

ELEKTRON COMPONENTS LIMITED

Report and Financial Statements

31 January 2011

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ELEKTRON COMPONENTS LIMITED

REPORT AND FINANCIAL STATEMENTS 2011

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ELEKTRON COMPONENTS LIMITED

REPORT AND FINANCIAL STATEMENTS 2011

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J Wilson
L A Hamon
K J Broderick
O Kivlin
G Casillas
N Franklin

SECRETARY

M Reeves

REGISTERED OFFICE

c/o Elektron Technology plc
Melville Court
Spilsby Road
Romford
Essex
RM3 8SB

BANKERS

HSBC Bank Plc
70 Pall Mall
London
SW1Y 5EZ

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge, UK

ELEKTRON COMPONENTS LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 January 2011

PRINCIPAL ACTIVITY

The principal activity of the company during the year was the design and manufacture of electrical switches under the "Arcoelectric" brand and the design and manufacture of connectors and other electro-mechanical products under the "Bulgin" brand. Both brands are sold into industrial markets through distribution channels worldwide and directly to Original Equipment Manufacturers ("OEM's")

BUSINESS REVIEW

Turnover for the year is £24,987,770 (2010 - £18,246,809) and profit has been discussed below. The directors expect this to continue for the foreseeable future. The net assets position has increased as a result of the profit in the year.

The directors are satisfied with the results for the year and the state of affairs of the company at the balance sheet date.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The directors produce a wide variety of daily key figures for the Company that enable us to identify performance against budget and the previous year. Other key performance indicators are shown below.

| | 2011 | 2010 |
|-----------------------------------|----------|----------|
| Gross profit margin | 35.8% | 36.0% |
| Turnover per employee | £247,404 | £222,522 |
| Net operating expenses % of sales | 24.1% | 27.1% |

RESULTS AND DIVIDENDS

The profit for the year amounted to £2,131,811 (2010 - £1,096,162). The directors have not recommended a dividend (2010 - £nil).

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the nature of Elektron Technology Plc ("the Group") strategy are subject to a number of risks and uncertainties. The directors have set out below the principal risks facing the business.

Competition

The company sees increasing levels of competition both from suppliers based in low cost countries and traditional European suppliers struggling to maintain market share by reducing prices. The company counters this by continuing to develop innovative new products for niche applications with higher margins and by manufacturing in lower cost locations.

ELEKTRON COMPONENTS LIMITED

DIRECTORS' REPORT

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Commodity prices

A significant amount of the company's purchases are plastic moulding powders and metal parts and consequently movements in oil, copper and silver market prices can lead to significant movements in the gross margin. Whilst it is difficult to pass these costs on to customers in the short term, the directors are confident that the company's product designs use less than, or at least no more than the same amount of these costly materials in product offerings of our competitors which compete directly.

Control of overseas operations

In order to achieve competitively priced products the company utilises subsidiary manufacturing facilities in China and Tunisia. Risks and uncertainties of this strategy include management issues at the factories, the possibility of changes in import duties and shipping delays. The company manages this risk by employing suitably experienced local staff and a UK based team that work closely with the factories. If necessary, the majority of products manufactured at one location could be moved to another location.

Fluctuations in currency exchange rates

A significant amount of the company's sales are in US Dollars and Euros. As a company, we are therefore exposed to foreign currency fluctuations. The company manages its foreign exchange risk by purchasing materials in matching currencies where possible in order to partially offset this exposure. We do not enter into forward foreign exchange contracts and other derivatives/financial instruments since this would only smooth the short-term fluctuations. The longer-term strategy to reduce currency risks is to incur greater proportions of group costs in currencies linked to our sales.

RESEARCH AND DEVELOPMENT

The directors consider that research and development plays a vital role in maintaining and increasing the competitive position of the company in the market. These costs have been capitalised as Intangible assets (note 9) in line with SSAP13 "Capitalisation of Research and Development".

