of £1.0 million, loss on disposal of surplus plant and equipment of £1.0 million and stock write offs of £0.4 million.

The Group reports income or expenditure as exceptional when the size, nature or function of an item or aggregation of similar items is such that separate presentation is relevant to an understanding of its financial position.

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## 5 Taxation

|                        | 2009<br>£million | 2008<br>£million |
|------------------------|------------------|------------------|
| Current tax            | 4.1              | 5.9              |
| Deferred tax (note 19) | (1.7)            | (0.2)            |
|                        | 2.4              | 5.7              |

UK tax is calculated at 28% (2008: 28.5%) of taxable profit. Overseas tax is calculated at the rates ruling in the relevant countries. Despite the Group reporting a loss before taxation a tax charge of £2.4 million (2008: £5.7 million) has arisen due to profits generated in certain overseas countries. An overall tax rate of 33% was reported for 2008.

The tax charge is explained as follows:

|  | 2009<br>£million | 2008<br>£million |
|--|------------------|------------------|
| (Loss)/profit before taxation                        | (17.2)           | 17.3             |
| Tax at the UK income tax rate                        | (4.8)            | 4.9              |
| Effect of tax rates of non-UK subsidiaries           | (0.1)            | 0.6              |
| Utilisation of losses not previously recognised      | (1.0)            | (1.1)            |
| Losses for which no deferred tax asset is recognised | 8.0              | 0.5              |
| Expenses not deductible for tax purposes             | 0.9              | 0.8              |
| Other  | (0.6)            | –                |
|  | 2.4              | 5.7              |

## 6 Dividends

No dividends have been paid in the year:

|                                   | 2009<br>pence per<br>share | 2009<br>£million | 2008<br>pence per<br>share | 2008<br>£million |
|-----------------------------------|----------------------------|------------------|----------------------------|------------------|
| Final dividend for prior year     | –                          | –                | 6.36                       | 9.9              |
| Interim dividend for current year | –                          | –                | 3.69                       | 5.7              |
|                                   | –                          | –                | 10.05                      | 15.6             |

The Directors are not recommending the payment of a final dividend for 2009.

## 7 (Loss)/earnings per share

|                         | 2009<br>pence per<br>share | 2008<br>pence per<br>share |
|-------------------------|----------------------------|----------------------------|
| Headline <sup>(1)</sup> | (1.3)                      | 9.2                        |
| Basic                   | (12.6)                     | 7.5                        |
| Diluted                 | (12.6)                     | 7.5                        |

(Loss)/earnings per share has been calculated by dividing the (loss)/profit attributable to shareholders by the weighted average number of shares in issue during the year. The numbers used in calculating basic and fully diluted earnings per share are reconciled below:

|   | 2009<br>£million | 2008<br>£million |
|---|------------------|------------------|
| (Loss)/profit for the year attributable to shareholders | (19.6)           | 11.6             |

**7 (Loss)/earnings per share (continued)**

Weighted average number of shares in issue:

|                              | 2009<br>million | 2008<br>million |
|------------------------------|-----------------|-----------------|
| Basic                        | 155.0           | 155.0           |
| Adjustment for share options | –               | 0.1             |
| Diluted                      | 155.0           | 155.1           |

(1) Headline loss per share on continuing operations before exceptional items of 1.3p (2008: earnings of 9.2p) is based on the loss for the year of £19.6 million (2008: profit of £11.6 million) adjusted for exceptional items of £18.0 million (2008: £3.8 million) less the associated taxation of £0.4 million (2008: £1.1 million).

**8 Employees**

The average number of full time equivalent employees (including Directors) during the year was:

|                                     | 2009<br>number | 2008<br>number |
|-------------------------------------|----------------|----------------|
| <b>By function</b>                  |                |                |
| Production                          | 5,369          | 6,455          |
| Sales and distribution              | 598            | 645            |
| Administration                      | 436            | 492            |
|                                     | <b>6,403</b>   | <b>7,592</b>   |
| <b>By sector</b>                    |                |                |
| – Components                        | 3,027          | 3,326          |
| – Sensors                           | 1,044          | 1,280          |
| – Integrated Manufacturing Services | 1,056          | 1,343          |
| – Secure Power                      | 587            | 630            |
| – General Industrial                | 689            | 1,013          |
| Total continuing operations         | <b>6,403</b>   | <b>7,592</b>   |

The aggregate emoluments including those of Directors for the year were:

|                                    | 2009<br>£million | 2008<br>£million |
|------------------------------------|------------------|------------------|
| Wages and salaries                 | 115.3            | 129.1            |
| Employers' social security charges | 20.2             | 21.3             |
| Employers' pension costs           | 3.8              | 3.5              |
|                                    | <b>139.3</b>     | <b>153.9</b>     |

Remuneration in respect of the Directors was as follows:

|            | 2009<br>£million | 2008<br>£million |
|------------|------------------|------------------|
| Emoluments | 1.1              | 1.7              |

Further details of individual Directors' remuneration, pension benefits and share options are shown in the Directors' remuneration report on pages 42 to 46.

