

TTG.L

15 March 2010

TT electronics plc
(“TT electronics” or the “Group”)

TT electronics is a focused, global electronics group supplying leading manufacturers in the defence, aerospace, medical, automotive and industrial electronics markets.

KEY POINTS

- Creditable performance in challenging market conditions
- Group revenue was down 14.5% to £499.6 million (2008: £584.3 million). Excluding the impact of foreign exchange, Group revenue was down 22%, reflecting the severe economic downturn
- The Group traded profitably in the second half of 2009 and reported a full year operating profit before exceptional items of £6.5 million (2008: £27.0 million). Profit before tax and exceptional items was £0.8 million (2008: £21.1 million)
- Exceptional restructuring costs of £14.2 million were incurred during the year and together with other measures implemented during 2008 and 2009 will have resulted in an annualised cost reduction of over £31 million
- Significant reduction in working capital of £47.2 million with underlying operating cash flow of £83.9 million (2008: £50.1 million), resulting in a near halving of net debt to £56.9 million (December 2008: £113.2 million)
- Good progress in implementing the actions identified in the Strategic Review with the new organisation structure and leadership enabling a clear focus on delivery and accountability

Geraint Anderson, Group Chief Executive, said today:

“2009 was a year of change for TT electronics. The restructuring programme has significantly reduced our cost base and we have made good progress in positioning the core Components and Sensors divisions in markets offering opportunities for higher growth and improved margins. We believe that the implementation of the actions identified in the Strategic Review will provide the Group with a solid platform for sustainable growth.

While trading conditions were difficult throughout most of 2009, an improvement in the fourth quarter has continued into the first two months of 2010. There is now greater visibility in certain markets for the first half of the year with the Group tracking slightly ahead of our previous expectations.”

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Chairman's statement

TT electronics is pleased to be able to report a creditable performance against the backdrop of the global economic recession. For the year ended 31 December 2009, Group revenue was £499.6 million (2008: £584.3 million), down 14.5 per cent, producing an operating profit before exceptional items of £6.5 million compared with £27.0 million in 2008. This includes an operating loss of £2.9 million from AB Automotive, the climate control business which was closed during the year. Finance costs were £5.7 million net (2008: £5.9 million) which comprised £3.4 million of banking and finance interest (2008: £4.1 million) and £2.3 million relating to pension fund accounting (2008: £1.8 million). Profit before tax and exceptional items was £0.8 million compared with £21.1 million in 2008. The taxation charge was £2.4 million (2008: £5.7 million). Exceptional charges relating to closure costs and redundancies were £14.2 million (2008: £3.8 million). In addition, the Group has recognised an impairment to the goodwill relating to Optek Technology, Inc of £3.8 million. Headline loss per share was 1.3 pence compared with 9.2 pence of earnings in 2008. In line with the dividend policy set out in January last year, the Board is not recommending the payment of a dividend for 2009.

Given the weaker economic climate TT electronics has done well, especially significantly reducing net debt which at 31 December 2009 was £56.9 million compared with £113.2 million at the previous year end, a decrease of 49.7 per cent. This was principally due to a reduction in working capital and lower capital expenditure. Significant time and resources were committed to restructuring the businesses with costs incurred relating to factory closures and redundancies, which regrettably resulted in a reduction in the total number of our employees by 19 per cent compared to June 2008.

Despite the difficult market conditions, we have made good progress against the strategic plan announced in January 2009. We have taken significant steps to improve the way in which we service our major customers with the implementation of unified regional sales teams in the Components division and a continued focus on our key account management programme. We have also taken actions to focus the Group on those markets which we believe will provide us with the opportunity for higher growth and enhanced margins in the medium term.

In line with the Group's strategy to manage the businesses within the General Industrial division for value, on 17 February 2010, we announced the conditional sale of Wire Systems Technology (Pty) Ltd, our South African manufacturer of winding wire, electrical motor components and electrical insulation products. The consideration for the sale, payable in cash on completion, is Rand 60 million (currently approximately £5.4 million) plus an amount equal to the cash balances of the company on the day preceding the completion date. This represents the most significant disposal from our General Industrial division, following the sales of two smaller businesses during 2009.

The pension scheme trustees have benefited from the guidance of their investment advisers. We believe the pension scheme has performed well and, on an IAS19 basis, it is 88 per cent funded (2008: 94 per cent).

The Board would like to express its thanks to employees worldwide who have continued to support the Group during a challenging year.

On 26 January 2010 the Board of TT electronics appointed Tim Roberts as Group Business Development Director. Tim has been with the Group for two years, he is a solicitor and has played a major part in formulating and implementing the new strategic plan and I am confident that the Board will benefit from his skills and experience.

Now in my 65th year I have decided to retire as Chairman and from the Board following the 2010 Annual General Meeting. I was appointed Chief Executive of the Group in 1987 after a company in which I was a major shareholder was acquired by TT electronics plc (then called Tyzack Turner). In 1989 I became executive Chairman before becoming non-executive Chairman in September 2009. Sean Watson, who joined the Board as an independent non-executive Director in 2007, will become non-executive Chairman following the next Annual General Meeting to be held in May. Last year the Group completed an in-depth review and determined a new strategy and direction. I am confident that Sean's experience and knowledge of the business, together with his strong relationships with the Directors and executive management, will ensure that the Group continues successfully to deliver on the strategy which we have laid out. Sean is a corporate partner at CMS Cameron McKenna LLP, a major City law firm.

