

ELEKTRON TECHNOLOGY UK LIMITED

Report and Financial Statements

31 January 2016

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ELEKTRON TECHNOLOGY UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2016

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ELEKTRON TECHNOLOGY UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2016

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G Casillas
K Daley
L A Hamon
J Wilson
A Weatherstone (appointed on 6 July 2016)

SECRETARY

M Reeves

REGISTERED OFFICE

c/o Elektron Technology plc
Broers Building
21, JJ Thomson Avenue
Cambridge
CB3 0FA

BANKERS

HSBC Bank plc
70 Pall Mall
London
SW1Y 5EZ

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge, United Kingdom

ELEKTRON TECHNOLOGY UK LIMITED

STRATEGIC REPORT

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was the design and manufacture of electrical switches and connectors and other electro-mechanical products under the 'Arcoelectric' and "Bulgin" brands respectively, collectively known as 'Connectivity'. These are sold into industrial markets through distribution channels worldwide and directly to Original Equipment Manufacturers (OEMs).

Other activities relate to the Instrumentation, measurement and control segment ('IMC') and include nano positioning equipment under the "Queensgate" brand and the design, manufacture and sale of Ophthalmic products; the distribution of specialist medical equipment under the "Qados" brand and scientific instruments under the "Agar" brand, the design and manufacture of electronic switching and control systems under the "Carnation" brand; electrical measuring instruments under the "Digitron" brand. The principal activities of the IMC segment also include the manufacture and sale of router cutters under the 'Titman' brand and the manufacture and sale of precision instrumentation products under the "Sheen" and "Wallace" brands. On 1 February 2015, the company transferred the trades and assets relating to Sheen and Wallace to a fellow subsidiary undertaking, Elektron Precision Instruments Limited ('EPI'). On 1 October 2015 the Company transferred the trade and assets of 'Checkit' (provider of interactive cloud based work management and remote wireless monitoring services for food safety and hygiene and facilities management) to a fellow subsidiary undertaking, Checkit Limited.

During the year the Company downscaled its Qados brand and subsequent to the year end sold its Agar brand.

BUSINESS REVIEW

Turnover for the year was £43,416,000 (2015: £48,509,000) a decrease of £5,093,000. This was principally due to the transfer of the Sheen and Wallace business to EPI. In addition, declines in sales in Agar, Digitron and Titman were also experienced. However, the Company was able to grow sales in Ophthalmic and Queensgate due to new product launches in recent years. The Group is continuing to invest in these growth brands. Connectivity, the Company's largest segment, showed little growth in sales with continued growth in Bulgin offsetting the decline in Arcoelectric sales.

The fall in revenues were largely offset by margin improvement resulting from the targeting of higher value added sales, the continued improvement in manufacturing efficiency and a drive to reduce costs of key materials. The Company made an operating profit of £624,000 (2015: £953,000) before exceptional income of £87,000 (2015: costs £1,165,000).

Profit for the financial year was £823,000 (2015: loss £364,000).

The Company continues to receive support from its parent undertaking, Elektron Technology plc. Given this and that operational performance has now improved significantly with a return to profitability as noted above, in the opinion of the directors, the company has adequate resources to continue in operational existence for the foreseeable future.

The trading for the year to the date of this report has been satisfactory.

Post year end the Agar business was sold for £2.0m cash proceeds and a further £0.3m contingent deferred consideration giving rise to a profit of £0.8m. In addition the Company transferred the trade and assets of Titman Tip Tools to a fellow group subsidiary undertaking at net value of £645k.

KEY PERFORMANCE INDICATORS

Management produces a wide variety of daily key figures for the Company that enable it to identify performance against budget and the previous year. Key performance indicators are shown below:

	2016	2015
Gross profit margin	27.2%	25.3%
Turnover per employee	£177,934	£194,815
Net operating expenses % of sales (excluding exceptional items)	25.8%	23.3%
Average employee headcount	244	249

ELEKTRON TECHNOLOGY UK LIMITED

STRATEGIC REPORT

KEY PERFORMANCE INDICATORS (continued)

The primary reason for the movement of the key performance indicators above is the benefit of the restructuring work largely completed and further cost reduction and efficiency gains, albeit on a reduced turnover.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the business and the nature of the Company's strategy are subject to a number of risks and uncertainties. The Company's risk management processes are forward-looking in the identification, management and mitigation of the key business risks that could impact the Group's immediate and long-term performance.

The following risks are those that the Company considers could have the most serious adverse effect on its performance.

