Company Registration No. 04949934

ELEKTRON TECHNOLOGY UK LIMITED

Report and Financial Statements

31 January 2018

ELEKTRON TECHNOLOGY UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2018

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ELEKTRON TECHNOLOGY UK LIMITED

REPORT AND FINANCIAL STATEMENTS 2018

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

G Casillas
K Daley
J Wilson
A Weatherstone
L A Hamon (resigned 19/06/2017)

SECRETARY

A Weatherstone

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

KPMG LLP

100 Hills Road
Cambridge
CB2 1AR

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 "Bulgin" brand. These are sold into industrial markets through distribution channels worldwide and directly to Original Equipment Manufacturers (OEMs).

Other activities include the design, manufacture and sale of ophthalmic products under the Elektron Eye Technology brand and nano positioning equipment under the "Queensgate" brand;

On 27 March 2017, the Company sold its Digitron brand.

On 28th July 2017, the Company sold its Titman Tip Tools Limited subsidiary

On 19th October 2017, the Company sold its Sheen Instruments Limited subsidiary

Subsequent to the year end the Company sold its Queensgate brand.

Further details of these disposals are set out in note 27.

BUSINESS REVIEW

Turnover for the year was £32,934k (2017: £30,435k) an increase of £2,9k. This was principally due to an increased demand for Bulgin products.

The increase in revenues were supported 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.

Operating profits for the year were £6,846k (2017: loss £2,231k). In the previous year The Company incurred a number of exceptional charges, amounting to £5,584k, principally relating to non cash write off investments in subsidiary undertakings and provsions against amounts owed by dormant subsidiary undertakings, totalling £4,818k. Additionally the Company incurred restructuring costs of £766k, principally in repsect of the closure of its Torquay site, which will yield additional reductions to the Company's operating cost base.

Operating profit before exceptional items was £6,362k (2017: £3,353k), highlighting the improvement in turnover, margin and cost efficincies generated during the year.

Discontinued operations contributed an overall loss of £613k (2017: profit £499k) after tax. This included profit of £2k arising from disposals (2017:£1,599k). The attributable tax credit was £146k (2017: £275k). See note 27 for further details.

The improved profitability of the Company has resulted in a £319k reduction of the deferred tax asset relating to trading losses and short term timing differences.

The overall profit for the financial year was £5,564k (2017: loss of £1,194k).

The Company continues to receive support from its parent undertaking, Elektron Technology plc. Given this and that operational performance has now improved significantly, 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.

On 27 March 2017, the Digitron business was sold for £279k cash proceeds giving rise to a nil profit.

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:

	2018	2017
Gross profit margin	38.0%	28.9%
Net operating expenses % of sales (excluding exceptional items)	19.6%	20.4%

STRATEGIC REPORT

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 Company'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	Elektron's revenues are, and will continue to 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.	The Company has approximately 3,500 customers (with no one customer amounting to more than 10% of sales) and substantially more end users worldwide. Its portfolio of brands and products to some extent mitigates risk through diversity. The investment in new product development ('NPD') assists in reducing the risk of sales decline by focusing on products that are unique within markets that are growing or are expected to grow. The Company's sales force is focused on geographically diverse markets in order to reduce the risk of a downturn in a particular geography.
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. It seeks to obtain best value for money from its development programmes focused on areas which it considers will deliver sustainable growth in the future. The Company aims to maximise value by making disposals from its legacy portfolio.
Relationship with end users	The Company sells a significant proportion of sales through distributors and in many cases does not have direct contact with end users. Distributors may suggest the substitution of competitors' products for our products.	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. We seek to arrange joint visits with distributors to key customers.

STRATEGIC REPORT

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 recent decision taken by the UK to leave the EU poses a potential risk with reduced availability of EU national resources and barriers to entry through implementation of tariffs.	The Company carefully monitors conditions in each country in which it operates and in appropriate cases ensures it has paid for goods in advance. The Company keeps under regular review the potential impact of developments in Tunisia on the Company's operations. As a consequence it also keeps its insurance arrangements under regular review and takes out appropriate cover. The Board will closely monitor Brexit events.
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.
New Product Development (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.
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.	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, nor do we tie ourselves into long-term currency hedging contracts. Where possible we match currency inflows and outflows. Product design is kept under review to ensure that Elektron's products use no more of such commodities than product offerings of our direct competitors.