DIRECTORS

The directors who served the company during the year were as follows:

J Wilson

L A Hamon

K J Broderick

P Geraghty (appointed 1 August 2010 and resigned 14 October 2011)

C M Leigh (resigned 30 September 2010)

G Spink (appointed 30 September 2010 and resigned 31 August 2011)

O Kivlin (appointed 9 November 2010)

N Franklin (appointed 31 August 2011)

G Casillas (appointed 17 May 2011)

ELEKTRON COMPONENTS LIMITED

DIRECTORS' REPORT

POLICY ON THE PAYMENT OF CREDITORS

The company applies a policy of agreeing the terms of payment as part of the commercial arrangement negotiated with suppliers. It is company policy that payments to suppliers are made in accordance with those terms, provided that suppliers also comply with all relevant terms and conditions. The average creditor days for the year was 54 (2010 - 67) days.

GOING CONCERN

The company is a wholly owned subsidiary of Elektron Technology plc ("the Group") and provides cross guarantees for the bank debt held by the Group and also a guarantee to its bankers. The directors have therefore reviewed the Group's forecasts in considering whether the going concern basis of preparation is appropriate for the subsidiaries of the Group.

The directors have prepared cash flow projections for the foreseeable future and considered the risks and uncertainties disclosed in the directors' report for the Group, future, being a period of at least 12 months from the date of signing and approving these financial statements. The projections take into account reasonable, possible changes in trading performance, reflecting the current uncertain economic climate, existing borrowing facilities, forecast covenant compliance and the likelihood of the guarantees provided being called in.

The directors have no reason to believe that any of the borrowing facilities might be withdrawn or that there would be any other material change in the current financial projections of the Group. The directors have considered the liabilities of the company and have obtained confirmation from the group undertaking for which it has a liability, that the other party will not demand repayment of the debt for at least 12 months from the date of signing these financial statements. As a result the directors formed a judgement when approving these financial statements that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis of preparation in the financial statements.

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ELEKTRON COMPONENTS LIMITED

DIRECTORS' REPORT

AUDITOR

Each of the persons who is a director at the date of approval of this annual report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Deloitte LLP were appointed as auditor during the year and have expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board

27 OCT 2011

A handwritten signature in black ink, appearing to read 'M Reeves', is written over a horizontal line.

M Reeves
Secretary

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELEKTRON COMPONENTS LIMITED

We have audited the financial statements of Elektron Components Limited for the year ended 31 January 2011 which comprise the profit and loss account, the balance sheet and the related notes 1 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatement or inconsistencies we consider the implication for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 January 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELEKTRON COMPONENTS LIMITED (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



28.10.2011

Stuart Henderson (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge, United Kingdom

ELEKTRON COMPONENTS LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 31 January 2011

| | Note | 2011 £ | 2010 £ |
|--|------|--------------|--------------|
| TURNOVER | 2 | 24,987,770 | 18,246,809 |
| Cost of sales | | (16,050,401) | (11,679,966) |
| Gross profit | | 8,937,369 | 6,566,843 |
| Administrative expenses | | | |
| Exceptional items | 3 | (101,560) | (85,465) |
| Other | | (3,411,673) | (3,158,639) |
| Total administrative expenses | | (3,513,233) | (3,244,104) |
| Distribution costs | | (2,601,014) | (1,778,123) |
| OPERATING PROFIT | 3 | 2,823,122 | 1,544,616 |
| Interest receivable and similar income | | 398 | 400 |
| Interest payable and similar charges | 6 | (71,107) | (34,642) |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 2,752,413 | 1,510,374 |
| Tax on profit on ordinary activities | 7 | (620,602) | (414,212) |
| PROFIT FOR THE FINANCIAL YEAR | 19 | 2,131,811 | 1,096,162 |

All activities derive from continuing operations

There are no recognised gains or losses for the current or preceding financial year other than as stated in the profit and loss account. Accordingly a statement of recognised gains and losses has not been presented.