Risk description	Potential impact	Mitigation
Markets		
Level of sales	The Company's revenues are, and will be, principally from sales of its products. There can be no assurance that current product revenues can be maintained or increased in the future. Product sales may be affected by adverse market conditions or other factors, including pricing pressures from governments or other authorities, competition, the withdrawal of a product because of a regulatory or other reason, or the financial or commercial failure of a marketing partner. Some of the markets for the Company's products are in decline. The Company is highly operationally geared which means that a relatively small reduction in sales can lead to a much larger percentage reduction in profits.	<p>The Company has approaching 4,000 customers (with no one customer amounting to more than 8% of sales) and substantially more end users worldwide. Its portfolio of brands and products to some extent mitigates risk through diversity.</p> <p>The investment in new product development ('NPD') assists in reducing the risk of sales decline by focusing on products that are in one way or another unique within markets that are growing or are expected to grow.</p> <p>The Company's sales force is focused on geographically diverse markets in order to reduce the risk of a downturn in a particular geography.</p>
Reliance on legacy business to fund NPD	Many of the Company's products were developed more than 15 years ago and are sold in low growth, static or declining markets. If the rate of attrition were to accelerate, it would become increasingly difficult to fund NPD to create future growth.	The Company continually focuses on reducing costs and thereby giving customers the best value for money in order to defend itself against competition in difficult markets. It seeks to bring new products to market at the earliest possible time and will not engage in speculative developments. It seeks to obtain best value for money from its development programmes.
Relationship with end users	We sell a significant proportion of our sales through distributors and in many cases do not have direct contact with end users. Distributors may suggest the substitution of competitors' products for our products.	<p>The Company has incorporated a requirement for Point of Sale, ("POS") data into many contracts with distributors. With POS data the Company can monitor the account base being managed through distribution. This enables maintenance of existing customers and identification of new customers.</p> <p>We seek to arrange joint visits with distributors to key customers.</p>

ELEKTRON TECHNOLOGY UK LIMITED

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

International nature of the business	The Company sells globally and manufactures a proportion of its products outside the United Kingdom, which in turn exposes us to the economic and political environments of those locations.	The Company carefully monitors conditions in each country in which it operates and in appropriate cases ensures it is paid in advance. The Board keeps under regular review the potential impact of developments in Tunisia on the Company's operations. As a consequence it keeps its insurance arrangements under regular review and takes out appropriate cover, including political risk insurance.
Price erosion	Elektron experiences competition both from emerging suppliers based in low-cost countries and traditional European suppliers seeking to obtain market share by reducing prices.	The Company manages this risk by continual monitoring of competitive activity and by the continual investment in the design of innovative products for niche applications. It operates a low cost manufacturing facility in Tunisia. It seeks to promote its offerings by focusing on excellent customer service and quality rather than price.
Exit from the European Union	The recent vote for the UK to leave the European Union has created a degree of economic uncertainty. It is still too early to assess the full impact. However the Company has experienced a slow up in demand in the immediate run up to the vote and subsequently. A significant percentage of the Company's inputs and output transactions are denominated in currencies other than sterling and many of the Company's commodity purchases are linked to prices denominated in US Dollars and the impact of the fall in the value of sterling is likely to affect the Group's profitability.	The Company has taken action to increase prices to customers to ensure that the increase in costs is passed onto customers and where possible the Company is matching currency inflows and outflows.
NPD		
Success of NPD	Products developed may not work. They may not be accepted in the market leading to write-offs of capitalised development.	Each NPD project is managed through a stage-gate process during which the project is assessed on a regular basis against the market requirements (which are regularly reviewed). This allows early visibility and fixing of issues consequently limiting exposure.
Control of NPD	Development projects may overrun in time and cost causing losses to the company.	The scope of each project is defined by the project specifications. The project is monitored on a monthly basis against its scope. In addition the stage-gate process continually refines the plan eliminating major uncertainties early on in the project.

ELEKTRON TECHNOLOGY UK LIMITED

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Finance & Operations		
Commodity and currency fluctuations	A significant amount of Elektron's purchases are plastic moulding powders and metal parts. Consequently exposure to movements in commodity prices can affect profitability. A significant percentage of Elektron's input and output transactions are denominated in currencies other than sterling.	<p>We regularly review prices and currencies in order to ensure that an appropriate level of cost is passed on to customers. We do not tie ourselves into long term pricing contracts with customers. We do not tie ourselves into long term currency hedging contracts.</p> <p>Where possible we match currency inflows and outflows.</p> <p>Product design is kept under review to seek to ensure that Elektron's products use no more of such commodities than product offerings of our direct competitors.</p>
Bank facilities and liquidity	The Company is part of a Group banking arrangement. The Group's bank facilities contain performance covenants including minimum headroom, interest cover and debt to borrowing ratio, which, if breached, could lead to a need to renegotiate terms or, in the extreme case, a reduction or withdrawal of the facilities concerned. The Group only has a limited forward order book for its products creating unpredictability in revenues and cash.	<p>The Group maintains regular and transparent dialogue with its primary facility lender to ensure they are aware of developments in the business and reviews the level of facilities required with them based on the Group's forecasts. These forecasts indicate that it will meet the covenant tests under this facility. The sale of Agar has considerably reduced the reliance on the currently available facilities.</p> <p>The Group Board receives weekly and monthly information to enable it to consider the Group's short and medium term performance. If performance is not in line with forecast, the Group has a number of mitigating actions that could be implemented.</p>
IT systems	Elektron is increasingly reliant on its IT systems which, if lost, would mean that the Company would be unable to function.	The Company has engaged and invested in disaster recovery and business continuity plans to reduce the risk of outage and improve recovery from major interruptions. The Company maintains an appropriate level of backup at all times.
Reliance on key individuals and retention of high-quality staff	The Company is increasingly dependent on key persons in commercial or management areas. The profitability and reputation of the business may be adversely impacted if they were to depart without warning. The Company is highly dependent on its technology team in Cambridge to enable it to grow.	<p>The Company seeks to attract and retain well qualified staff by designing appropriate remuneration packages and making Elektron an attractive place to work. Considerable emphasis is placed on teamwork.</p> <p>The Company seeks to identify employees who may be considering leaving with a view to addressing any concerns.</p>
Reliance on key suppliers	Certain of the Company's products are reliant on single sourced items. If those suppliers were unable to supply, the Company would be unable to sell some products.	The Company maintains an open dialogue with suppliers to ensure that an early warning system is in place. Where subcontracted items are single sourced, the Company ensures that appropriate technical files and work instructions are maintained.
Customer reliance on Company products	Many of Elektron's products are essential to the running of its customers' businesses. Were those products to fail, Elektron could be liable for consequential losses.	<p>The Company seeks to protect itself by ensuring that all products meet quality standards.</p> <p>Conditions of sale contain clauses limiting losses to the amount of the sale. Consequential losses are excluded from liability.</p>