STRATEGIC REPORT

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Bank facilities and liquidity	The Company'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 a renegotiation of terms or, in the extreme case, a reduction or withdrawal of the facilities concerned. The Company only has a limited forward order book for its products creating unpredictability in revenues and cash.	The Company maintains regular and transparent dialogue with its Company parent to ensure they are aware of developments in the business and reviews the level of facilities required with them based on the Company'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. The Board regularly receives information to enable it to consider the Company's short and medium-term performance. If performance is not in line with forecast, the Company has a number of mitigating actions that could be implemented.
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.
Exposure to financial fraud from inside and outside the company	The increasing us of IT systems to manage payments increases the risk of significant financial fraud.	The Company continuously monitors its firewalls and security of its network and systems and has user-restricted access and authorisation controls in place.
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.	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. The Company seeks to identify employees who may be considering leaving with a view to addressing any concerns.
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.	The Company seeks to protect itself by ensuring that all products meet quality standards. Conditions of sale contain clauses limiting losses to the amount of the sale. Consequential losses are excluded from liability.

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 has been focused on simplifying it's and completed this process shortly after the year en with the disposal of its Queensgate brand for a consideration of £800,000 on 15 February 2018.

On behalf of the Board

K Daley

Director

2 July 2018
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 2018.

RESULTS AND DIVIDENDS

The profit for the year amounted to £5,564k (*2017: loss of £1,194k*). No dividend has been approved for the current year (*2017: £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 Company") and provides cross guarantees for the bank debt held by the Company and also a guarantee to its bankers. The directors have obtained a letter of support from the Company 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 Company's forecasts in considering whether the going concern basis of preparation is appropriate for the company as a subsidiary party to the Company 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 Company 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 Company. The directors have considered the liabilities of the company and have obtained confirmation from the Company 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 Company 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, except where noted:

G Casillas
K Daley
J Wilson
A Weatherstone
L A Hamon (Resigned 19/06/2017)

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 (*2017: £nil*).

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. The Company 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 Company 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.

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.

KPMG 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 Weatherstone

Secretary

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

2 July 2018

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

Opinion

We have audited the financial statements of Elektron Technology UK Limited ("the company") for the year ended 31 January 2018 which comprise the profit and loss account, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

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

Directors' responsibilities

As explained more fully in their statement set out on page 10, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

Mark Prince (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

KPMG LLP

100 Hills Road

Cambridge

CB2 1AR

Date: 3 July 2018

PROFIT AND LOSS ACCOUNT
year ended 31 January 2018

	Note	2018 £000's	Restated 2017 £000's
TURNOVER	3	32,934	30,435
Cost of sales		(20,408)	(21,630)
GROSS PROFIT		12,526	8,805
Administrative expenses:			
Exceptional items	4	484	(5,584)
Other		(4,968)	(5,067)
Total administrative expenses		(4,484)	(10,651)
Distribution costs		(1,471)	(1,128)
Other operating income		275	743
OPERATING PROFIT/(LOSS)	4	6,846	(2,231)
Interest payable and similar charges	7	(15)	(42)
Interest receivable and similar income	8	-	44
PROFIT/(LOSS) CONTINUING OPERATIONS BEFORE TAXATION		6,831	(2,229)
Tax expense/(credit) on continuing operations	9	(654)	536
PROFIT/(LOSS)FROM CONTINUING OPERATIONS		6,177	(1,693)
Profit/(loss) from discontinued operations	26	(613)	499
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		5,564	(1,194)

As required by accounting standards, the prior year results have been represented in respect of any operations which became discontinued in the course of the current year. Further details are set out on note 27.

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.

The notes on pages 16 to 33 form an integral part of these financial statements.

BALANCE SHEET
as at 31 January 2018

	Note	2018 £000's	2017 £000's
FIXED ASSETS			
Tangible assets	11	528	678
Intangible assets	12	895	1,102
Investments	13	13,054	3,098
Deferred tax asset	14	512	815
		14,989	5,693
CURRENT ASSETS			
Stocks	15	1,971	1,714
Debtors	16	25,244	13,260
Assets held for resale	27	800	279
Cash at bank and in hand		4,372	1,632
		32,387	16,885
CREDITORS: amounts falling due within one year	17	(31,569)	(24,764)
NET CURRENT ASSETS/ LIABILITIES		818	(7,879)
TOTAL ASSETS LESS CURRENT LIABILITIES		15,807	(2,186)
CREDITORS: amounts falling due after more than one year	18	-	(83)
PROVISION FOR LIABILITIES	20	(496)	(1,484)
NET ASSETS/(LIABILITIES)		15,311	(3,753)
CAPITAL AND RESERVES			
Called up share capital	21	10,200	200
Capital redemption reserve		3,500	-
Profit and loss account		1,611	(3,953)
SHAREHOLDERS' FUNDS/(DEFICIT)		15,311	(3,753)