ELEKTRON COMPONENTS LIMITED

BALANCE SHEET 31 January 2011

| | Note | 2011 £ | 2010 £ |
|--|------|-------------------------|-----------------------|
| FIXED ASSETS | | | |
| Tangible assets | 8 | 567,957 | 504,605 |
| Intangible assets | 9 | 123,063 | - |
| Investments | 10 | 52 | 52 |
| | | <u>691,072</u> | <u>504,657</u> |
| CURRENT ASSETS | | | |
| Stocks | 11 | 3,405,859 | 2,423,915 |
| Debtors | 12 | 6,536,270 | 5,530,800 |
| Cash at bank and in hand | | 989,076 | 1,473,961 |
| | | <u>10,931,205</u> | <u>9,428,676</u> |
| CREDITORS: amounts falling due within one year | 14 | <u>(7,923,535)</u> | <u>(8,417,859)</u> |
| NET CURRENT ASSETS | | <u>3,007,670</u> | <u>1,010,817</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>3,698,742</u> | <u>1,515,474</u> |
| CREDITORS: amounts falling due after more than one year | 15 | <u>(1,037,102)</u> | <u>(952,081)</u> |
| PROVISION FOR LIABILITIES | 16 | <u>(105,316)</u> | <u>(138,880)</u> |
| NET ASSETS | | <u><u>2,556,324</u></u> | <u><u>424,513</u></u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 18 | 200,000 | 200,000 |
| Profit and loss account | 19 | 2,356,324 | 224,513 |
| SHAREHOLDERS' FUNDS | 20 | <u><u>2,556,324</u></u> | <u><u>424,513</u></u> |

The financial statements of Elektron Components Limited, registered number 4949934, were approved by the Board of Directors and authorised for issue on

27 OCT 2011

Signed on behalf of the Board of Directors



N Franklin
Director

ELEKTRON COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2011

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and preceding year.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Consolidation

The company was, at the end of the year, a wholly-owned subsidiary of another company incorporated in the EEA and in accordance with s400 of the Companies Act 2006, is not required to produce, and has not published, consolidated accounts.

Going concern

The company is a wholly owned subsidiary of Elektron Technology plc (the "Group") and provides cross guarantees for the bank debts held by the Group and also a guarantee to its bankers. The directors have therefore reviewed the Group's forecasts in considering whether the going concern basis of preparation is appropriate for the subsidiaries of the Group.

The directors have prepared cash flow projections for the foreseeable future and considered the risks and uncertainties disclosed in the directors' report for the Group, future, being a period of at least 12 months from the date of signing and approving these financial statements. The projections take into account reasonable, possible changes in trading performance, reflecting the current uncertain economic climate, existing borrowing facilities, forecast covenant compliance and the likelihood of the guarantees provided being called in.

The directors have no reason to believe that any of the borrowing facilities might be withdrawn or that there would be any other material change in the current financial projections of the Group. The directors have considered the liabilities of the company and have obtained confirmation from the group undertaking for which it has a liability, that the other party will not demand repayment of the debt for at least 12 months from the date of signing these financial statements. As a result the directors formed a judgement when approving these financial statements that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis of preparation in the financial statements.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax. Sales of goods are recognised when title to the goods has passed on dispatchment to customers.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Tangible fixed assets are depreciated over their estimated useful lives using the straight line method. The rates used in the calculation are as follows:

| | |
|-----------------------|--------------|
| Plant and machinery | 3 – 15 years |
| Fixtures and fittings | 3 – 16 years |
| Motor vehicles | 4 years |

The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. Reviews are made periodically of the estimated remaining lives of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear.

ELEKTRON COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2011

1. ACCOUNTING POLICIES (continued)

Investments

Fixed asset investments are shown at cost less provision for impairment

Intangible assets

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the group is expected to benefit. This period is between three and five years. Provision is made for any impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all direct expenditure and, where appropriate, production overheads based on the normal level of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to complete a disposal. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Leasing and hire purchase commitments

Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the lease and depreciated over their expected useful lives. The finance charges are allocated over the period of the lease to produce a constant rate of charge on the balance of capital repayments outstanding.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Pension costs

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax, with the following exceptions.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

ELEKTRON COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 January 2011

1. ACCOUNTING POLICIES (continued)

Finance costs

Finance costs of financial liabilities are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying value

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover by geographical location is given below.

| | 2011 £ | 2010 £ |
|----------------|-------------------|-------------------|
| United Kingdom | 9,066,584 | 6,866,582 |
| Rest of Europe | 8,347,300 | 5,377,268 |
| North America | 3,725,460 | 2,923,815 |
| Rest of World | 3,848,426 | 3,079,144 |
| | <u>24,987,770</u> | <u>18,246,809</u> |