ELEKTRON TECHNOLOGY UK LIMITED

STRATEGIC REPORT

FUTURE DEVELOPMENTS

The Company has a diverse portfolio of brands and products. The Company's strategy is to invest in fledgling brands and products within the portfolio that are capable of substantial growth whilst ensuring that the cash flow from the lower growth established brands is maximised by strictly controlling costs and defending existing market positions where possible. The Company is focussed on simplifying its operations and is undertaking a restructuring which will involve a number of its businesses being transferred into separate Group companies. Since the year end the Company has transferred the business and assets of its Agar brand to Agar Scientific Limited for a consideration of £2.8m and the business and assets of Titman Tip Tools for a consideration of £645k to Titman Tip Tools Limited.

On 20 May 2016 the Company disposed of its investment in Agar Scientific Limited for a consideration of £2.3m, of which £0.03m was deferred.

Further transfers are planned for the remainder of this financial year.

On behalf of the Board



K Daley

Director

25 August 2016

c/o Elektron Technology plc
Broers Building
21, JJ Thomson Avenue
Cambridge
CB3 0FA

ELEKTRON TECHNOLOGY UK LIMITED

DIRECTORS' REPORT

The directors present their annual report on the affairs of the Company, together with the financial statements and auditor's report, for the year ended 31 January 2016.

RESULTS AND DIVIDENDS

The profit for the year amounted to £823k (2014 - loss £364k). No dividend has been approved for the current year (2015 - nil per ordinary share).

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.

Development costs that meet the relevant criteria have been capitalised as Intangible assets (note 12) in line with IAS 38 "Intangible Assets".

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 obtained a letter of support from the Group which states that it is willing to provide the necessary support for a period of not less than 12 months from the approval of the financial statements of the Company. The directors have therefore reviewed the Group's forecasts in considering whether the going concern basis of preparation is appropriate for the company as a subsidiary party to the group cross guarantees.

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 for the foreseeable future, being a period of at least 12 months from the date of signing and approving these financial statements. The projections take into account reasonably 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 and therefore the company have 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

The directors who served the company throughout the year and up to the date of this report were as follows:

G Casillas
K Daley
L A Hamon
J Wilson

A Weatherstone was appointed a director on 6 July 2016.

DIRECTORS' INDEMNITIES

The company has granted indemnities to each of its Directors in respect of all losses arising out of or in connection with the execution of their powers, duties and responsibilities as Directors to the extent permitted by the Companies Act 2006 and the Company's Articles of Association. Such qualifying third party indemnity provision remains in force at the date of approving the Directors' report. In addition, Directors and officers of the Company and its subsidiaries are covered by Directors' and officers' liability insurance.

POLITICAL CONTRIBUTIONS

No political contributions were made during the year.

ELEKTRON TECHNOLOGY UK LIMITED

DIRECTORS' REPORT

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

EMPLOYEE CONSULTATION

The company continues to keep its staff informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings; at each site an Employee Forum has been established. During the year the parent company Elektron Technology plc introduced a savings related share option scheme open to all eligible UK employees.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The company's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk. The use of financial derivatives is governed by the company's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The company does not use any derivative financial instruments currently.

Cash flow risk

A significant amount of the company's sales are in US Dollars and Euros. The company is 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. It does not enter into forward foreign exchange contracts and other derivative financial instruments. The longer-term strategy to reduce currency risks is to incur greater proportions of group costs in currencies linked to sales.

Credit risk

The company's principal financial assets are bank balances and cash, trade and other receivables and investments.

The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the company uses a mixture of borrowing facilities and invoice factoring finance.

Further details regarding the liquidity risk can be found in the going concern sections above.

ELEKTRON TECHNOLOGY UK 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 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

A handwritten signature in black ink, appearing to read 'M Reeves', is written over the printed name.

M Reeves

Secretary

25 August 2016

ELEKTRON TECHNOLOGY UK LIMITED

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), including FRS 101 "Reduced Disclosure Framework". 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELEKTRON TECHNOLOGY UK LIMITED

We have audited the financial statements of Elektron Technology UK Limited for the year ended 31 January 2016 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and the related notes 1 to 28. 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), including FRS 101 "Reduced Disclosure Framework".