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## 9 Property, plant and equipment

|  | Land and<br>buildings<br>£million | Plant and<br>equipment<br>£million | Total<br>£million |
|--|-----------------------------------|------------------------------------|-------------------|
| <b>Cost</b>                                    |                                   |                                    |                   |
| At 1 January 2008                              | 55.9                              | 291.3                              | 347.2             |
| Additions                                      | 3.4                               | 18.5                               | 21.9              |
| Acquisition of subsidiary                      | 2.6                               | 2.6                                | 5.2               |
| Disposals                                      | (3.7)                             | (8.7)                              | (12.4)            |
| Exchange translation differences               | 10.9                              | 60.6                               | 71.5              |
| At 1 January 2009                              | 69.1                              | 364.3                              | 433.4             |
| Additions                                      | 0.5                               | 8.9                                | 9.4               |
| Disposals                                      | (1.9)                             | (26.2)                             | (28.1)            |
| Exchange translation differences               | (2.9)                             | (15.9)                             | (18.8)            |
| <b>At 31 December 2009</b>                     | <b>64.8</b>                       | <b>331.1</b>                       | <b>395.9</b>      |
| <b>Accumulated depreciation and impairment</b> |                                   |                                    |                   |
| At 1 January 2008                              | 13.7                              | 221.5                              | 235.2             |
| Depreciation charge for the year               | 1.7                               | 21.7                               | 23.4              |
| Acquisition of subsidiary                      | –                                 | 1.0                                | 1.0               |
| Eliminated on disposals                        | (2.7)                             | (8.3)                              | (11.0)            |
| Exchange translation differences               | 2.5                               | 44.9                               | 47.4              |
| At 1 January 2009                              | 15.2                              | 280.8                              | 296.0             |
| Depreciation charge for the year               | 2.1                               | 22.0                               | 24.1              |
| Impairment                                     | –                                 | 1.0                                | 1.0               |
| Eliminated on disposals                        | (0.2)                             | (23.7)                             | (23.9)            |
| Exchange translation differences               | (0.8)                             | (11.8)                             | (12.6)            |
| <b>At 31 December 2009</b>                     | <b>16.3</b>                       | <b>268.3</b>                       | <b>284.6</b>      |
| Carrying amount                                |                                   |                                    |                   |
| <b>At 31 December 2009</b>                     | <b>48.5</b>                       | <b>62.8</b>                        | <b>111.3</b>      |
| At 31 December 2008                            | 53.9                              | 83.5                               | 137.4             |

The following rates are used for the depreciation of property, plant and equipment:

|                              |  |
|------------------------------|--|
| Freehold property            | 2%   |
| Leasehold land and buildings | 2% (or over the period of the lease if less than 50 years) |
| Plant and equipment          | 10% to 33%   |

The carrying amount of land and buildings includes £0.3 million (2008: £0.4 million) in respect of assets held under finance leases.

The impairment of plant and equipment relates to items that are no longer of economic value following the exit from the climate control business.

**10 Goodwill**

|                                  | £million    |
|----------------------------------|-------------|
| <b>Cost</b>                      |             |
| At 1 January 2008                | 52.3        |
| Acquisition of subsidiaries      | 5.7         |
| Exchange translation differences | 16.5        |
| At 1 January 2009                | 74.5        |
| Impairment                       | (3.8)       |
| Exchange translation differences | (4.8)       |
| <b>At 31 December 2009</b>       | <b>65.9</b> |

Goodwill is primarily attributed to the following cash generating units in the sectors shown:

|  | £million |
|--|----------|
| BI Technologies – Components   | 28.5     |
| Optek Technology Inc – Components, after impairment of £3.8 million                                  | 18.0     |
| TT electronics integrated manufacturing services, Inc USA – Integrated Manufacturing Services        | 7.9      |
| TT electronics integrated manufacturing services (Suzhou) Co Ltd – Integrated Manufacturing Services | 5.1      |
| New Chapel Electronics Limited – Components  | 3.4      |
| Semelab Limited – Components   | 2.3      |

Goodwill has been tested for impairment by assessing the value in use of the relevant cash generating units. The value in use calculations were based on projected cash flows for the years 2010 onwards. Cash flows for 2010 are based on the budget for the year, which was finalised in December 2009. Cash flows for 2011 and 2012 are based on the financial data derived from the annual strategic review. The strategic review was conducted for every subsidiary and reviewed in depth by key management. The results of the strategic review have been endorsed by the Board.

Cash flows for 2013 and 2014 assume sales growth of 6% per annum and beyond 2014 the assumed sales growth rate is 2%. Using these conservative assumptions and discounting future cash flows by 10% per annum which is the estimated weighted average cost of capital for the businesses concerned, there was no impairment except for Optek Technology Inc where the impairment was £3.8 million. Sensitivity analyses using a range of sales growth projections and discount rates confirmed that Optek's goodwill was impaired but that the remainder were not impaired. The sensitivity analyses for Optek showed a range from no impairment (sales growth of 10% up to 2013 and 3% in perpetuity and a discount rate of 10%) to impairment of £7.4 million (based on 6% sales growth up to 2015 and 3% thereafter discounted at 12%). The conclusion reached from the value in use assessments and consideration of Optek's trading history was that the goodwill attributable to Optek Technology Inc of £21.8 million was impaired by £3.8 million.

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## 11 Other intangible assets

|                                  | Product<br>development<br>costs<br>£million | Patents<br>and licences<br>£million | Customer<br>relationships<br>£million | Total<br>£million |
|----------------------------------|---|-------------------------------------|---------------------------------------|-------------------|
| <b>Cost</b>                      |   |                                     |                                       |                   |
| At 1 January 2008                | 27.7  | 3.7                                 | 1.1                                   | 32.5              |
| Additions                        | 10.3  | 0.6                                 | –                                     | 10.9              |
| Acquisition of subsidiaries      | –   | 0.2                                 | 2.3                                   | 2.5               |
| Retirements                      | (9.3)                                       | –                                   | –                                     | (9.3)             |
| Exchange translation differences | 7.3   | 0.2                                 | 0.2                                   | 7.7               |
| At 1 January 2009                | 36.0  | 4.7                                 | 3.6                                   | 44.3              |
| Additions                        | 6.9   | –                                   | –                                     | 6.9               |
| Retirements                      | (10.6)                                      | –                                   | –                                     | (10.6)            |
| Exchange translation differences | (2.0)                                       | (0.1)                               | (0.1)                                 | (2.2)             |
| <b>At 31 December 2009</b>       | <b>30.3</b>                                 | <b>4.6</b>                          | <b>3.5</b>                            | <b>38.4</b>       |
| <b>Amortisation</b>              |   |                                     |                                       |                   |
| At 1 January 2008                | 13.4  | 1.3                                 | 0.5                                   | 15.2              |
| Charge for the year              | 10.0  | 0.4                                 | 0.5                                   | 10.9              |
| Retirements                      | (9.3)                                       | –                                   | –                                     | (9.3)             |
| Exchange translation differences | 3.6   | 0.1                                 | 0.2                                   | 3.9               |
| At 1 January 2009                | 17.7  | 1.8                                 | 1.2                                   | 20.7              |
| Charge for the year              | 10.8  | 0.4                                 | 0.6                                   | 11.8              |
| Retirements                      | (10.6)                                      | –                                   | –                                     | (10.6)            |
| Exchange translation differences | (1.0)                                       | –                                   | (0.1)                                 | (1.1)             |
| <b>At 31 December 2009</b>       | <b>16.9</b>                                 | <b>2.2</b>                          | <b>1.7</b>                            | <b>20.8</b>       |
| Carrying amount                  |   |                                     |                                       |                   |
| <b>At 31 December 2009</b>       | <b>13.4</b>                                 | <b>2.4</b>                          | <b>1.8</b>                            | <b>17.6</b>       |
| At 31 December 2008              | 18.3  | 2.9                                 | 2.4                                   | 23.6              |