We saw some improvement in trading conditions in the final quarter of 2009 which has continued in the first two months of this year. I am confident that the actions we have taken in 2009, together with those underway, will enable TT electronics to improve its performance.

John W Newman
Chairman
12 March 2010

Business review

	2009	2008
Revenue	£499.6m	£584.3m
Operating profit*	£6.5m	£27.0m
Operating profit margin	1.3%	4.6%
Profit before tax*	£0.8m	£21.1m
Operating cash flow*	£83.9m	£50.1m
Net debt	£56.9m	£113.2m

*before exceptional items

Overview of Group performance

Announced in January 2009, the results of our Strategic Review identified our core business as the design and development of highly engineered, bespoke electronic components for specialist growth markets, addressed by the Components and Sensors divisions. The IMS and Secure Power divisions were identified as representing scalable strategic opportunities, with the businesses within the General Industrial division to be “run for value”. In addition, we set out an objective to increase the proportion of Group revenue from the industrial (including medical) and the defence and aerospace markets and to reduce reliance on the automotive market from 40 per cent of revenue in 2008 to a targeted range of 25 to 30 per cent in the medium term.

During 2009, significant time and resources were committed to restructuring the businesses and implementing the actions identified by the Strategic Review. The proportion of revenue from the defence and aerospace market increased to 13 per cent in 2009 (2008: 11 per cent) whilst the medical market increased to 3 per cent (2008: 2 per cent). Sales to the automotive market decreased from 40 per cent to 36 per cent.

We made good progress during the year in strengthening the senior management team and creating a structure to enable a clear focus on delivery and accountability. A number of initiatives have been implemented to improve the way we interface with customers, most notably within the Components division. In addition, we have introduced virtual market teams to drive growth in key areas.

Market conditions

During the first half of the year, performance was affected by a significant reduction in demand from the automotive industry and to a lesser extent, from many industrial customers. This particularly impacted the Components, Sensors and General Industrial divisions. Whilst the reduced demand continued through the third quarter, there was some improvement towards the end of the year particularly in the automotive business, although this was partly due to government “scrappage” schemes. Following a robust end to 2008, IMS saw demand fall in early 2009 and continue at lower levels throughout the year as the global downturn impacted manufacturing. Whilst 2009 was a difficult year for the Secure Power division with a decrease in new orders for large projects, there was good activity in a number of markets and geographies including the petrochemical sector and in Latin America.

Revenue

Group revenue reduced by 14.5 per cent to £499.6 million (2008: £584.3 million). However, the revenue figure benefited from foreign exchange movements of approximately £44 million. The underlying reduction in revenue was 22 per cent. Volumes deteriorated sharply in the first half of 2009, with underlying sales down by 29 per cent at the half year. The second half saw some relative improvement, particularly in the final months of 2009.

For the full year, underlying revenue in the Components division was down 11.7 per cent. The Sensors division saw some stabilisation of activity in the last quarter but overall revenues were down by 25.3 per cent. Revenue in the IMS division was down by 35.9 per cent on an underlying basis and in Secure Power by 9.0 per cent. The performance of the General Industrial division was distorted by the AB Automotive climate control business which was run to closure in 2009. The other businesses in the division saw an underlying reduction in revenue of 11.7 per cent. All figures exclude foreign exchange variations.

Operating profits (before exceptional items)

Operating profit was severely affected by the reduction in sales. Following a difficult first four months, the Group traded profitably from May onwards as cost reduction actions began to offset the drop in volumes. We achieved an operating profit of £7.1 million in the second half compared with a loss of £0.6 million in the first half, giving an overall result for the year of £6.5 million (2008: £27.0 million). This includes the impact of the AB Automotive climate control business which gave rise to a loss of £2.9 million. Operating margins for all divisions, apart from IMS, improved in the second half. There was a small net benefit of £0.2 million from the impact of foreign exchange variations on the retranslation of operating profit.

Restructuring

The restructuring programme has been implemented extensively with a series of measures to reduce costs and improve performance. These included the closure of facilities and the consolidation of manufacturing activity, headcount reductions, short time working, a pay freeze and an extension to normal factory shut-downs. Much of the restructuring is now complete, with the remaining activity being implemented in the first few months of 2010.

As a result of the measures taken, it is estimated that costs will have been reduced by over £31 million on an annualised basis. Headcount reduced by 1,507 between June 2008 and December 2009, representing 19 per cent of the global workforce.

The cost of the restructuring in 2009 was £15.9 million, of which £14.2 million relates to major programmes or plant closures and is treated as an exceptional cost. The balance of £1.7 million has been charged to operating profits.