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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2016 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

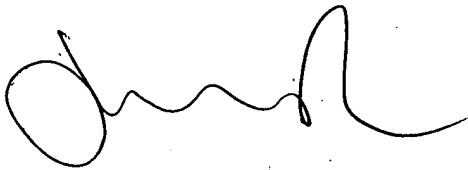
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ELEKTRON TECHNOLOGY UK 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.



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

1 September 2016

ELEKTRON TECHNOLOGY UK LIMITED

PROFIT AND LOSS ACCOUNT Year ended 31 January 2016

	Note	2016 £000's	2015 £000's
TURNOVER	3	43,416	48,509
Cost of sales		(31,603)	(36,239)
Gross profit		11,813	12,270
Administrative expenses:			
Exceptional items	4	87	(1,165)
Other		(7,777)	(7,556)
Total administrative expenses		(7,690)	(8,721)
Distribution costs		(3,412)	(3,761)
OPERATING PROFIT/(LOSS)	4	711	(212)
Interest payable and similar charges	7	(56)	(152)
Interest receivable and similar income	8	250	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		905	(364)
Tax on profit/(loss) on ordinary activities	9	(82)	-
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	22	823	(364)

All activities derive from continuing operations.

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

ELEKTRON TECHNOLOGY UK LIMITED

BALANCE SHEET

31 January 2016

	Note	2016 £000's	2015 £000's
FIXED ASSETS			
Tangible assets	11	1,605	1,770
Intangible assets	12	2,617	3,617
Investments	13	7,421	4,921
		<u>11,643</u>	<u>10,308</u>
CURRENT ASSETS			
Stocks	14	2,809	3,577
Debtors	15	8,629	7,202
Cash at bank and in hand		59	192
		<u>11,497</u>	<u>10,971</u>
CREDITORS: amounts falling due within one year	17	<u>(6,897)</u>	<u>(6,560)</u>
NET CURRENT ASSETS		<u>4,600</u>	<u>4,411</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>16,243</u>	<u>14,719</u>
CREDITORS: amounts falling due after more than one year	18	(18,192)	(17,754)
PROVISION FOR LIABILITIES	20	<u>(611)</u>	<u>(348)</u>
NET LIABILITIES		<u><u>(2,560)</u></u>	<u><u>(3,383)</u></u>
CAPITAL AND RESERVES			
Called up share capital	21	200	200
Profit and loss account	22	(2,760)	(3,583)
SHAREHOLDERS' DEFICIT		<u><u>(2,560)</u></u>	<u><u>(3,383)</u></u>

The financial statements of Elektron Technology UK Limited, registered number 4949934, were approved by the Board of Directors and authorised for issue on 25 August 2016.

Signed on behalf of the Board of Directors



K Daley

Director

ELEKTRON TECHNOLOGY UK LIMITED

STATEMENT OF CHANGES IN EQUITY **Year ended 31 January 2016**

	Share capital £000's	Retained earnings £000's	Total £000's
At 1 February 2014	200	(3,219)	(3,019)
Loss for the year	-	(364)	(364)
	<hr/>	<hr/>	<hr/>
At 31 January 2015	200	(3,583)	(3,383)
Profit for the year	-	823	823
	<hr/>	<hr/>	<hr/>
At 31 January 2016	<u>200</u>	<u>(2,760)</u>	<u>(2,560)</u>

ELEKTRON TECHNOLOGY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2016

1. ACCOUNTING POLICIES

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

The Company has applied Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) issued by the Financial Reporting Council (FRC) incorporating the Amendments to FRS 101 issued by the FRC in July 2015 other than those relating to legal changes and has not applied the amendments to Company law made by The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 that are effective for accounting periods beginning on or after 1 January 2016.

Details of the parent in whose consolidated financial statements the company is included are shown in note 25 of the financial statements.

Adoption of new and revised Standards

Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Company has applied a number of amendments to IFRSs and a new Interpretation issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2015. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

IFRIC 21 <i>Levies</i>	<p>The Company has adopted IFRIC 21 Levies for the first time in the current year. IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.</p> <p>The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Company's financial statements.</p>
Annual Improvements to IFRSs: 2011-2013	<p>The Company has adopted the various amendments to a number of standards. IFRS 3 <i>Business Combinations</i>, IFRS 13 <i>Fair Value Measurement</i> and IAS 40 <i>Investment Property</i>. The majority of the amendments are in the nature of clarifications rather than substantive changes to existing requirements.</p>

Basis of accounting

The financial statements have been prepared on the historical cost basis.

The Company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, in the year ended 31 January 2016 the Company has undergone transition from reporting under IFRSs adopted by the European Union to FRS 101 'Reduced Disclosure Framework'. The financial statements have therefore been prepared in accordance with FRS 101. This transition is not considered to have had a material effect on the financial statements.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

Where relevant, equivalent disclosures have been given in the group accounts of Elektron Technology plc. The group accounts Elektron Technology plc are available to the public and can be obtained as set out in note 26.