Product development costs are amortised over up to three years and are retired when fully written-off. Patents and licences are amortised over ten years. The attributed value of customer relationships are amortised over 3-8 years.

## 12 Inventories

|                  | 2009<br>£million | 2008<br>£million |
|------------------|------------------|------------------|
| Raw materials    | 37.8             | 51.9             |
| Work in progress | 19.5             | 24.3             |
| Finished goods   | 26.6             | 43.8             |
|                  | <b>83.9</b>      | 120.0            |

Inventories are stated after deduction of a provision for slow moving and obsolete items of £17.9 million (2008: £19.0 million). The carrying amount of inventories has reduced by £4.7 million as a result of currency exchange rate movements.

**13 Other financial assets and prepayments****Financial assets**

|   | 2009<br>£million | 2008<br>£million |
|---|------------------|------------------|
| Loans and receivables (including cash and cash equivalents) | 101.8            | 113.0            |
| Financial derivatives                                       | 0.3              | –                |
|   | <b>102.1</b>     | 113.0            |

|                             | 2009<br>£million | 2008<br>£million |
|-----------------------------|------------------|------------------|
| Trade and other receivables |                  |                  |
| Trade receivables           | 68.3             | 98.1             |
| Prepayments                 | 8.0              | 8.1              |
| Other debtors               | 8.8              | 5.3              |
|                             | <b>85.1</b>      | 111.5            |

The carrying amount of trade and other receivables approximates to their fair value.

|                       | 2009<br>£million | 2008<br>£million |
|-----------------------|------------------|------------------|
| Financial derivatives | 0.3              | –                |

Financial derivatives are the market value of forward currency contracts.

|                           | 2009<br>£million | 2008<br>£million |
|---------------------------|------------------|------------------|
| Cash and cash equivalents | 24.7             | 10.1             |

Cash and cash equivalents comprise bank balances and short-term bank deposits. The carrying amount approximates to fair value.

**Credit risk**

Credit risk arises from the possibility that counterparties may not be able to settle their obligations as they fall due. The credit risk on the cash and cash equivalents is negligible because the counterparties are banks with high credit ratings. The carrying amount approximates to fair value.

Trade receivables are stated net of an allowance for estimated irrecoverable amounts of £2.3 million (2008: £2.8 million) and the carrying amount approximates to fair value. The Group is not reliant on any particular customer in the markets in which it operates and there is no significant concentration of credit risk.

An analysis of the age of loans and receivables (excluding cash) that were past due at the year end but for which no impairment provision was made is:

|   | 2009<br>£million | 2008<br>£million |
|---|------------------|------------------|
| Not more than three months                          | 11.0             | 20.7             |
| More than three months but not more than six months | 1.1              | 1.4              |
| More than six months but not more than 1 year       | 1.3              | 0.1              |
|   | <b>13.4</b>      | 22.2             |

The Group has strict procedures in place to manage the credit risk on trade receivables. It ensures credit limits are properly authorised and that debts are collected in a timely manner.

Trade receivables are denominated in the currencies in which the Group trades. The Group's policy is that receivables and payables not in the functional currency of the subsidiary concerned are covered by forward foreign currency exchange contracts. The exchange risk at Group level is therefore restricted to the risk on the translation of overseas assets, liabilities and cash flows into sterling.

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Financial assets analysed by currency are:

|           | 2009<br>£million | 2008<br>£million |
|-----------|------------------|------------------|
| Sterling  | 35.8             | 35.5             |
| US dollar | 18.5             | 24.5             |
| Euro      | 30.4             | 23.3             |
| Other     | 17.4             | 29.7             |
|           | <b>102.1</b>     | <b>113.0</b>     |

**14 Share capital**

|   | 2009<br>£million | 2008<br>£million |
|---|------------------|------------------|
| <b>Authorised</b>   |                  |                  |
| 226,000,000 (2008: 226,000,000) Ordinary shares of 25p each | 56.5             | 56.5             |
| <b>Issued and fully paid</b>                                |                  |                  |
| 154,952,795 (2008: 154,952,795) Ordinary shares of 25p each | 38.7             | 38.7             |

The Ordinary shares of 25p each are equity share capital.

**Potential issues of Ordinary shares**

The Company has share option schemes, which are closed for future grants, and a Long Term Incentive Plan ("LTIP") for senior executives.