	Costs		Benefits – annualised cost reduction £m
	2009 £m	2008 £m	
AB Automotive – Climate control exit	3.2	2.7	4.0
Sensors – European restructuring	7.4	–	8.2
Sensors – Romford closure	0.4	1.1	1.6
IMS – UK consolidation	1.2	–	1.9
BI SMT – closure of manufacturing	1.0	–	0.8
General Industrial restructuring	1.4	–	0.9
Other restructuring	0.6	–	0.3
Profit on sale of properties	(1.0)	–	–
Total exceptional	14.2	3.8	17.7
Operating	1.7	2.1	13.6
Total	15.9	5.9	31.3

Components

	2009	2008
Revenue	£190.8m	£192.1m
Operating profit*	£5.9m	£9.7m
Operating profit margin	3.1%	5.0%
Capital employed	£148.8m	£188.5m
Year end headcount	3,113	3,406

*before exceptional items

The focus of the Components division is on delivering highly engineered components, including products which are custom designed for specific applications by the division's global network of application sales engineers, who support customers' own design centres. The business has strong market positions in a number of product segments including fixed and variable resistors as well as military connectors and harnesses. It is continuing to invest in new product development in growth segments such as visible optical and power semiconductors.

The division benefits from a global footprint with facilities in North America, Mexico, Europe and Asia, and with a sales presence in all major markets.

Historically, each of the division's businesses had their own sales teams and routes to market. Following the Strategic Review, it was determined that a single unified sales force in each of Europe, Asia and the US, would deliver significant benefits. The new sales structure for Europe was implemented with effect from 1 July 2009 in order to improve the way in which all of the division's businesses address the European market. New sales structures in the US and Asia were launched on 1 January 2010. The key account management programme launched in 2009 has now been extended to 14 of the Group's top accounts. It has been well received by customers leading to the development of higher level partnerships. For example, the Group has recently been granted "key supplier" status by Schneider Electric.

Market conditions

The division operates across a number of end markets including defence and aerospace, industrial and automotive. Key growth drivers are the increased use of complex control electronics in applications where high reliability is vital, the need for electronics to operate in harsh environments and the increased circuit speeds required by modern electronic solutions.

Demand in most market segments was significantly impacted in the first half of the year by the global recession. Whilst there was some increase in demand towards the end of the year, we remain cautious that this was primarily due to a re-stocking of the supply chain as opposed to a material increase in end market demand.

Performance

Underlying revenue was down by 11.7 per cent after adjusting for foreign exchange movements. Gross margins held up across most businesses but there was a decline in operating profit due to the significant reduction in volumes which was offset to some extent by cost reductions. Redundancy costs of £1.3 million were charged to operating profits in the year and there was a headcount reduction of 293.

Outlook

The increase in orders in the final quarter of 2009 has continued into the first quarter of 2010 with improved visibility for the first half of the year. We will continue to improve the way in which we serve our customers and expect to see increasing benefits from the unified sales structures now in place in Europe, USA and Asia.

Sensors

	2009	2008
Revenue	£105.4m	£125.9m
Operating loss*	£(3.9)m	£1.1m
Operating profit margin	(3.7)%	0.9%
Capital employed	£55.7m	£73.5m
Year end headcount	989	1,284

*before exceptional items

Historically, the Sensors division has focused on providing highly engineered sensors for specific automotive and industrial applications, particularly with major German automotive OEMs. The business has strong market positions in speed, direction and position sensing, especially in chassis, powertrain and transmission applications, and is developing an emerging position in high temperature, gas, fluid quality and low pressure sensing. The division is now focused on growing its business in system critical automotive applications, the broader transportation market and selective high accuracy industrial sensors segments whilst also consolidating its presence in emerging markets.

Principal operations are based in Germany with further sites in the UK, Eastern Europe, China and India.

As part of the fundamental realignment of the division's cost base, a major restructuring programme was implemented in Germany, resulting in a headcount reduction of over 250 during the year. The cost arising from this of £7.4 million has been charged as an exceptional item and annualised savings of £8.2 million are projected from these actions. The closure of the AB Electronic facility at Romford was completed on schedule with the majority of manufacturing transferred to existing low-cost facilities in India and China. These actions meant that the division traded profitably from June 2009.

Operations in China and India made significant progress in 2009 with support from our German operations, with several strategic orders secured from targeted indigenous OEMs in each region.

Market conditions

Sensor usage on vehicles is growing, due to tighter legislation relating to vehicle emissions and safety. In Europe, Euro 5, which brought a step change in standards, came into force in 2009 and similar standards are being rolled out globally. In response, OEMs are striving to improve engine efficiency and meet the legislation whilst remaining competitive.

Notwithstanding a steady increase in sensors on each platform, demand from automotive manufacturers in the US and in Europe experienced a sharp reduction in the fourth quarter of 2008 as all major OEMs reduced their manufacturing output. This continued throughout 2009 as many customers implemented short time working and extended factory close-downs. The premium end of the passenger car market was impacted the most, with smaller cars seeing some benefit from the scrappage schemes implemented in the US and Europe in the second half of the year. In addition, truck volumes also reduced significantly.

Performance

Underlying revenue in 2009, excluding the effect of foreign exchange, fell by 25.3 per cent due to the significant reduction in automotive demand. Although this was partly mitigated by cost reductions, operating profit before exceptional items reduced sharply to a loss of £3.9 million.