The company has also taken advantage of the exemption from the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of the Elektron Technology plc group where those party to the transaction are wholly owned by a member of the group.

ELEKTRON TECHNOLOGY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2016

1. ACCOUNTING POLICIES (continued)

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. These financial statements therefore present information for the company and not its group.

The results of other group companies where the trade and assets have been hived across into the company are included for the periods from or to the date on which the hive across took place.

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 obtained a letter of support from the Group which states that it is willing to provide the necessary support for a period of not less than 12 months from the approval of the financial statements of the Company. The directors have therefore reviewed the Group's forecasts in considering whether the going concern basis of preparation is appropriate for the company as a subsidiary party to the group cross guarantees.

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 for the foreseeable future, being a period of at least 12 months from the date of signing and approving these financial statements. The projections take into account reasonably 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 and therefore the company have 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.

Goodwill

Goodwill arising on consolidation or purchased goodwill, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised. Provision is made for any impairment.

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 the risks and rewards of ownership of the goods have passed to customers. Service revenue is recognised at the point at which the service is provided to the customer. Maintenance and support revenue is recognised proportionally on a straight line basis over the life of the contract.

Tangible fixed assets

Tangible fixed assets are stated at cost, 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
Leasehold improvements	Term of the lease

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 TECHNOLOGY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2016

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 four years. Provision is made for any impairment.

Impairment of tangible and intangible assets excluding goodwill

The carrying amount of the Company's assets is reviewed at each balance sheet date to determine whether there is an indication of impairment. If any indication exists, the assets' recoverable amount is estimated.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount with the impairment loss recognised as an operating expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

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 levels 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.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deduction of all of its liabilities.

ELEKTRON TECHNOLOGY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2016

1. ACCOUNTING POLICIES (continued)

Loans and receivables

Trade debtors, loans, and other debtors that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial liabilities other than those classified as at FVTPL

Financial liabilities other than those classified as at FVTPL, including borrowings, are initially measured at fair value, net of transaction costs.

They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

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 the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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.

ELEKTRON TECHNOLOGY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2016

1. ACCOUNTING POLICIES (continued)

Foreign currencies

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Company operates (its functional currency).

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.

Share-based payments

Where the Company's parent company has granted rights to its equity instruments to employees of the Company, such arrangements are accounted for as equity-settled share-based payment arrangements. In such instances a capital contribution is recognised to the extent that the Company is not recharged by its parent.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest. At each balance sheet date, the Company revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

SAYE share options granted to employees are treated as cancelled when employees cease to contribute to the scheme. This results in accelerated recognition of the expenses that would have arisen over the remainder of the original vesting period.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts in the financial statements. The areas involving a higher degree of judgement or complexity, or areas where assumptions or estimates are significant to the financial statements are:

ELEKTRON TECHNOLOGY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2016

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical accounting judgements:

- the classification of exceptional items (Note 4): in line with the way the Board and the chief operating decision maker reviews the business, non-recurring or special items are separately identifiable. Management has defined and reports such items as restructuring costs, costs associated with acquisitions, amortisation of acquired intangible assets, share-based payments and other non-recurring and non-operating items; and
- the capitalisation of development costs (Note 12); internally generated intangible assets arising from development are recognised if, and only if, all the conditions required by IAS 38 "Intangible Assets" have been demonstrated.

Sources of estimation uncertainty:

- the recoverability of internally generated intangible assets (Note 12); at each balance sheet date, the Company reviews the carrying amounts of its internally generated intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Estimated future cash flows deriving from these assets must be determined and an appropriate discount rate applied to calculate present value;
- the estimated net realisable value of inventory (Note 14); a provision is made to write down slow-moving and obsolete items to net realisable value, based on an assessment of technological and market developments and an analysis of historic and projected usage of quantities on hand; and
- the estimate of the costs of restructuring activities, dilapidations and the estimate of the provision for product rectification (Note 20).

3. TURNOVER AND REVENUE

An analysis of turnover by geographical destination is given below:

	2016 £000's	2015 £000's
United Kingdom	18,096	19,355
Rest of Europe	10,257	11,000
North America	5,277	4,919
Rest of World	9,786	13,235
	<u>43,416</u>	<u>48,509</u>

An analysis of turnover by class of business is given below:

	2016 £000's	2015 £000's
Materials	42,668	47,289
Service	748	1,220
	<u>43,416</u>	<u>48,509</u>

ELEKTRON TECHNOLOGY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2016

4. OPERATING PROFIT/(LOSS)

	2016 £000's	2015 £000's
Operating profit/(loss) is after charging/(crediting):		
Research and development costs	48	335
Depreciation of tangible fixed assets - owned assets	447	554
Depreciation of tangible fixed assets - leased	49	65
Amortisation of intangible fixed assets	1,142	670
Cost of stock recognised as expense	23,722	25,066
Loss on disposal of fixed assets	3	72
Operating lease costs	565	584
	<hr/>	<hr/>
Exceptional items:		
Restructuring income	-	(29)
Goodwill impairment	-	415
Amounts due from fellow subsidiaries written off	-	779
Profit on sale of assets to Elektron Precision Instruments Ltd	(4,077)	-
Provision against loan due from Elektron Precision Instruments Ltd	3,990	-
	<hr/>	<hr/>
	(87)	1,165
	<hr/>	<hr/>
Foreign currency losses	63	38
	<hr/>	<hr/>
The analysis of auditor's remuneration is as follows:		
Net fees payable to the Company's auditor for the audit of the company's annual accounts	105	75
	<hr/>	<hr/>
Total audit fees	105	75
	<hr/>	<hr/>
Total non-audit fees	4	-
	<hr/>	<hr/>
Total fees	109	75
	<hr/>	<hr/>