Details of the share options outstanding during the year are:

|                            | 2009                       |  | 2008                       |  |
|----------------------------|----------------------------|--|----------------------------|--|
|                            | Number of<br>share options | Weighted<br>average<br>Exercise<br>price (p) | Number of<br>share options | Weighted<br>average<br>exercise<br>price (p) |
| At 1 January               | 4,145,419                  | 134.2  | 5,136,108                  | 135.0  |
| Granted                    | –                          | –  | –                          | –  |
| Forfeited                  | (1,036,879)                | 125.6  | (849,302)                  | 111.4  |
| Exercised                  | –                          | –  | –                          | –  |
| Expired                    | (490,497)                  | 146.4  | (141,387)                  | 300.0  |
| At 31 December             | <b>2,618,043</b>           | <b>135.3</b>                                 | 4,145,419                  | 134.2  |
| Exercisable at 31 December | <b>447,419</b>             | <b>145.0</b>                                 | 546,730                    | 145.0  |

For share options outstanding at 31 December 2009 the range of exercise prices was 80.0p to 205.5p (2008: 80.0p to 205.5p) and the weighted average remaining contractual life was 3.0 years (2008: 3.4 years). Options are equity settled, have a life of ten years (with the exception of certain schemes where the options lapse after six years if the performance criteria are not achieved) and vest after three years. Exercise of the options is conditional on there being an increase in earnings per share over any consecutive three year period of 2% per annum for options granted prior to 2001 and 4% per annum for options granted after 2000 above the increase in the Retail Price Index over the same period.

On 5 May 2009 and 27 October 2009 grants of awards were made under the LTIP for the issue of up to 3,799,835 and 202,667 shares in 2012. During the year, 733,953 shares were forfeited and 5,458,293 shares were outstanding as at 31 December 2009 (2008: 2,189,744 shares).

The award is a contingent right to receive shares in the future, subject to continued employment and the achievement of predetermined performance criteria. The performance targets attached to awards granted in 2009 require the achievement of earnings per share ("EPS") and total shareholder return ("TSR") targets as follows:

- The performance target attached to 50% of an award is based on three year EPS targets: 25% of the shares subject to this part of the award will vest for EPS growth of 3% compound per annum in excess of Retail Price Index ("RPI"), increasing on a straight-line basis to 100% vesting for EPS growth of at least 7% compound per annum in excess of RPI; and
- The performance target attached to the other 50% of an award is based on TSR performance targets against companies within the FTSE SmallCap (excluding investment trusts) index; 25% of shares subject to this part of the award will vest at median performance increasing on a straight-line basis to 100% vesting at the upper quartile of the comparator group. As well as the TSR targets, the Committee will consider the Company's underlying financial performance to ensure that vesting percentages under this part of an award are appropriate.

**14 Share capital (continued)**

The estimated fair values of the LTIP grants on 5 May 2009 and 27 October 2009 are 28.75p and 75.0p per share respectively for those with non market conditions and 7.19p and 18.75p per share for those with market conditions respectively. These fair values were calculated using the following inputs:

|                    | 5 May<br>Market<br>Condition | 5 May<br>Non-Market<br>Condition | 27 October<br>Market<br>Condition | 27 October<br>Non-Market<br>Condition |
|--------------------|------------------------------|----------------------------------|-----------------------------------|---------------------------------------|
| Share price        | 28.75p                       | 28.75p                           | 75.0p                             | 75.0p                                 |
| Dividend per annum | –                            | –                                | –                                 | –                                     |
| Grant vesting      | 100%                         | 25%                              | 100%                              | 25%                                   |

The Group credited £0.2 million (2008: charge of £0.1 million) to the Consolidated income statement in respect of share-based payments. The credit represents the cost allocated to 2009 in respect of the LTIP grants in 2007, 2008 and 2009 offset by credits arising from the 2006 LTIP not vesting and attrition to options and LTIPs issued in 2003, 2005, 2007 and 2008.

**15 Hedging and translation reserves**

|   | Hedging<br>reserve<br>£million | Translation<br>reserve<br>£million | Total<br>£million |
|---|--------------------------------|------------------------------------|-------------------|
| At 1 January 2008   | 6.1                            | (7.6)                              | (1.5)             |
| Exchange differences on translation of foreign operations | –                              | 61.5                               | 61.5              |
| Exchange differences on US\$124 million borrowings        | (22.1)                         | –                                  | (22.1)            |
| Cash flow hedges  | (2.1)                          | –                                  | (2.1)             |
| At 1 January 2009   | (18.1)                         | 53.9                               | 35.8              |
| Exchange differences on translation of foreign operations | –                              | (15.6)                             | (15.6)            |
| Tax on exchange differences                               | –                              | 0.4                                | 0.4               |
| Exchange differences on US\$124 million borrowings        | 4.5                            | –                                  | 4.5               |
| Cash flow hedges  | 2.1                            | –                                  | 2.1               |
| <b>At 31 December 2009</b>                                | <b>(11.5)</b>                  | <b>38.7</b>                        | <b>27.2</b>       |

**16 Retained earnings**

|   | £million    |
|---|-------------|
| At 1 January 2008   | 141.8       |
| Profit for the year   | 11.6        |
| Actuarial net loss on defined benefit pension schemes               | (3.2)       |
| Dividends paid  | (15.6)      |
| At 1 January 2009   | 134.6       |
| Loss for the year   | (19.6)      |
| Actuarial net loss on defined benefit pension schemes (see note 27) | (28.7)      |
| <b>At 31 December 2009</b>  | <b>86.3</b> |

## GROUP ACCOUNTS

Notes to the consolidated  
financial statements (continued)

## 17 Borrowings

|                 | 2009<br>£million | 2008<br>£million |
|-----------------|------------------|------------------|
| Bank overdrafts | 0.2              | 22.3             |
| Bank loans      | 81.0             | 100.5            |
| Finance leases  | 0.4              | 0.5              |
|                 | <b>81.6</b>      | <b>123.3</b>     |