3. OPERATING PROFIT

| | 2011 £ | 2010 £ |
|--|---------------|---------------|
| Operating profit is after charging (crediting): | | |
| Depreciation - owned assets | 202,381 | 217,014 |
| Depreciation - leased | 40,684 | 52,615 |
| Profit on disposal of fixed assets | (1,649) | (116) |
| Operating lease costs | | |
| other | 359,241 | 368,210 |
| Exceptional items | 101,560 | 85,465 |
| Net (profit)/loss on foreign currency translation | (3,421) | 133,990 |
| The analysis of auditor's remuneration is as follows | | |
| Fees payable to the company's auditor for the audit of the company's annual accounts | 15,000 | 15,000 |
| Other services relating to taxation | 3,671 | 3,340 |
| | <u>18,650</u> | <u>18,340</u> |

Exceptional costs incurred in 2011 and 2010 relate to redundancies made in the periods

ELEKTRON COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2011

4. STAFF COSTS

The average number of staff employed by the company including directors during the financial year amounted to

| | 2011 | 2010 |
|---|------------------|------------------|
| | No | No |
| Production staff | 50 | 55 |
| Administrative staff | 51 | 27 |
| | <u>101</u> | <u>82</u> |
| The aggregate payroll costs of the above were | £ | £ |
| Wages and salaries | 3,057,408 | 2,425,622 |
| Social security costs | 356,210 | 278,629 |
| Pension costs | 99,410 | 97,003 |
| | <u>3,513,028</u> | <u>2,801,254</u> |

5. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were

| | 2011 | 2010 |
|--|----------------|----------------|
| | £ | £ |
| Remuneration receivable | 561,929 | 183,735 |
| Value of company pension contributions to money purchase schemes | 32,490 | 22,646 |
| | <u>594,419</u> | <u>206,381</u> |

The emoluments of the highest paid director for the year were £179,868 (2010 - £57,397) with £9,225 (2010 - £13,046) of company pension contributions

6. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2011 | 2010 |
|-------------------------------------|---------------|---------------|
| | £ | £ |
| Interest payable on bank borrowings | 66,092 | 32,394 |
| Finance charges | 5,015 | 2,248 |
| | <u>71,107</u> | <u>34,642</u> |

ELEKTRON COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 January 2011

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

Analysis of charge in the year

| | 2011 £ | 2010 £ |
|--|----------------|----------------|
| Current tax | | |
| UK Corporation tax based on the results for the year at 28% (2010 - 28%) | 645,938 | 419,745 |
| Adjustment in respect of previous periods | (90,109) | - |
| | <u>555,829</u> | <u>419,745</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | 64,773 | (5,533) |
| | <u>620,602</u> | <u>414,212</u> |
| Tax on profit on ordinary activities | | |

Factors affecting current tax charge

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 28% (2010 - 28%) as follows

| | 2011 £ | 2010 £ |
|---|------------------|------------------|
| Profit on ordinary activities before taxation | <u>2,752,413</u> | <u>1,510,374</u> |
| Tax on profit on ordinary activities at standard rate | 770,603 | 422,905 |
| Factors affecting the charge | | |
| Expenses not deductible for tax purposes | 2,662 | (9,940) |
| Capital allowances in excess of depreciation | (52,781) | 70,881 |
| Other timing differences | (472) | (2,534) |
| Utilisation of tax losses | - | (61,567) |
| Adjustments of taxation charge in respect of previous periods | (90,109) | - |
| Research and development enhancement | (74,074) | - |
| | <u>555,829</u> | <u>419,745</u> |
| Total current tax | | |

In March 2011, the UK Government announced a reduction in the standard rate of UK corporation tax to 26% effective 1 April 2011 and to 25% effective 1 April 2012. These rate reductions became substantively enacted in March 2011 and July 2011, respectively.

The UK Government also proposed changes to further reduce the standard rate of the UK corporation tax by 1% per annum to 23% by 1 April 2014, but these changes have not yet been substantively enacted.

The effect of these tax rate reductions on the deferred tax balance will be accounted for in the period in which the tax rate reductions are substantively enacted.