5. STAFF COSTS

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

	2016 No	2015 No
Production staff	131	149
Administrative staff	113	100
	<hr/>	<hr/>
	244	249
	<hr/>	<hr/>
The aggregate payroll costs of the above were:	£000's	£000's
Wages and salaries	8,142	7,624
Social security costs	811	773
Pension costs	165	217
Redundancy costs	99	56
	<hr/>	<hr/>
	9,217	8,670
	<hr/>	<hr/>

ELEKTRON TECHNOLOGY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2016

6. DIRECTORS' REMUNERATION

The directors' aggregate remuneration in respect of qualifying services were:

	2016	2015
	£000's	£000's
Remuneration receivable	116	101
Value of company pension contributions to money purchase schemes	14	14
	<u>130</u>	<u>115</u>

In addition to the director's emoluments paid directly by the company, the ultimate parent undertaking and other subsidiary undertakings remunerate certain other directors.

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2016	2015
	£000's	£000's
Interest payable on bank borrowings	52	145
Finance charges	4	7
	<u>56</u>	<u>152</u>

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2016	2015
	£000's	£000's
Other	<u>250</u>	<u>-</u>

9. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

Analysis of charge in the year

	2016	2015
	£000's	£000's
Current tax		
UK Corporation tax charge based on the results for the year at 20.1% (2015 - 21.3%)	<u>-</u>	<u>-</u>
Deferred tax		
Deferred tax asset on research and development tax credits expenditure not recognised	<u>82</u>	<u>-</u>
	<u>82</u>	<u>-</u>
Tax charge on profit/(loss) on ordinary activities	<u>82</u>	<u>-</u>

ELEKTRON TECHNOLOGY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2016

9. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES (Continued)

Factors affecting current tax charge

The tax assessed for the year differs from the blended standard rate of corporation tax in the UK of 20.1% (2015 – 21.3%) as follows:

	2016 £000's	2015 £000's
Profit/(loss) on ordinary activities before taxation	905	(364)
Tax on profit/(loss) on ordinary activities at blended standard rate	182	(78)
Factors affecting the charge:		
Goodwill impairment not taxable	(38)	24
Amounts due from subsidiary undertakings written off not taxable	(18)	166
Expenses not deductible for tax purposes	5	27
Capital allowances in deficit/(excess) of depreciation	103	(39)
Other timing differences	35	46
Utilisation and recognition of tax losses not previously recognised	(297)	-
Research and development tax credit	28	-
Deferred tax not recognised on research and development tax credits	82	-
Group relief	-	(146)
Total tax charge	82	-

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted by the balance sheet date being 20% with effect from 1 April 2015, 19% effective from 1 April 2017 and 18% effective from 1 April 2020. The closing deferred tax assets and liabilities have been calculated at 18%, on the basis that this is the rate at which those assets and liabilities are expected to unwind.

A reduction to the UK corporation tax rate was announced in the 2016 Budget to further reduce the tax rate to 17% (to be effective from 1 April 2020). Existing temporary differences on which deferred tax has been provided may therefore unwind in future periods subject to this reduced rate. This rate change is to be included in the Finance Bill 2016 but this has not been substantively enacted at the balance sheet date.

ELEKTRON TECHNOLOGY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2016

10. HIVE DOWN OF BUSINESSES

Elektron Precision Instruments Limited

The trade and assets of the “Sheen” and “Wallace” brands were transferred from Elektron Technology UK Limited to Elektron Precision Instruments Limited on 1 February 2015 for a consideration of £5 million.

The book values of the identifiable assets and liabilities disposed of are as follows:

	Sheen & Wallace businesses £'000
Current assets	
Fixed assets	30
Stocks	789
Debtors	583
	<hr/>
Total assets	1,402
	<hr/>
Creditors	
Trade creditors	(479)
	<hr/>
Total liabilities	(479)
	<hr/>
Net assets	923
	<hr/>
Consideration received	5,000
	<hr/>
Gain on transfer	4,077
	<hr/> <hr/>

ELEKTRON TECHNOLOGY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2016

10. HIVE DOWN OF BUSINESSES (Continued)

Checkit Limited

The trade and assets of the "Checkit" brand was transferred from Elektron Technologies UK Limited to Checkit Limited on 1 October 2015 at book value.