The borrowings are repayable as follows:

|   | 2009<br>£million | 2008<br>£million |
|---|------------------|------------------|
| In one year or less                                   | 11.2             | 51.2             |
| In more than one year but not more than two years     | 70.0             | 1.7              |
| In more than two years but not more than three years  | 0.1              | 70.0             |
| In more than three years but not more than four years | 0.1              | 0.1              |
| In more than four years but not more than five years  | 0.1              | 0.1              |
| In more than five years                               | 0.1              | 0.2              |
| In more than one year                                 | <b>70.4</b>      | <b>72.1</b>      |

The carrying amounts of the Group's borrowings are denominated in the following currencies:

|           | 2009<br>£million | 2008<br>£million |
|-----------|------------------|------------------|
| Sterling  | 75.6             | 22.2             |
| US dollar | –                | 89.0             |
| Euro      | 6.0              | 11.7             |
| Other     | –                | 0.4              |

Borrowings of £77.0 million (2008: £96.9 million) are at fixed interest rates for an average period of 0.1 years (2008: 0.4 years).

The average interest rates at the balance sheet date were:

|                 | 2009<br>% | 2008<br>% |
|-----------------|-----------|-----------|
| Bank overdrafts | 5.5       | 3.1       |
| Bank loans      | 1.1       | 4.0       |
| Finance leases  | 8.0       | 7.8       |

The estimated fair value of borrowings is:

|                 | 2009<br>£million | 2008<br>£million |
|-----------------|------------------|------------------|
| Bank overdrafts | 0.2              | 22.3             |
| Bank loans      | 81.0             | 100.5            |
| Finance leases  | 0.4              | 0.5              |

The borrowing facilities available to the Group at 31 December 2009 amounted to £142.1 million (2008: £166.2 million).

At 31 December 2009, the Group had available £27.8 million (2008: £14.9 million) of undrawn committed borrowing facilities.

The Group borrowings at 31 December 2009 are funded mainly through bank overdrafts including short-term committed facilities of £38.7 million and a committed unsecured £70.0 million multi-currency revolving bank loan facility which expires in April 2011. Under this facility funds can be drawn in sterling, US dollars or euros or a combination thereof at fixed rates of interest for periods varying from one month to a year. Interest rates are at a fixed margin over the inter-bank borrowing rate at the date the funds are drawn. The £70 million multi-currency bank loan was drawn down in US dollars up to 2 June 2009 and in sterling thereafter. The Group's approach to liquidity risk is described in the Business review.

**17 Borrowing (continued)****Hedge of net investment**

The Group had designated \$124.0 million of its borrowings as a currency hedge of its US dollar denominated net assets until 2 June 2009. This is an effective partial hedge. The net result of translating the US dollar net assets and the \$124.0 million of borrowings is dealt with in the translation and hedging reserves and reported in the Consolidated statement of comprehensive income, together with the exchange difference arising from the translation of the Group's other overseas net assets.

In 2009 there was a net loss of £10.7 million (2008: net gain of £39.4 million) on translation of overseas assets after accounting for this hedge.

**Reconciliation of net cash flow to movement in net debt**

|                            | Net cash/<br>overdraft<br>£million | Loans and<br>finance<br>leases<br>£million | Net debt<br>£million |
|----------------------------|------------------------------------|--|----------------------|
| At 1 January 2008          | (5.2)                              | (69.8)                                     | (75.0)               |
| Cash flow                  | (6.5)                              | (9.0)                                      | (15.5)               |
| Exchange differences       | (0.5)                              | (22.2)                                     | (22.7)               |
| At 31 December 2008        | (12.2)                             | (101.0)                                    | (113.2)              |
| Cash flow                  | 36.6                               | 14.8                                       | 51.4                 |
| Exchange differences       | 0.1                                | 4.8  | 4.9                  |
| <b>At 31 December 2009</b> | <b>24.5</b>                        | <b>(81.4)</b>                              | <b>(56.9)</b>        |

**18 Derivative financial instruments**

|                                    | 2009<br>Assets<br>£million | 2008<br>Assets<br>£million | 2009<br>Liabilities<br>£million | 2008<br>Liabilities<br>£million |
|------------------------------------|----------------------------|----------------------------|---------------------------------|---------------------------------|
| Forward foreign currency contracts | 0.3                        | –                          | –                               | 2.9                             |
| Interest rate hedge                | –                          | –                          | 0.5                             | –                               |

The Group uses forward foreign exchange contracts to reduce currency exposure on sales and purchasing transactions for up to a year ahead.

At 31 December 2009 the Group had an interest rate cap applying to \$50.0 million of borrowings at a rate of 4.75% from 4 February 2008 to 4 February 2010. This cap is designated as a cash flow hedge and marked to market at the year end. At 31 December 2009 and 31 December 2008 the market value was £nil million.

At 31 December 2009 the Group had an interest rate swap fixing the interest rate on \$50.0 million of borrowings to April 2011. This swap is designated as a cash flow hedge and marked to its market value, a liability of £0.5 million at the year end.

The Group hedged the effect of currency movements against sterling on the translation of 2009 profit earned in US dollars and Chinese yuan, by selling forward US dollars and Chinese yuan for sterling at fixed exchange rates. At 31 December 2009 contracts were in place to hedge the translation of 2010 profits for \$3.6 million and euro 0.6 million. Subsequently contracts for the sale of a further \$4.0 million were entered into. The contracts were marked to market at 31 December 2009 and were a net liability of less than £0.1 million.

The Group's financial assets and liabilities are sensitive to movements in currency exchange rates against sterling. Analysis of financial assets and liabilities by currency are given in notes 13 and 22, the major overseas currencies being the US dollar and the euro. The effect of any such currency movement on the net financial liabilities is reported in equity in the Group accounts.

US dollar – effect of 10% strengthening: an increase in equity of £0.3 million

Euro – effect of 10% strengthening: an increase in equity of £1.2 million

Whilst the Group had a small net financial asset in US dollars, overall it had a large net asset position when taking into account inventory and non-current assets. Details of the Group's exposure to risk are given on pages 28 to 29 of the Business review.