Outlook

Whilst there has been some improvement in demand in recent months, we do not expect to see a material improvement in overall passenger car or truck volumes amongst our European customers during 2010. Instead, any revenue growth is expected to be delivered by new automotive programmes moving into volume production. This will be augmented by our progress in developing automotive business in India and China and by a further move into new industrial and broader transportation markets.

IMS

	2009	2008
Revenue	£75.1m	£103.4m
Operating profit*	£2.4m	£6.0m
Operating profit margin	3.2%	5.8%
Capital employed	£19.9m	£34.7m
Year end headcount	1,011	1,190

*before exceptional items

With operations in the UK, USA, China and Malaysia, the division specialises in providing high quality electronic manufacturing support for customers in the defence and aerospace, telecom and premium industrial sectors. The division has a broad capability from board assembly to full systems integration, design for manufacturing and logistics support, focused on higher mix/lower volume business. It has a substantial design engineering team and supports an international purchasing office in China.

A unified strategy was implemented across all businesses, targeting customers that require more specialised integrated assembly in certain markets. In line with this strategy, all businesses within the division attained new quality awards during 2009, with the facility in China becoming the first electronic manufacturing services provider in the country to obtain the "IRIS" international rail standard. The global footprint of the IMS operations is a key strength that is increasingly valued by customers. A global sales structure is now in place to allow the division to better meet the needs of customers across multiple geographies. In the UK we have announced the closure of the Aylesbury plant. This is on track for completion by the end of March 2010 and the transfer of business to our Rogerstone facility is substantially complete.

Market conditions

Following a robust end to 2008, the division experienced a significant reduction in demand in early 2009 as the global downturn impacted manufacturing volumes worldwide. The lower levels of demand persisted throughout the year with many customers reducing commitments and re-scheduling deliveries. The move towards greater use of outsourcing by medical and industrial manufacturers seeking to reduce fixed costs continued during the year, albeit at reduced levels.

Performance

Underlying revenue was down by 35.9 per cent after adjusting for foreign exchange movements. The significant reduction in volumes resulted in a decline in operating profit to £2.4 million and there was a headcount reduction of 179 during the year.

Outlook

We are seeing some improvement in demand in China and the US as we move into 2010. This is being accompanied by some tightening in the labour market and a shortage of certain components in China. Although there still remains significant uncertainty, customers are beginning to provide more visibility in terms of forward demand.

Secure Power

	2009	2008
Revenue	£59.1m	£65.9m
Operating profit*	£4.8m	£7.8m
Operating profit margin	8.1%	11.8%
Capital employed	£11.6m	£18.4m
Year end headcount	589	629

*before exceptional items

The division has two principal operations: Ottomotores in Mexico and Dale Power Solutions in the UK. Both companies provide secure power solutions for customers' critical power needs in selected markets worldwide.

Ottomotores manufactures generator sets and distributes uninterruptible power supplies (UPS) within Mexico and key markets in the Middle East and Latin America. Dale Power Solutions provides a similar product line within the UK and certain overseas markets. It has a particular focus on delivering bespoke power solutions to customers with mission critical power requirements, including utilities and companies in the petrochemical, financial services and healthcare sectors.

The Secure Power division has taken steps to increase export business with further development of its distribution network in Latin America, coupled with new sales and service offices opened in the Middle East during the latter part of 2009 and in Brazil in January 2010. The generator set and UPS product ranges have also been improved and extended.

As part of the strategic development of the Secure Power service business, a facility was opened in Aberdeen to support the Group's growing offshore oil and gas maintenance customer and contract base in the region. This facility has already proved valuable in supporting a three-year agreement with Total E&P UK Ltd to provide service and maintenance, which was secured during the year. In addition, four regional support centres were established in Mexico to enhance customer service and improve the capture and retention of service business.

Market conditions

2009 was a difficult year for the global secure power market with a reduction in new orders for large projects linked to construction, financial services and tourism, particularly in the UK and Middle East. The division was able to offset some of this market weakness through its focus on the petrochemical sector and increased market penetration in Latin America, notably Brazil.

Performance

The division delivered a solid performance in 2009 in difficult market conditions. Revenue was down 9.0 per cent after adjusting for foreign exchange movements. Operating profit reduced by £3 million due to lower revenues. In addition, 2008 operating profit for the Mexican business benefited from a foreign exchange gain, which arose from a strengthening of the US dollar. The successful completion of a gas turbine refurbishment project in Kazakhstan, coupled with the ongoing supply of secure power systems to a number of UK hospitals, helped underpin performance. The Mexican operation benefited from new contracts in the domestic oil exploration and power utilities sector.

Outlook

Developed markets are expected to remain challenging during 2010 although there has been an increase in activity for larger secure power projects since the beginning of the year. There is ongoing demand in developing economies, particularly in Latin America, as demand for power continues to outstrip investment in generation and distribution infrastructure. Demand from the Middle East remains subdued.

General Industrial

	2009	2008
Revenue	£69.2m	£97.0m
Operating loss*	£(2.7)m	£2.4m
Operating profit margin	(3.9)%	2.5%
Capital employed	£23.2m	£35.8m
Year end headcount	556	911

*before exceptional items

With operations in the UK, South Africa, India, China, USA and Canada, the division serves a range of market sectors. Applications include magnetics, electrical fusegear, specialist compounds for the cable and pipe markets and fastenings for the industrial and automotive sectors. General Industrial also incorporated the AB Automotive climate control business, which was closed during 2009.