The financial statements of Elektron Technology UK Limited, registered number 4949934, were approved by the Board of Directors and authorised for issue on 2 July 2018.

The notes on pages 16 to 33 form an integral part of these financial statements

Signed on behalf of the Board of Directors

K Daley

Director

ELEKTRON TECHNOLOGY UK LIMITED

STATEMENT OF CHANGES IN EQUITY
Year ended 31 January 2018

	Share capital £000's	Capital redemption reserve £000's	Retained earnings £000's	Total £000's
At 1 February 2016	200	-	(2,760)	(2,560)
Loss for the year	-	-	(1,193)	(1,193)
At 31 January 2017	200	-	(3,953)	(3,753)
Profit for the year	-	-	5,564	5,564
Share issue	10,000	3,500	-	13,500
At 31 January 2018	10,200	3,500	1,611	15,311

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 January 2018

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and proceeding 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 Companys (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 26 of the financial statements.

Recent accounting developments

a) New standards, interpretations and amendments effective from 1 February 2017

There were no new standards or interpretations effective for the first time for periods beginning on or after 1 February 2017. None of the amendments to standards that are effective from that date had a significant effect on the Company's financial statements.

b) New standards, interpretations and amendments not yet effective

The following new IASB standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, may have a material impact on these financial statements:

IFRS 15 Revenue from Contracts with Customers, effective for periods commencing on or after 1 January 2018.

The Directors have begun to assess the potential effects of this standard on the business and, in particular, if it will have any impact on the way revenue is recognised. The directors do not believe it will have a material effect of the accounts

IFRS 15 provides a single, principles-based five-step model to be applied to all contracts with customers: – Identify the contract with the customer – Identify the performance obligations in the contract, introducing the new concept of 'distinct' – Determining the transaction price – Allocating the transaction price to the performance obligations in the contracts, on a relative stand-alone selling price basis. – Recognise revenue when (or as) the entity satisfies its performance obligation IFRS 15 also introduces new guidance on, amongst other areas, combining contracts, discounts, variable consideration, contract modifications and requires that certain costs incurred in obtaining and fulfilling customer contracts be deferred on the balance sheet and amortised over the period an entity expects to benefit from the customer relationship.

When IFRS 15 is adopted, it can be applied either on a fully retrospective basis, requiring the restatement of the comparative periods presented in the financial statements, or with the cumulative impact of IFRS 15 applied as an adjustment to equity on the date of adoption; when the latter approach is applied, it is necessary to disclose the impact of IFRS 15 on each line item in the financial statements in the reporting period. The Company has not yet determined which method will be adopted.

Currently, revenue from sales of products by Bulgin and EET are recognised on delivery to customers. Following an initial assessment there is unlikely to be a material impact on the recognition of revenue of applying the new IFRS15 definitions.

Currently the Company expenses all commissions to the profit and loss account as they are incurred. Under IFRS 15, the Company will be required to capitalise sales commissions under certain conditions. In this case, the amortised commissions will be matched over the period the relevant contract services are provided. We do not expect this to result in a material adjustment to profits.
In conclusion based on the initial findings of its review process the Company does not expect any material changes from the implementation of IFRS15

IFRS 9 Financial Instruments, effective for periods commencing on or after 1 January 2018.

The impact of this standard is being considered by the Directors and any impact, especially around the value of debtors, is yet to be fully investigated.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 January 2018

1. ACCOUNTING POLICIES (continued)

IFRS 16 Leases, effective for periods commencing on or after 1 January 2019.

The Directors are assessing the impact of this standard and the possible impact of any leases being capitalised on the balance sheet. A full review is yet to take place. Due to the pace of growth of the business this will be more appropriately reviewed during 2018.

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 2018 the Company's financial statements have been prepared in accordance with FRS 101 'Reduced Disclosure Framework'.