## GROUP ACCOUNTS

Notes to the consolidated  
financial statements (continued)

## 19 Deferred tax

|                            | Accelerated<br>capital<br>allowances<br>£million | Deferred<br>development<br>costs<br>£million | Retirement<br>benefit<br>obligations<br>£million | Other<br>£million | Total<br>£million |
|----------------------------|--|--|--|-------------------|-------------------|
| At 1 January 2008          | (5.4)  | (4.1)  | 4.3  | 3.4               | (1.8)             |
| Income statement           | 0.6  | (0.1)  | –  | (0.3)             | 0.2               |
| Exchange differences       | (1.6)  | (1.3)  | (0.2)  | 1.5               | (1.6)             |
| At 1 January 2009          | (6.4)  | (5.5)  | 4.1  | 4.6               | (3.2)             |
| Income statement           | (0.3)  | 1.2  | 0.9  | (0.1)             | 1.7               |
| Exchange differences       | 0.5  | 0.3  | 0.2  | (0.5)             | 0.5               |
| <b>At 31 December 2009</b> | <b>(6.2)</b>                                     | <b>(4.0)</b>                                 | <b>5.2</b>                                       | <b>4.0</b>        | <b>(1.0)</b>      |

|                          | 2009<br>£million | 2008<br>£million |
|--------------------------|------------------|------------------|
| Deferred tax assets      | 4.9              | 5.5              |
| Deferred tax liabilities | (5.9)            | (8.7)            |

At 31 December 2009 the Group had unused tax losses of £28.2 million (2008: £14.0 million) for which no deferred tax asset has been recognised. None of these tax losses have an expiry date.

At the balance sheet date the aggregate unrecognised deferred tax liability in respect of undistributed earnings of subsidiaries is £1.4 million (2008: £2.1 million).

## 20 Obligations under finance leases

|                                       | Minimum lease payments |                  | Present value of minimum lease payments |                  |
|---------------------------------------|------------------------|------------------|---|------------------|
|                                       | 2009<br>£million       | 2008<br>£million | 2009<br>£million                        | 2008<br>£million |
| Amounts payable under finance leases: |                        |                  |   |                  |
| One year or less                      | 0.1                    | 0.1              | 0.1                                     | 0.1              |
| Between one and five years            | 0.3                    | 0.3              | 0.2                                     | 0.2              |
| Over five years                       | 0.1                    | 0.2              | 0.1                                     | 0.2              |

The obligations derive mainly from property leases where the risks and rewards of ownership are considered to be with the Group and which are therefore accounted for as finance leases. The average implicit interest rate used to evaluate the obligation is 8% (2008: 8%). The fair value of the lease obligation approximates to carrying amount. Total minimum lease payments include £0.1 million (2008: £0.1 million) of future finance costs.

## 21 Provisions for liabilities

|  | Reorganisation<br>£million | Environmental<br>£million | Legal and<br>other claims<br>£million | Total<br>£million |
|--|----------------------------|---------------------------|---------------------------------------|-------------------|
| At 1 January 2009                                | 2.5                        | 0.1                       | 3.1                                   | 5.7               |
| Utilised   | (9.6)                      | –                         | (1.0)                                 | (10.6)            |
| Transfer from/(to) Consolidated income statement | 13.7                       | –                         | 0.3                                   | 14.0              |
| <b>At 31 December 2009</b>                       | <b>6.6</b>                 | <b>0.1</b>                | <b>2.4</b>                            | <b>9.1</b>        |

The reorganisation provision relates to the restructuring programme described in note 4. The environmental provision is for probable clean up costs of ex-production sites. Legal and other claims represent the best estimate for the cost of settling outstanding product and other claims.

The total provisions are analysed:

|             | 2009<br>£million | 2008<br>£million |
|-------------|------------------|------------------|
| Non-current | 0.2              | 0.1              |
| Current     | 8.9              | 5.6              |
|             | <b>9.1</b>       | <b>5.7</b>       |

**22 Trade and other payables**

|  | 2009<br>£million | 2008<br>£million |
|--|------------------|------------------|
| <b>Financial liabilities</b>                 |                  |                  |
| Financial derivatives                        | 0.5              | 2.9              |
| Other financial liabilities                  | 143.2            | 190.2            |
|  | <b>143.7</b>     | <b>193.1</b>     |
| <b>Current liabilities</b>                   |                  |                  |
| Trade payables                               | 50.5             | 58.7             |
| Taxation and social security                 | 5.6              | 4.7              |
| Other payables, accruals and deferred income | 32.6             | 36.0             |
|  | <b>88.7</b>      | <b>99.4</b>      |
| <b>Non-current liabilities</b>               |                  |                  |
| Accruals and deferred income                 | 6.7              | 8.0              |

The carrying amount of trade and other payables approximates to their fair value.

Trade and other payables are denominated in the currencies in which the Group trades. The Group's policy is that trade receivables and payables not in the functional currency of the subsidiary concerned are covered by forward foreign currency exchange contracts. The exchange risk at Group level is therefore restricted to the risk on the translation of overseas assets, liabilities and cash flows into sterling.