A new Divisional Chief Executive was appointed in April to manage the businesses for value. In 2009, the Group invested in the relocation of AEI Compounds to a new facility and in additional capacity to meet the increasing demand for specialist low smoke and fume compound for the cable market. The relocation of further manufacturing from the W T Henley facility in the UK to the Group's site in China was announced in November and is on track to be completed by the end of March 2010.

During 2009, the sales of two small businesses in Scotland and Australia were completed. In addition, the conditional sale of Wire Systems Technology (Pty) Ltd, based in South Africa, was announced on 17 February 2010.

Market conditions

The businesses within General Industrial serve a wide range of end markets all of which were impacted by the global recession during 2009. In general terms, there was a significant decline in the first half of the year with some signs of stability in the fourth quarter.

Performance

Revenue for the division reduced by 32.1 per cent on a constant currency basis with a £5.1 million reduction in operating profit. The financial performance was impacted by the exit from the AB Automotive climate control business which was completed by the end of 2009 and which gave rise to an operating loss of £2.9 million for the year, and by the sales of two small businesses during the year. Revenue for continuing businesses reduced by 11.7 per cent to £53.2 million with an operating profit in 2009 of £0.2 million (2008: £4.9 million). £0.3 million of restructuring costs were charged to operating profit during the year.

Outlook

Following a steep decline in demand, particularly in the first half of 2009, there have been signs of stability in the first quarter of 2010 with volumes reflecting a reversal of some of the de-stocking which took place in the first half of last year.

Financial review

Operating profit for the year reduced to £6.5 million (2008: £27.0 million) due to the impact of the global economic slowdown, offset to some extent by the cost reductions arising from the implementation of the restructuring programme. Profit before tax and exceptional items was £0.8 million (2008: £21.1 million).

Exceptional items

Exceptional costs of £18.0 million were incurred in the year (2008: £3.8 million). This comprised £14.2 million in respect of restructuring (as set out above) and £3.8 million on impairment of goodwill in respect of Optek Technology Inc. The impairment has been made following a review of the future cash flows of the business compared with the carrying value of goodwill and other assets.

Taxation

The tax charge for the year was £2.4 million, after a £0.4 million credit relating to exceptional items. The charge arises from profits generated in overseas countries, particularly Mexico and China. There was no tax payable in the UK due to current year losses.

Dividends and earnings per share

Headline loss per share was 1.3 pence compared with earnings of 9.2 pence in 2008. Basic loss per share was 12.6 pence (2008: earnings of 7.5 pence).

As announced in January 2009, the Board has set a dividend policy to maintain cover of at least two times underlying earnings per share.

For the year ending 31 December 2009, the Board has not recommended a final dividend (2008: nil) and no interim dividend was paid (2008: 3.69 pence).

Cash flow, borrowings and facilities

	2009 £million	2008 £million
Underlying operating cash flow	83.9	50.1
Capital expenditure	9.4	21.9
Development expenditure	6.9	10.9
Exceptional restructuring costs	9.6	1.7
Net debt	56.9	113.2
Stock turn (times)	5.0	4.1
Debtor days	48	58
Creditor days	57	50

Underlying operating cash flow of £83.9 million was £33.8 million higher than 2008 due mainly to the significant reduction in working capital which offset reduced profits. The working capital improvement of £47.2 million represented a significant out-performance on the upgraded target reduction of £17-20 million. This achievement was driven by actions undertaken at all business units to improve material flows across the factory, deliver supply chain efficiencies and agree improved terms with customers and suppliers. Inventory reduced by £31.1 million accompanied by an improvement in stock turns from 4.1 to 5.0 times. There was also an improvement in debtor days and creditor days as shown above with a £22.2 million reduction in debtors offset in part by a £6.1 million reduction in creditors.

Capital expenditure was £9.4 million compared with depreciation of £24.1 million. New approval processes have been introduced to ensure that expenditure is focused on key projects with an attractive return and that post-implementation reviews are undertaken for major projects to compare the benefits attained with previous projections.

Exceptional restructuring cash costs were £9.6 million (2008: £1.7 million) arising from the implementation of the cost-reduction programmes described previously.

Net cash flow for the year was £51.4 million (2008: £16.1 million negative) and this, together with the favourable £4.9 million exchange variance, led to a near halving of the net debt to £56.9 million (December 2008: £113.2 million).

The Group has total banking facilities available of £131 million, of which £32 million comprises working capital facilities with a number of major UK and overseas banks. This amount is periodically reviewed. The main term loan of £70 million is a multi-currency revolving facility with HSBC extending to 2011.