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 Company accounts of Elektron Technology plc. The Company 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 Company where those party to the transaction are wholly owned by a member of the Company.

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 Company.

The results of other Company 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 Company") and provides cross guarantees for the bank debt held by the Company and also a guarantee to its bankers. The directors have obtained a letter of support from the Company 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 Company's forecasts in considering whether the going concern basis of preparation is appropriate for the company as a subsidiary party to the Company 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 Company 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 Company. The directors have considered the liabilities of the company and have obtained confirmation from the Company 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 Company 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 represents 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.

1. ACCOUNTING POLICIES (continued)

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.

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 Company 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

1. ACCOUNTING POLICIES (continued)

Leasing and hire purchase commitments (continued)

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.

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

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

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.

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.

Exceptional items

Exceptional items are disclosed separately to improve visibility of the underlying business performance.
Management has defined such items as restructuring and site closure costs and other non-recurring and non-operating items.

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:

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:

	2018 £000's	2017 £000's
United Kingdom	11,794	10,837
Rest of Europe	7,460	5,839
North America	5,363	5,366
Rest of World	8,317	8,393
	32,934	30,435

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

	2018 £000's	2017 £000's
Materials	32,673	30,266
Service	261	169
	32,934	30,435

4. OPERATING PROFIT/(LOSS)

	2018 £000's	2017 £000's
Operating profit/(loss) is after charging/(crediting):		
Research and development costs	1,567	1,460
Depreciation of tangible fixed assets - owned assets	247	334
Depreciation of tangible fixed assets - leased	-	21
Amortisation of intangible fixed assets	581	1,734
Loss on disposal of fixed assets	-	(32)
Operating lease costs	77	405
Exceptional charges:		
Restructuring (provision release) /costs	(109)	766
Other income	(23)	-
Profit on disposal of subsidiary undertakings	(352)	-
Provision against investments	-	4,323
Amounts due from fellow subsidiaries written off	-	495
	(484)	5,584
Foreign currency losses/(profit)	281	(148)

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	55	45
Total audit fees	55	45
Total non-audit fees	29	47
Total fees	55	62

5. STAFF COSTS

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

	2018 No.	2017 No.
Production staff	87	87
Administrative staff	113	113
	200	200

	2018 £000's	2017 £000's
The aggregate payroll costs of the above were:		
Wages and salaries	3,651	3,951
Social security costs	390	474
Pension costs	102	123
Redundancy costs	86	12
	4,229	4,560

6. DIRECTORS' REMUNERATION

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

	2018 £000's	2017 £000's
Remuneration receivable	47	139
Value of company pension contributions to money purchase schemes	4	15
	51	154

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

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2018 £000's	2017 £000's
Interest payable on bank borrowings	3	32
Finance charges	12	10
	15	42

8. INTEREST RECEIVABLE AND SIMILAR INCOME

	2018 £000's	2017 £000's
Other	-	44

9. TAX ON (LOSS)/PROFIT ON CONTINUING OPERATIONS

Analysis of charge in the year

	2018 £000's	2017 £000's
Current tax		
UK Corporation tax charge based on the results for the year at 19.17 % (2017 - 20%)	295	274
Prior year adjustment	40	-
	335	274
Deferred tax		
Origination and reversal of timing differences	303	(814)
Deferred tax asset on research and development tax credits expenditure not recognised	16	4
	319	(810)
Tax charge/(credit) on profit/(loss) on ordinary activities	654	(536)

Factors affecting current tax charge

The tax assessed for the period differs from the blended standard rate of corporation tax in the UK of 19.2% following a reduction of the rate to 19% on 1 April 2017 (2017: 20%) as follows:

	2018 £000's	2017 £000's
Profit/(loss) on ordinary activities before taxation	6,831	(2,229)
Tax on profit/(loss) on ordinary activities at a blended rate of 19.2% (2017: 20%)	1,310	(446)
Factors affecting the charge:		
Profits not taxable	(182)	(148)
Amounts due from subsidiary undertakings written off not taxable	-	99
Amounts written off investments not taxable	-	864
Expenses not deductible for tax purposes	11	11
Utilisation of tax losses not previously recognised	-	(500)
Research and development tax credit	8	4
Deferred tax on research and development credit written off	16	4
Deferred tax on timing differences and losses	-	(439)
Prior year adjustment – corp tax	40	-
Prior year adjustment – deferred tax	128	-
Company relief	(665)	(88)
Change in rates	(12)	103
Total tax charge/(credit)	654	(536)

9. TAX ON (LOSS)/PROFIT ON CONTINUING OPERATIONS (Continued)

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 December 2017 has been calculated based on these rates.