Financial liabilities comprising trade and other creditors, bank overdrafts and other borrowings analysed by currency are:

|           | 2009<br>£million | 2008<br>£million |
|-----------|------------------|------------------|
| Sterling  | 98.4             | 52.2             |
| US dollar | 15.2             | 100.6            |
| Euro      | 18.4             | 22.6             |
| Other     | 11.7             | 17.7             |
|           | <b>143.7</b>     | <b>193.1</b>     |

The maturity analysis of financial liabilities (including estimated interest where appropriate) is as follows:

|                   | 2009<br>£million | 2008<br>£million |
|-------------------|------------------|------------------|
| 0 – 6 months      | 73.4             | 102.2            |
| 6 months – 1 year | 0.7              | 24.0             |
| 1 – 2 years       | 70.4             | 4.5              |
| 2 – 3 years       | 0.1              | 70.7             |
| Over 3 years      | 0.3              | 0.4              |
|                   | <b>144.9</b>     | <b>201.8</b>     |

**23 Acquisition of subsidiaries**

The Group acquired New Chapel Electronics Limited on 2 April 2008 and assets comprising the majority of the business of Semelab Limited on 21 August 2008. The Group owns 100% of the equity of the acquired entities. The total consideration for these assets was £14.9 million of which £13.9 million was paid in 2008. Deferred consideration capped at £1.0 million was paid in 2009 in respect of New Chapel Electronics Limited. The fair value of the assets acquired was £9.2 million.

**24 Contingent liabilities**

The Group has contingent liabilities amounting to £1.5 million (2008: £2.7 million) in respect of performance bonds and guarantees entered into in the normal course of business. The Group is the subject of claims which arise in the ordinary course of business. Other than those for which provisions have been included within note 21, the Directors consider the likelihood of any other claims giving rise to a liability to be remote.

## GROUP ACCOUNTS

Notes to the consolidated  
financial statements (continued)**25 Capital commitments**

|   | 2009<br>£million | 2008<br>£million |
|---|------------------|------------------|
| Contractual commitments for the purchase of property, plant and equipment | 1.8              | 6.3              |

**26 Operating leases**

|   | 2009<br>£million | 2008<br>£million |
|---|------------------|------------------|
| Minimum operating lease payments charged to operating profit: |                  |                  |
| Fixtures and equipment  | 0.3              | 0.3              |
| Land and buildings  | 4.4              | 4.6              |

The Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

|                            | 2009<br>£million | 2008<br>£million |
|----------------------------|------------------|------------------|
| In less than one year      | 4.0              | 4.6              |
| Between one and five years | 9.1              | 11.0             |
| After five years           | 4.0              | 4.2              |

Lease terms for land and buildings are predominantly for less than ten years with rents fixed for an average of four years. There are no contingent rents.

**27 Retirement benefit schemes****Defined contribution schemes**

The Group operates defined contribution schemes in the United Kingdom and the Rest of the World and 401(k) plans in North America. The assets of these schemes are held independently of the Group. The total contributions charged by the Group in respect of defined contribution schemes were £2.1 million (2008: £1.6 million).

**Defined benefit schemes**

The Group operated one significant defined benefit pension scheme in the United Kingdom and two overseas. The Company has reached agreement with the UK scheme for additional fixed contributions extending to 2016 based on the actuarial deficit at April 2007. These planned contributions amount to: 2010 £3.2 million, 2011 £3.5 million then increasing by £0.2 million each year to £4.5 million in 2016. The freeze on pensionable salaries in the UK was extended by one year to April 2011 and this generated a curtailment gain of £1.2 million. The Group also operates defined benefit schemes in the United States and Japan. The United States defined benefit scheme was closed to further accruals in 2009 and this gave rise to a curtailment gain of £0.7 million. All these schemes are closed to new members. Actuarial valuations of the schemes were carried out by independent qualified actuaries in 2007 and 2009 using the projected unit credit method. These actuarial valuations have been updated by the actuaries to assess the assets and liabilities of the schemes at 31 December 2009. Pension scheme assets are stated at market value at 31 December 2009. The Group has entered into discussions with affected staff on the proposed closure to future accrual of its defined benefit scheme in the UK.

The principal assumptions used for the purpose of the actuarial valuations were as follows:

|  | 2009<br>% | 2008<br>% |
|--|-----------|-----------|
| Discount rate  | 5.8       | 6.1       |
| Inflation rate   | 3.4       | 2.9       |
| Increases to pensions in payment                                       | 2.5–3.4   | 2.2–2.9   |
| Salary increases to April 2011 (pensionable salaries have been frozen) | –         | –         |
| Salary increases thereafter  | 3.9       | 3.4       |

A decrease in the discount rate by 0.1 % per annum increases the liabilities by approximately £6.6 million. An increase in the inflation rate of 0.1 % per annum increases the liabilities by approximately £5.7 million.

The expected percentage long-term rates of return on the main asset classes, net of expenses, set by management having regard to actuarial advice and relevant indices were:

|                 | 2010 | 2009 | 2008 |
|-----------------|------|------|------|
| Equities        | 7.8  | 7.0  | 7.4  |
| Bonds           | 5.2  | 5.4  | 5.9  |
| Gilts and swaps | 3.8  | 3.0  | 4.4  |
| Cash            | 0.1  | 1.3  | 4.7  |

The mortality tables applied by the actuaries at 31 December 2009 were PA92 MC + two years.

**27 Retirement benefit schemes (continued)**

The amounts recognised on the Consolidated balance sheet are:

|  | 2009<br>£million | 2008<br>£million | 2007<br>£million | 2006<br>£million | 2005<br>£million | 2004<br>£million |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| Equities   | 190.0            | 174.7            | 182.0            | 187.8            | 170.5            | 154.6            |
| Bonds  | 36.8             | 25.8             | 12.4             | 10.9             | 2.9              | 4.0              |
| Gilts and cash   | 61.6             | 48.7             | 103.8            | 73.4             | 72.3             | 44.9             |
| Swaps  | 18.1             | 33.9             | –                | –                | –                | –                |
| Fair value of assets                                       | 306.5            | 283.1            | 298.2            | 272.1            | 245.7            | 203.5            |
| Present value of funded obligation                         | (350.2)          | (301.7)          | (315.6)          | (344.7)          | (335.9)          | (274.4)          |
| Net liability recognised on the Consolidated balance sheet | (43.7)           | (18.6)           | (17.4)           | (72.6)           | (90.2)           | (70.9)           |

The schemes' assets do not include the Group's financial instruments nor any property occupied by, or other assets used by the Group. Swaps are liability driven instruments taken out to hedge part of the scheme inflation and interest rate risks.