The main financial covenants are in the HSBC loan agreement and restrict gross debt to below three times total earnings before interest, tax, depreciation, amortisation and exceptional items ("EBITDA before exceptionals"). In addition, EBITDA before exceptionals is required to cover gross interest by at least six times. The covenants are tested annually and were satisfied comfortably at December 2009:

	Term	Actual
Gross debt / EBITDA before exceptionals	< 3	1.9
EBITDA before exceptionals/gross interest	> 6	11.8

The Directors have reviewed the budgets for 2010 and the projections for 2011 developed during the 2009 annual strategic planning cycle, which have been adjusted to take account of the current trading environment. Demand in most of the Group's end markets was severely affected by the global economic recession. Recognising this, the Directors have considered a range of different scenarios and the impact of these on the Group's cash flow, facilities and headroom within its banking covenants. Further, the Directors have assessed the future funding requirements of the Group and compared them with the level of available borrowing facilities. Based on this work the Directors are satisfied that the Group has adequate resources for the foreseeable future.

Pensions

The Group operates both defined benefit and defined contribution schemes in the UK. Assets and liabilities of the defined benefit schemes are summarised below:

	December 2009 £million	December 2008 £million
Fair value of assets	302.9	279.0
Liabilities	(343.6)	(294.1)
Deficit – UK scheme	(40.7)	(15.1)
Overseas schemes	(3.0)	(3.5)
Total Group deficit	(43.7)	(18.6)

The increase in the deficit during the year was due to the reduction in the discount rate, offset in part by higher asset values.

The defined benefit schemes have been closed to new entrants for a number of years and, following consultations with members, a decision has been taken to close the UK scheme to future accrual and to transfer members to a defined contribution scheme. This was implemented for the USA scheme during 2009.

A revised funding agreement was agreed with the Trustee in January 2009, fixing deficit contributions out to 2016. Under the agreement, a contribution of £2.2 million was made into the scheme in 2009 (2008: £2.2 million).

Principal risks and uncertainties

Operational risks

The ongoing effects of the global financial crisis continue to present significant challenges to the Group, principally related to the level of demand.

The Group directly and indirectly serves large automotive OEM customers. This exposes the Group to several risks including fluctuating manufacturing volumes, the potential for significant quality and recall claims and customer default. In the event that one of the larger automotive manufacturers or suppliers defaults or seeks protection from its creditors, the Group may not recover all of the amounts owed to it.

In addition, the Group is exposed to risks of product liability, credit risk, supply chain issues, reliance on customers' commitments and other usual commercial risks in all of its businesses. The Group has a wide portfolio of products and operates in a number of market sectors.

There are established procedures in place to manage such risks, including production quality control procedures and insurance with reliable insurers, which have been put in place taking into account the risk involved and the marketplace in which the exposure arises. In addition, major contracts are reviewed by the Group Legal Counsel.

The Group has contractual and other arrangements with numerous third parties in support of its business activities. This report does not contain information about any of these third parties as none of the arrangements with them are considered essential to the business of the Group.

Financial risks

As an international business, the major financial risks faced by the Group are liquidity risk, currency risk and interest rate risk and these are regularly reviewed by the Board.

Liquidity

The current economic conditions continue to create uncertainty regarding the availability of bank financing and consequently there is a risk that the Group may have insufficient resources to meet its financial liabilities as they fall due. The Group addresses this risk by maintaining adequate banking facilities and by continuously monitoring forecast and actual cash flows to ensure that bank covenants and liquidity requirements will be met. The Group regularly discusses its requirements with its principal bankers and it is considered unlikely that the Group will face any significant funding issues in the foreseeable future.

Foreign currency

The Group's main foreign exchange exposures relate to the translation of profits and net assets denominated in overseas currencies into sterling and transactions in foreign currencies. The Group's policy is to use hedges to reduce these risks. These hedges are achieved through forward currency contracts and currency borrowings.

Interest cost

Interest cost risk is mitigated by the use of a combination of short and medium-term debt at both fixed and floating rates and by the use of interest rate caps where appropriate.

Directors' review

The Directors have reviewed the effectiveness of risk management and internal control during the year to 31 December 2009 and the period since then to date of this report and have taken appropriate actions for improvement where necessary.

Measuring our performance

The Group has a clear strategy to deliver shareholder value. A number of financial Key Performance Indicators have been identified to monitor our progress.

- Target year on year organic revenue growth for the Group of mid to high single digits for the next five years
- Target operating profit margins:

Components:	10% in the medium term
Sensors:	10% in the longer term
IMS:	6-8% in the medium term
Secure Power:	10% in the short term
Group:	8-10% in the medium term
- Target 100% conversion of operating profit to operating cash flow after capital expenditure for the next three years
- Year on year growth in earnings per share of at least 3% in excess of RPI
- Total shareholder return of above median performance against the FTSE Small Cap (excluding investment trusts)

Outlook for 2010

Following difficult trading conditions throughout most of 2009, the situation improved in the fourth quarter in most of our markets. This has continued in the first two months of 2010. A number of factors have contributed to an increase in demand, including government scrappage schemes in the automotive sector, the fiscal stimulus packages introduced in many countries and a re-stocking of the supply chain following the aggressive de-stocking that took place in late 2008 and the first half of 2009.

We continue to implement the actions outlined in this report, focusing the Group on those markets which we believe will provide opportunities for higher growth and margins. We are improving the way we interface with our customers through the implementation of unified regional sales teams in the Components division and maintaining our focus on the key account management programme, which is enabling us to better serve our major global customers.