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 2017	7,067	2,176	35	9,278
Additions	51	3	175	229
Disposals	-	-	-	-
Reclassified for assets held for sale	(227)	-	-	(227)
At 31 January 2018	6,891	2,179	210	9,280
Accumulated depreciation				
At 1 February 2017	6,532	2,033	35	8,600
Charge in the year	172	58	17	247
Eliminated on disposals	-	-	-	-
Reclassified for assets held for sale	(95)	-	-	(95)
At 31 January 2018	6,609	2,091	52	8,752
Net book value				
At 31 January 2018	282	88	158	528
At 31 January 2017	535	143	-	678

Included within the net book value is £nil *(2017: £19k)* 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 £21k (*2016: £49k*).

12. INTANGIBLE FIXED ASSETS

	Goodwill £000's	Development costs £000's	Software costs £000's	Intellectual property £000's	Total £000's
Cost					
At 1 February 2017	1,181	3,577	881	-	5,639
Additions	-	384	-	420	804
Intercompany transfers	-	(1,769)	-	-	(1,769)
Disposals	-	(6)	-	-	(6)
At 31 January 2018	1,181	2,186	881	420	4,668
Accumulated amortisation					
At 1 February 2017	1,181	2,834	522	-	4,537
Amortisation charge	-	184	359	38	581
Intercompany transfers	-	(1,345)	-	-	(1,345)
Disposals					
At 31 January 2018	1,181	1,673	881	38	3,773
Net book value					
At 31 January 2018	-	513	-	382	895
At 31 January 2017	-	743	359	-	1,102

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 2017	3,098
Additions in the year	10,500
Diposals in the year	(544)
At 31 January 2018	13,054

In the current year there were additions of £10,500k relating to an investment in Checkit Limited and disposals of £544k, relating to the remaining investment in Titman Tip Tools.

13. INVESTMENTS (continued)

Subsidiary undertakings	Registered address	Shareholding	Proportion held	Nature of business
Checkit Limited	Broers Building, JJ Thomson Avenue, Cambridge, UK.	Ordinary Shares	100%	Web-based service for work management and automated monitoring
Queensgate Nano Limited	Broers Building, JJ Thomson Avenue, Cambridge, UK.	Ordinary Shares	100%	Design, manufacture and sale of Nanopositioning devices
Bulgin plc	Broers Building, JJ Thomson Avenue, Cambridge, UK.	Ordinary Shares	100%	Dormant Company
Checkit Technology Limited	Broers Building, JJ Thomson Avenue, Cambridge, UK.	Ordinary Shares	100%	Dormant Company
Hartest Precision Instruments Limited	Broers Building, JJ Thomson Avenue, Cambridge, UK.	Ordinary Shares	100%	Dormant Company
Elektron Enterprise 1 Limited (previously H Tinsley & Co Limited)	Broers Building, JJ Thomson Avenue, Cambridge, UK.	Ordinary Shares	100%	Dormant Company

Subsequent to the year end the company sold Queensgate Nano Limited.

14. DEFERRED TAX

The deferred tax asset consists of:

	2018 £000's	2017 £000's
Excess of depreciation over taxation allowances	483	510
Other timing differences	29	230
Taxation losses	-	75
	512	815

15. STOCKS

	2018 £000's	2017 £000's
Raw materials	627	1,195
Work in progress	78	-
Finished goods	1,266	519
	1,971	1,714

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 (*2016: less than £0.1m*) which are included within operating profit.

16. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £000's	2017 £000's
Trade debtors	2,252	3,585
Due from intercompany undertakings	22,398	8,804
Other debtors	46	140
Prepayments and accrued income	548	731
	25,244	13,260

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £000's	2017 £000's
Bank overdraft and invoice financing advances	-	1,408
Trade creditors	2,796	2,314
Amounts owed to Company undertakings	26,746	18,400
Obligations under hire purchase contracts (note 19)	5	6
Other taxes and social security	319	1,279
Other creditors	238	42
Accruals and deferred income	1,465	1,315
	31,569	24,764

Bank overdraft and invoice financing advances of £nil (*2017: £1,408k*) 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 £27k (*2017: £21k*).