Amounts recognised in the Consolidated income statement are:

|                                    | 2009<br>£million | 2008<br>£million |
|------------------------------------|------------------|------------------|
| Current service cost               | 1.7              | 1.9              |
| Curtailement                       | (1.9)            | (1.2)            |
| Interest on obligation             | 17.9             | 19.5             |
| Expected return on schemes' assets | (15.6)           | (17.7)           |

Of the current service cost of £1.7 million (2008: £1.9 million), £1.1 million (2008: £1.3 million) is included in cost of sales in the income statement, £0.3 million (2008: £0.3 million) is included in distribution costs and £0.3 million (2008: £0.3 million) is included in administrative expenses. The actual return on schemes' assets was a gain of £31.4 million (2008: a loss of £7.7 million). Actuarial gains and losses are recognised directly in retained earnings and reported in the Consolidated statement of comprehensive income and, since transition to IFRS, amount to a net loss of £26.6 million.

Changes in the present value of the defined benefit obligation are:

|   | 2009<br>£million | 2008<br>£million |
|---|------------------|------------------|
| Opening defined benefit obligation            | 301.7            | 315.6            |
| Current service cost                          | 1.7              | 1.9              |
| Interest on obligation                        | 17.9             | 19.5             |
| Scheme participant contributions              | 1.0              | 1.2              |
| Curtailement                                  | (1.9)            | (1.2)            |
| Change in actuarial estimates and assumptions | 44.5             | (22.2)           |
| Exchange differences                          | (0.6)            | 2.2              |
| Benefits paid                                 | (14.1)           | (15.3)           |
| Closing defined benefit obligation            | 350.2            | 301.7            |

Changes in the fair value of the schemes' assets are:

|  | 2009<br>£million | 2008<br>£million |
|--|------------------|------------------|
| Opening fair value of schemes' assets            | 283.1            | 298.2            |
| Expected return on schemes' assets               | 15.6             | 17.7             |
| Excess/(deficit) of actual over expected returns | 15.8             | (25.4)           |
| Contributions by employer                        | 5.4              | 5.1              |
| Contributions by employees                       | 1.0              | 1.2              |
| Exchange differences                             | (0.3)            | 1.6              |
| Benefits paid                                    | (14.1)           | (15.3)           |
| Closing fair value of schemes' assets            | 306.5            | 283.1            |

## GROUP ACCOUNTS

Notes to the consolidated  
financial statements (continued)**27 Retirement benefit schemes (continued)**

The experience adjustments arising on the schemes' assets and liabilities are reported in the Consolidated statement of comprehensive income and expense and are as follows:

|  | 2009<br>£million | 2008<br>£million | 2007<br>£million | 2006<br>£million | 2005<br>£million | 2004<br>£million |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| Experience adjustments on schemes' liabilities | (44.5)           | 22.2             | 37.8             | (6.2)            | (47.6)           | (19.1)           |
| Experience adjustments on schemes' assets      | 15.8             | (25.4)           | 0.5              | 9.4              | 21.6             | 8.9              |
|  | (28.7)           | (3.2)            | 38.3             | 3.2              | (26.0)           | (10.2)           |

The Group expects to contribute approximately £6.0 million to defined benefit schemes in 2010.

**28 Related party transactions**

|                    | Purchase of goods and services |              | Sale of goods and services |              | Rents paid   |              | Rents received |              | Amounts owed to related parties |              |
|--------------------|--------------------------------|--------------|----------------------------|--------------|--------------|--------------|----------------|--------------|---------------------------------|--------------|
|                    | 2009<br>£000                   | 2008<br>£000 | 2009<br>£000               | 2008<br>£000 | 2009<br>£000 | 2008<br>£000 | 2009<br>£000   | 2008<br>£000 | 2009<br>£000                    | 2008<br>£000 |
| TT electronics plc | –                              | 1            | 1                          | 9            | 110          | 165          | –              | 5            | –                               | 16           |
| Subsidiaries       | –                              | –            | –                          | –            | –            | 2            | –              | –            | –                               | –            |
|                    | –                              | 1            | 1                          | 9            | 110          | 167          | –              | 5            | –                               | 16           |

Sales and purchases of goods and services were on normal credit terms at third party prices. Rentals, which included for premises used by J W Newman in performing duties as executive Chairman up to 31 August 2009, were calculated on open market bases and paid to agreed terms.

As part of the demerger from TT electronics plc on 14 May 2001 two loans totalling £8 million were made to Newship Limited (formerly Send Group Limited). Subsequently, Newship Limited became a related party on 15 November 2002. One loan of £6.0 million was repaid in 2004 and the other of £2.0 million was repaid on 15 May 2008. Interest on the loan amounted to £46,000 for 2008.

**Compensation of key management personnel**

The remuneration of key management during the year was as follows:

|                                 | 2009<br>£million | 2008<br>£million |
|---------------------------------|------------------|------------------|
| Short-term benefits             | 2.3              | 2.5              |
| Compensation for loss of office | 0.1              | 0.4              |
| Post-employment benefits        | 0.2              | 0.2              |
| Share-based payments            | –                | 0.1              |
|                                 | 2.6              | 3.2              |

Key management personnel comprise the Directors, Company Secretary, Divisional Chief Executives and Divisional Directors. Their compensation is considered and recommended to the Board by the Remuneration Committee.

**29 Post balance sheet event**

On 17 February 2010, the Group announced the disposal of its wholly-owned South African subsidiary Wire Systems Technology (Pty) Ltd (WST). The sale will complete following approval from the South African authorities. The consideration payable on completion is Rand 60 million, plus cash on completion, adjusted by the difference between the net assets on completion and Rand 77.8 million.

WST is part of the Group's General Industrial division.