The directors consider that the book values of the assets and liabilities acquired adequately reflect their fair values, and no fair value adjustments have been made. The book values of the identifiable assets and liabilities disposed of are as follows:

	Checkit business £'000
Current assets	
Tangible fixed assets	255
Intangible fixed assets	2,017
Cash	50
Total assets	<u>2,322</u>
Creditors	<u>-</u>
Total liabilities	<u>-</u>
Net assets	2,322
Consideration received	<u>2,322</u>
Gain on transfer	<u>-</u>

ELEKTRON TECHNOLOGY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 January 2016

11. TANGIBLE FIXED ASSETS

	Plant and machinery £000's	Equipment fixtures, fittings and vehicles £000's	Leasehold improve- ments £000's	Total £000's
Cost				
At 1 February 2015	9,543	2,136	739	12,418
Additions	460	126	-	586
Disposals	(356)	(100)	-	(456)
Intercompany transfers	(284)	(46)	-	(330)
Account transfer	-	321	-	321
At 31 January 2016	<u>9,363</u>	<u>2,437</u>	<u>739</u>	<u>12,539</u>
Accumulated depreciation				
At 1 February 2015	8,480	1,875	293	10,648
Charge in the year	297	143	56	496
Eliminated on disposals	(343)	(99)	-	(442)
Intercompany transfers	(3)	(46)	-	(49)
Account transfer	-	281	-	281
At 31 January 2016	<u>8,431</u>	<u>2,154</u>	<u>349</u>	<u>10,934</u>
Net book value				
At 31 January 2016	<u>932</u>	<u>283</u>	<u>390</u>	<u>1,605</u>
At 31 January 2015	<u>1,063</u>	<u>261</u>	<u>446</u>	<u>1,770</u>

Included within the net book value is £138k (2014 - £203k) 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 £49k (2015 - £65k).

ELEKTRON TECHNOLOGY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 January 2016

12. INTANGIBLE FIXED ASSETS

	Goodwill £000's	Develop- ment costs £000's	Software costs £000's	Total £000's
Cost				
At 1 February 2015	1,181	4,626	266	6,073
Additions	-	1,402	3	1,405
Intercompany transfers	-	(2,617)	758	(1,859)
Disposals	-	(4)	-	(4)
At 31 January 2016	1,181	3,407	1,027	5,615
Accumulated amortisation				
At 1 February 2015	1,181	1,071	204	2,456
Amortisation charge	-	1,089	53	1,142
Intercompany transfers	-	(600)	-	(600)
At 31 January 2016	1,181	1,560	1,171	2,998
Net book value				
At 31 January 2016	-	1,847	770	2,617
At 31 January 2015	-	3,555	62	3,617

Development costs have been capitalised in accordance with IAS 38 *Intangible Assets* and are therefore not treated, for dividend purposes, as a realised loss.

13. INVESTMENTS

	Shares in subsidiary undertakings £000's
Cost and net book value	
At 1 February 2015	4,921
Additions	2,500
At 31 January 2016	7,421

In the current year there are additions of £2,500k and this relates to an investment in Checkit Limited during the year.

ELEKTRON TECHNOLOGY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2016

13. INVESTMENTS (continued)

Subsidiary undertakings	Country of incorporation	Shareholding	Proportion held	Nature of business
Checkit Limited	England & Wales	Ordinary Shares	100%	Web-based service for work management and automated monitoring
Wallace Instruments Limited (previously Elektron Precision Instruments Limited)	England & Wales	Ordinary Shares	100%	Design, manufacture and sale of measurement products
Sheen Instruments Limited	England & Wales	Ordinary Shares	100%	Design, manufacture and sale of measurement products
Queensgate Nano Limited	England & Wales	Ordinary Shares	100%	Design, manufacture and sale of Nanopositioning devices
Bulgin plc	England & Wales	Ordinary Shares	100%	Dormant Company
Checkit Technology Limited	England & Wales	Ordinary Shares	100%	Dormant Company
Hartest Precision Instruments Limited	England & Wales	Ordinary Shares	100%	Dormant Company
Agar Scientific Limited	England & Wales	Ordinary Shares	100%	Dormant Company
Elektron Enterprise 1 Limited (previously H Tinsley & Co Limited)	England & Wales	Ordinary Shares	100%	Dormant Company
Titman Tip Tools Limited	England & Wales	Ordinary Shares	100%	Dormant Company

14. STOCKS

	2016 £000's	2015 £000's
Raw materials	1,856	1,630
Work in progress	191	228
Finished goods	762	1,719
	<u>2,809</u>	<u>3,577</u>

The directors consider there is no material difference between the book value of stocks and their recoverable amount. In the ordinary course of business, the Company makes provision for slow-moving, excess and obsolete inventory as appropriate. Inventory is stated after charging impairments of less than £0.1m (2015: less than £0.1m) which are included within operating profit.

ELEKTRON TECHNOLOGY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2016

15. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£000's	£000's
Trade debtors	3,995	5,013
Due from intercompany undertakings	3,745	1,497
Other debtors	532	389
Prepayments and accrued income	357	303
	<u>8,629</u>	<u>7,202</u>

16. DEFERRED TAX

The deferred tax asset consists of:

	2016	2015
	£000's	£000's
Excess of depreciation over taxation allowances	(136)	(225)
Other timing differences	136	73
Taxation losses	-	152
	<u>-</u>	<u>-</u>

Taxation losses amounting to £2,000k have not been recognised as there is currently insufficient evidence that these assets will be recovered.