In addition, the virtual market teams are highlighting growth opportunities offered by their target markets. With the strengthened senior management team now in place and new systems implemented to identify and develop our key employees, the Board is confident that the actions taken during 2009, and those in progress in 2010, will provide the Group with a platform for sustainable growth.

Although the shape and timing of the global economic recovery is difficult to predict, visibility for the first half of the year has improved in certain markets with the Group tracking slightly ahead of the Board's previous expectations.

Geraint Anderson
Group Chief Executive
12 March 2010

Shatish D Dasani
Group Finance Director
12 March 2010

Consolidated income statement
 for the year ended 31 December 2009

	Note	2009 £million	2008 £million
Revenue	3	499.6	584.3
Cost of sales		(420.4)	(480.8)
Gross profit		79.2	103.5
Distribution costs		(33.7)	(37.5)
Administrative expenses		(40.2)	(40.4)
Other operating income		1.2	1.4
Operating profit before exceptional items	3	6.5	27.0
Exceptional items – restructuring	5	(14.2)	(3.8)
– goodwill impairment	5	(3.8)	–
Operating (loss)/profit		(11.5)	23.2
Finance income	4	15.8	18.1
Finance costs	4	(21.5)	(24.0)
(Loss)/profit before taxation		(17.2)	17.3
Taxation		(2.4)	(5.7)
(Loss)/profit for the year		(19.6)	11.6
Minority interests		–	–
(Loss)/profit for the year attributable to shareholders		(19.6)	11.6
(Loss)/earnings per share	7		
– basic		(12.6)p	7.5p
– diluted		(12.6)p	7.5p

Consolidated balance sheet
at 31 December 2009

	Note	2009 £million	2008 £million
Assets			
Non-current assets			
Property, plant and equipment		111.3	137.4
Goodwill	8	65.9	74.5
Other intangible assets		17.6	23.6
Deferred tax assets		4.9	5.5
Total non-current assets		199.7	241.0
Current assets			
Inventories		83.9	120.0
Trade and other receivables		85.1	111.5
Financial asset		0.3	–
Cash and cash equivalents		24.7	10.1
Total current assets		194.0	241.6
Total assets		393.7	482.6
Liabilities			
Current liabilities			
Short-term borrowings		11.2	51.2
Financial derivatives		0.5	2.9
Trade and other payables		88.7	99.4
Current tax payable		1.7	3.1
Provisions for liabilities	10	8.9	5.6
Total current liabilities		111.0	162.2
Non-current liabilities			
Long-term borrowings		70.4	72.1
Deferred tax		5.9	8.7
Pensions and other post-employment benefits	12	43.7	18.6
Provisions for liabilities	10	0.2	0.1
Other non-current liabilities		6.7	8.0
Total non-current liabilities		126.9	107.5
Total liabilities		237.9	269.7
Net assets		155.8	212.9
Equity			
Share capital		38.7	38.7
Share premium account		0.2	0.2
Share options reserve		1.0	1.2
Hedging reserve		(11.5)	(18.1)
Translation reserve		38.7	53.9
Retained earnings		86.3	134.6
Minority interests		2.4	2.4
Total equity		155.8	212.9

Consolidated statement of comprehensive income
for the year ended 31 December 2009

	Note	2009 £million	2008 £million
(Loss)/profit for the year		(19.6)	11.6
Exchange differences on net foreign currency investments		(10.7)	39.4
Hedging reserve		2.1	(2.1)
Actuarial net loss on defined benefit pension schemes	12	(28.7)	(3.2)
Comprehensive (expense)/income for the year attributable to shareholders		(56.9)	45.7

Consolidated statement of changes in equity
for the year ended 31 December 2009

	Share capital £million	Share premium account £million	Share options reserve £million	Hedging reserve £million	Transl- ation reserve £million	Retained earnings £million	Minority interest £million	Total £million
At 1 January 2008	38.7	0.2	1.1	6.1	(7.6)	141.8	2.0	182.3
Comprehensive (expense)/income for the period	–	–	–	(24.2)	61.5	8.4	–	45.7
Minority interests	–	–	–	–	–	–	0.4	0.4
Dividends paid	–	–	–	–	–	(15.6)	–	(15.6)
Share based payment	–	–	0.1	–	–	–	–	0.1
At 31 December 2008	38.7	0.2	1.2	(18.1)	53.9	134.6	2.4	212.9
Comprehensive (expense)/income for the period	–	–	–	6.6	(15.2)	(48.3)	–	(56.9)
Share based payment	–	–	(0.2)	–	–	–	–	(0.2)
At 31 December 2009	38.7	0.2	1.0	(11.5)	38.7	86.3	2.4	155.8