ELEKTRON COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 January 2011

8. TANGIBLE FIXED ASSETS

| | Plant and machinery £ | Fixtures and fittings £ | Motor vehicles £ | Total £ |
|---------------------------------|-----------------------------|----------------------------------|------------------------|------------------|
| Cost | | | | |
| At 1 February 2010 | 5,132,471 | 681,632 | 166,405 | 5,980,508 |
| Additions | 224,158 | 82,259 | - | 306,417 |
| Disposals | - | - | (30,955) | (30,955) |
| At 31 January 2011 | <u>5,356,629</u> | <u>763,891</u> | <u>135,450</u> | <u>6,255,970</u> |
| Accumulated depreciation | | | | |
| At 1 February 2010 | 4,697,236 | 635,032 | 143,635 | 5,475,903 |
| Charge in the year | 191,905 | 39,237 | 11,923 | 243,065 |
| Eliminated on disposals | - | - | (30,955) | (30,955) |
| At 31 January 2011 | <u>4,889,141</u> | <u>674,269</u> | <u>124,603</u> | <u>5,688,013</u> |
| Net book value | | | | |
| At 31 January 2011 | <u>467,488</u> | <u>89,622</u> | <u>10,847</u> | <u>567,957</u> |
| At 31 January 2010 | <u>435,235</u> | <u>46,600</u> | <u>22,770</u> | <u>504,605</u> |

Included within the net book value of £567,957 is £214,566 (2010 - £76,750) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £40,684 (2010 - £52,615).

9. INTANGIBLE FIXED ASSETS

| | Development costs £ |
|--|---------------------------|
| Cost | |
| At 1 February 2010 | - |
| Additions | 123,063 |
| At 31 January 2011 | <u>123,063</u> |
| Accumulated amortisation | |
| At 1 February 2010 and 31 January 2011 | <u>-</u> |
| Net book value | |
| At 31 January 2011 | <u>123,063</u> |
| At 31 January 2010 | <u>-</u> |

Development costs have been capitalised in accordance with SSAP 13 Accounting for research and development and are therefore not treated, for dividend purposes, as a realised loss. The cost related to the development of the new connector products. Production is expected to commence during 2011, from which date the related costs will be written off over five years.

ELEKTRON COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 January 2011

10 INVESTMENTS

| | Shares in subsidiary undertakings £ |
|---|--|
| Cost and net book value At 1 February 2010 and 31 January 2011 | <u>52</u> |

| Subsidiary undertakings | Country of incorporation | Share holding | Proportion held | Nature of business |
|---------------------------------|--------------------------|-----------------|-----------------|---|
| Elektron Components Corporation | USA | Ordinary Shares | 100% | Sale of electromechanical components |
| Arcoelectric Tunisie Sarl | Tunisia | Ordinary Shares | 100% | Manufacture of electromechanical components |

11. STOCKS

| | 2011 £ | 2010 £ |
|------------------|------------------|------------------|
| Raw materials | 2,352,926 | 1,626,635 |
| Work in progress | 318,534 | 299,245 |
| Finished goods | 734,399 | 498,035 |
| | <u>3,405,859</u> | <u>2,423,915</u> |

The directors consider there is no material difference between the book value of stocks and their recoverable amount

12. DEBTORS

| | 2011 £ | 2010 £ |
|------------------------------------|------------------|------------------|
| Trade debtors | 4,364,023 | 3,382,942 |
| Amounts owed by group undertakings | 1,546,797 | 1,267,906 |
| Corporation tax recoverable | 112,563 | - |
| Other debtors | 48,974 | 322,935 |
| Prepayments and accrued income | 135,562 | 163,893 |
| Deferred tax asset (note 13) | 328,351 | 393,124 |
| | <u>6,536,270</u> | <u>5,530,800</u> |

ELEKTRON COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2011

13 DEFERRED TAX ASSET

The movement in the deferred taxation account during the year was

| | £ |
|-----------------------------------|----------------|
| Balance brought forward | 393,124 |
| Credit to profit and loss account | (64,773) |
| Balance carried forward | <u>328,351</u> |

The deferred tax asset consists of

| | 2011 £ | 2010 £ |
|---|----------------|----------------|
| Excess of depreciation over taxation allowances | 311,479 | 375,797 |
| Other timing differences | 16,872 | 17,327 |
| | <u>328,351</u> | <u>393,124</u> |

14. CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2011 £ | 2010 £ |
|---|------------------|------------------|
| Invoice financing advances | 1,581,781 | 996,819 |
| Trade creditors | 1,733,021 | 1,732,296 |
| Amounts owed to group undertakings | 3,529,928 | 4,901,730 |
| Obligations under hire purchase contracts | 51,013 | 30,492 |
| Other taxation | 209,080 | 200,331 |
| Other creditors | 263,653 | 63,809 |
| Accruals and deferred income | 555,059 | 492,382 |
| | <u>7,923,535</u> | <u>8,417,859</u> |