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£000's	£000's
Bank overdraft and invoice financing advances	1,476	1,008
Trade creditors	3,095	3,841
Obligations under hire purchase contracts (note 19)	41	53
Other taxes and social security	425	239
Other creditors	125	88
Accruals and deferred income	1,735	1,331
	<u>6,897</u>	<u>6,560</u>

Bank overdraft and invoice financing advances of £1,476k (2015 - £1,008k) and bank loans of £353k (2015 - £628k) are secured by fixed and floating charges over certain assets of the company including all present freehold and leasehold property, book and other debts, chattels, goodwill and uncalled capital, all assets and undertakings both present and future.

Included within other creditors are outstanding pension contributions of £63k (2014 - £35k).

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

	2016	2015
	£000's	£000's
Amounts owed to group undertakings	17,582	17,085
Obligations under hire purchase contracts (note 19)	257	41
Bank loans (note 19)	353	628
	<u>18,192</u>	<u>17,754</u>

ELEKTRON TECHNOLOGY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2016

19. BORROWINGS

	2016 £000's	2015 £000's
Obligations under hire purchase contracts are repayable:		
Within one year	41	53
Between one and two years	257	41
	<u>298</u>	<u>94</u>
Bank loans are repayable		
Between two and five years	<u>353</u>	<u>628</u>
Total borrowings are repayable		
Within one year	41	53
Between one and two years	610	669
	<u>651</u>	<u>722</u>

20. PROVISION FOR LIABILITIES

	Restructuring costs £000's	Dilapida- tion costs £000's	Product rectification £000's	Total £000's
Balance brought forward	162	186	-	348
Charged to profit and loss account	-	125	300	425
Utilisation of provision	(162)	-	-	(162)
	<u>-</u>	<u>311</u>	<u>300</u>	<u>611</u>
Balance carried forward	-	311	300	611

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

The restructuring provision relates to the rationalisation of trading activities within Elektron Technology UK Limited, the provision was fully utilised in the prior year.

The product rectification provision relates to costs required to meet potential costs of replacing faulty equipment.

21. CALLED UP SHARE CAPITAL

	2016 £000's	2015 £000's
Called up, allotted and fully paid		
200,000 ordinary class 1 shares of £1 each	<u>200</u>	<u>200</u>

ELEKTRON TECHNOLOGY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 January 2016

22. PROFIT AND LOSS ACCOUNT

	£000's
Balance at 1 February 2014	(3,219)
Loss for the financial year	(364)
	<hr/>
Balance at 1 February 2015	(3,583)
Profit for the financial year	823
	<hr/>
Balance at 31 January 2016	<u>(2,760)</u>

23. COMMITMENTS UNDER OPERATING LEASES

At 31 January 2016 the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	Land and buildings		Other items	
	2016	2015	2016	2015
	£000's	£000's	£000's	£000's
Operating leases which expire:				
Within one year	-	115	56	39
Between two and five years	410	363	111	155
After five years	934	530	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	1,344	1,008	167	194
	<hr/>	<hr/>	<hr/>	<hr/>

24. 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 2016 was £3,112k (2015 - £3,112k). HSBC maintain a fixed and floating charge over the company's assets.

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

25. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption included in FRS 101:8 from the requirements in IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of the Elektron Technology plc where those parties to the transaction are wholly owned by a member of the group.

26. ULTIMATE PARENT COMPANY

The directors regard the company's immediate and ultimate parent company and controlling party as Elektron Technology 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 2016 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.

ELEKTRON TECHNOLOGY UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 January 2016

27. TRANSITION TO FRS 101

The Company meets the definition of a qualifying entity under Financial Reporting Standard (FRS 101) 'Reduced Disclosure Framework' issued by the Financial Reporting Council. Accordingly, in the year ended 31 January 2016 the Company has changed its accounting framework from pre-2015 UK GAAP to FRS 101 and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements have been prepared in accordance with FRS 101.

No material adjustments to the prior year financial statements on adoption of FRS 101 were noted in the current year. An adjustment was made to the fixed asset figure. In the prior year Elektron Technology UK Limited held fixed assets and a portion of these were related to computer software assets. These have been reclassified as intangible assets under FRS 101.

Explanation of transition to FRS 101

This is the first year that the Company has presented its financial statements under FRS 101. The following disclosures are required in the year of transition. The last financial statements under a previous GAAP (pre-2015 UK GAAP) were for the year ended 31 January 2015 and the date of transition to FRS 101 was therefore 1 February 2014.

28. POST BALANCE SHEET EVENTS

Subsequent to the year end the Company completed the disposal of the business and assets of its Agar brand to a newly formed fellow subsidiary, Agar Scientific Limited for a consideration of £2.8m. Agar Scientific Limited was subsequently sold on 20 May 2016 by the Company for £2.3m, of which £0.3m was deferred giving rise to a profit of £0.8m.

On 10 July 2016 the trade and assets of Titman Tip Tools were transferred to Titman Tip Tools Limited for a net asset value of £645k.