Consolidated cash flow statement
for the year ended 31 December 2009

	Note	2009 £million	2008 £million
Operating activities			
Operating profit before exceptional items		6.5	27.0
Adjustments for:			
Depreciation of property, plant and equipment		24.1	23.4
Amortisation of intangible assets		11.8	10.9
Share-based payment (credit)/expense		(0.2)	0.1
Gain on disposal of property, plant and equipment		(0.4)	(1.9)
Pension curtailment gain		(1.9)	(1.2)
Other non-cash items		(0.5)	(4.8)
(Decrease)/increase in financial derivatives		(2.7)	2.2
Decrease/(increase) in inventories		31.1	(6.6)
Decrease in receivables		22.2	–
(Decrease)/increase in payables		(6.1)	1.0
Cash generated from operations before exceptional payments		83.9	50.1
Special payments to pension funds		(2.2)	(2.2)
Exceptional restructuring costs		(9.6)	(1.7)
Net cash generated from operations		72.1	46.2
Tax paid		(5.3)	(3.6)
Net cash from operating activities		66.8	42.6
Cash flows from investing activities:			
Purchase of property, plant and equipment		(9.4)	(21.9)
Proceeds from sale of property, plant and equipment and grants received		5.7	5.1
Development expenditure and purchase of patents and licences		(6.9)	(10.9)
Acquisition of subsidiary net of cash acquired	11	(1.0)	(13.9)
Loan repayment		–	2.0
Net cash proceeds from sale of business		–	0.9
Net cash used in investing activities		(11.6)	(38.7)
Cash flows from financing activities:			
Interest paid (net)		(3.8)	(3.8)
Repayment of loans		(17.6)	(0.6)
New loans		2.9	10.0
Finance leases		(0.1)	(0.4)
Dividends paid		–	(15.6)
Net cash used in financing activities		(18.6)	(10.4)
Net increase/(decrease) in cash and cash equivalents		36.6	(6.5)
Cash and cash equivalents at beginning of period		(12.2)	(5.2)
Exchange difference		0.1	(0.5)
Cash and cash equivalents at end of period		24.5	(12.2)
Cash and cash equivalents comprise:			
Cash and cash equivalents		24.7	10.1
Bank overdrafts		(0.2)	(22.3)
	9	24.5	(12.2)

Notes to the consolidated financial statements

1 General information

The information set out below, which does not constitute full financial statements, is extracted from the audited financial statements of the Group for the year ended 31 December 2009 which:

- were approved by the Directors on 12 March 2010
- carry an unqualified audit report which did not contain statements under sections 498(2) or (3) of the Companies Act 2006
- will be available to the shareholders and the public in April 2010
- will be filed with the Registrar of Companies following the Annual General Meeting on 12 May 2010

2 Basis of accounting

The consolidated financial statements have been prepared under International Financial Reporting Standards (IFRS) as endorsed by the European Union. The presentation of the financial statements has been changed to that required by IAS 1 Presentation of Financial Statements (Revised). The Group has adopted IFRS 8 Operating Segments, IAS 23 Borrowing Costs and IFRS 7 Amended Financial Instruments Disclosure in 2009.

The adoption of IAS 23 Borrowing Costs has resulted in a change of accounting policy. Borrowing costs directly attributable to the acquisition, construction or production of assets that take a substantial period of time to get ready for use are now capitalised. In previous financial years such costs were expensed. The effect on these financial statements is immaterial.

In accordance with IFRS 8 Operating Segments, segmental reporting has been amended to reflect the new divisional structure and comparatives have been restated. All other accounting policies are unchanged.

3 Segmental reporting

	Revenue		Sector result	
	2009 £million	2008 £million	2009 £million	2008 £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 5)			(18.0)	(3.8)
Operating (loss)/profit			(11.5)	23.2
Finance income			15.8	18.1
Finance costs			(21.5)	(24.0)
(Loss)/profit before tax			(17.2)	17.3
Taxation			(2.4)	(5.7)
(Loss)/profit for the year			(19.6)	11.6

By destination

The Group operates globally. Revenue by geographical destination is:

	2009 £million	2008 £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

4 Finance costs – net

	2009 £million	2008 £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

5 Exceptional items

	2009 £million	2008 £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 8	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.

6 Dividends

No dividends have been paid in the year:

	2009 pence per share	2009 £million	2008 pence per share	2008 £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 pence per share	2008 pence per share
Headline ^(a)	(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 £million	2008 £million
(Loss)/profit for the year attributable to shareholders	(19.6)	11.6
Weighted average number of shares in issue:		
	2009 million	2008 million
Basic	155.0	155.0
Adjustment for share options	–	0.1
Diluted	155.0	155.1

(a) 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 Goodwill

	£million
Cost	
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)
At 31 December 2009	65.9

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 flow 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.

9 Borrowings

Reconciliation of net cash flow to movement in net debt

	Net cash/ overdraft £million	Loans and finance leases £million	Net debt £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
At 31 December 2009	24.5	(81.4)	(56.9)

10 Provisions for liabilities

	Reorgan- isation £million	Environ- mental £million	Legal and other claims £million	Total £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
At 31 December 2009	6.6	0.1	2.4	9.1

The reorganisation provision relates to the restructuring programme described in note 5. 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 £million	2008 £million
Non-current	0.2	0.1
Current	8.9	5.6
	9.1	5.7

11 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.

12 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 %	2008 %
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.

The amounts recognised on the Consolidated balance sheet are:

	2009 £million	2008 £million	2007 £million	2006 £million	2005 £million	2004 £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 £million	2008 £million
Current service cost	1.7	1.9
Curtailment	(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 £million	2008 £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 £million	2008 £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

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 £million	2008 £million	2007 £million	2006 £million	2005 £million	2004 £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.

13 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.