Invoice financing advances of £1,581,781 (2010 - £996,819) are secured by fixed and floating charges over certain assets of the company

Included within other creditors are outstanding pension contributions of £21,759 (2010 - £25,443)

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2011 £ | 2010 £ |
|---|------------------|----------------|
| Amounts owed to group undertakings | 952,081 | 952,081 |
| Obligations under hire purchase contracts | 85,021 | - |
| | <u>1,037,102</u> | <u>952,081</u> |

ELEKTRON COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 January 2011

16. BORROWINGS

| | 2011 £ | 2010 £ |
|---|----------------|---------------|
| Obligations under hire purchase contracts are repayable | | |
| Within one year | 51,013 | 30,492 |
| Within one and two years | 55,277 | - |
| Within two and five years | 29,744 | - |
| | <u>136,034</u> | <u>30,492</u> |

17. PROVISION FOR LIABILITIES

| | Warranty costs £ | Dilapida- tion costs £ | Total £ |
|------------------------------------|------------------------|------------------------------|----------------|
| Balance brought forward | 74,564 | 64,316 | 138,880 |
| Charged to profit and loss account | (8,564) | - | (8,564) |
| Utilisation of provision | (25,000) | - | (25,000) |
| Balance carried forward | <u>41,000</u> | <u>64,316</u> | <u>105,316</u> |

The warranty provision relates to sale of product and cost of any replacement product required under normal terms and conditions of sale

The dilapidations costs relate to redecoration and maintenance costs required to meet the terms of property lease held by the company

18 CALLED UP SHARE CAPITAL

| | 2011 £ | 2010 £ |
|--|----------------|----------------|
| Called up, allotted and fully paid | | |
| 200,000 ordinary class 1 shares of £1 each | <u>200,000</u> | <u>200,000</u> |

19. PROFIT AND LOSS ACCOUNT

| | £ |
|-------------------------------|------------------|
| Balance brought forward | 224,513 |
| Profit for the financial year | <u>2,131,811</u> |
| Balance carried forward | <u>2,356,324</u> |

ELEKTRON COMPONENTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2011

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2011 £ | 2010 £ |
|---------------------------------------|------------------|----------------|
| Profit for the financial year | 2,131,811 | 1,096,162 |
| Opening shareholders' funds (deficit) | 424,513 | (671,649) |
| Closing shareholders' funds | <u>2,556,324</u> | <u>424,513</u> |

21. COMMITMENTS UNDER OPERATING LEASES

At 31 January 2011 the company had annual commitments under non-cancellable operating leases as follows

| | Land and buildings | | Other items | |
|-------------------------------|--------------------|----------------|---------------|---------------|
| | 2011 | 2010 | 2011 | 2010 |
| | £ | £ | £ | £ |
| Operating leases which expire | | | | |
| Within one year | 81,000 | - | 13,000 | - |
| Between two and five years | 262,500 | 331,575 | 77,726 | 63,266 |
| | <u>343,500</u> | <u>331,575</u> | <u>90,726</u> | <u>63,266</u> |

22. CONTINGENT LIABILITIES

The company has given an unlimited multilateral cross guarantee to HSBC Bank plc, in favour of group companies, against any amount that may fall due. The maximum amount of indebtedness at 31 January 2011 was £1,893,000 (2010 - £nil). HSBC maintain a fixed and floating charge over the company debtors.

The company has given a guarantee to HSBC Bank plc dated 30 May 2008 in favour of HM Revenue and Customs for £20,000.

23. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption included in Financial Reporting Standard 8 "Related Party Disclosures" for wholly owned subsidiaries not to disclose transactions with entities that are part of the group qualifying as related parties.

24. ULTIMATE PARENT COMPANY

The directors regard the company's immediate and ultimate parent company and controlling party as Elektron Technology Plc (formerly Elektron Plc) which is registered in England and Wales.

The smallest and largest group in which the results of the company are consolidated for the year ended 31 January 2011 is that headed by Elektron Technology Plc. The consolidated accounts of this company are available to the public and may be obtained from its registered office, Broers Building, 21 JJ Thomson Avenue, Cambridge, CB3 0FA.