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

	2018 £000's	2017 £000's
Obligations under hire purchase contracts (note 19)	-	83
	-	83

19. BORROWINGS

	2018 £000's	2017 £000's
Obligations under hire purchase contracts are repayable:		
Within one year	5	6
Between one and two years	-	83
	5	89
Total borrowings are repayable		
Within one year	5	6
Between one and two years	-	83
	5	89

20. PROVISION FOR LIABILITIES

	Restructuring costs £000's	Dilapida-tion costs £000's	Product rectification £000's	Total £000's
Balance brought forward	687	497	300	1,484
Charged to profit and loss account	(687)	(201)	(100)	(988)
Balance carried forward	-	296	200	496

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, principally the planned closure of its Torquay site.

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

21. CALLED UP SHARE CAPITAL

	2018 £000's	2017 £000's
Called up, allotted and fully paid		
10,200,000 ordinary class 1 shares of £1 each	10,200	200

22. COMMITMENTS UNDER OPERATING LEASES

At 31 January 2018 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	
	2018 £000's	2017 £000's	2018 £000's	2017 £000's
Operating leases which expire:				
Within one year	40	130	27	37
Between two and five years	1,251	-	53	74
After five years	397	793	-	-
	1,688	923	80	111

23. CONTINGENT LIABILITIES

The company has given an unlimited multilateral cross guarantee to HSBC Bank plc, in favour of Company companies, against any amount that may fall due. The maximum amount of indebtedness at 31 January 2018 was £nil *(2017: £1,500k)*. 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.

24. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption included in FRS 101 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 Company.

25. 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 Company in which the results of the company are consolidated for the year ended 31 January 2017 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.

26. DISCONTINUED OPERATIONS

Discontinued items in the current year comprise the Queengate Nano brand (sold 15th February 2018), the Elektron Medical brand (closed at the end of the financial year) and the Digitron brand sold on 27 March 2017. Details are set out below:

Brands - 2018

	Queensgate	Elektron Medical	Digitron	Total
	£000s	£000s	£000s	£000s
Revenue	765	372	299	**1,436**
Expenses	(1,661)	(230)	(305)	**(2,196)**
(Loss)/profit before Tax	**(896)**	**142**	**(6)**	**(760)**
Gain on disposal	-	-	1	**1**
Attributable tax credit / (charge)	172	(27)	1	**146**
Gain/(Loss) from discontinued operations attributable to equity shareholders	**(724)**	**115**	**(4)**	**(613)**

Brands - 2017

	Queensgate	Elektron Medical	Agar	Carnation	Digitron	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Revenue	701	534	-	831	1,420	**3,486**
Expenses	(2,157)	(455)	-	(886)	(1,362)	**(4,860)**
(Loss)/profit before Tax	**(1,456)**	**79**	-	**(55)**	**58**	**(1,374)**
Gain on disposal	-	-	1,581	18	-	**1,599**
Attributable tax credit / (charge)	291	(16)	-	11	(12)	**274**
Gain/(Loss) from discontinued operations attributable to equity shareholders	**(1,165)**	**63**	**1,581**	**(26)**	46	**499**

Digitron

Details of the disposal of Digitron are set out below:

	£000's
Inventories	279
Total consideration	279

Satisfied by:	
Cash and cash equivalents	279
Total consideration	279

Agar

The company sold the trade and assets to a wholly owned subsidiary undertaking, Agar Scientific Limited ('Agar') on 1 February 2017. On 20 May 2017 the Company sold 100% of its interests in Agar for £2.4m, of which £0.4m was deferred. £1.9m was settled by way of repayment of the intercompany loan owed by Agar to the Company

Details of which are as follows:

Hive down to Agar Scientific Limited

	£000's
Fixed Assets	452
Inventories	273
Trade and other debtors	341
Trade and other payables	(350)
Net gain on disposal to fellow subsidiary undertaking-Agar Scientific Limited	2,084
Total consideration	2,800

Satisfied by:	
Intercompany loan	2,800
Total consideration	2,800

Disposal of 100% share interest in Agar Scientific Limited

Sale of investment	£000s
Expenses of sale	91
Intercompany loan forgiveness	912
Net loss on disposal to fellow subsidiary undertaking- Agar Scientific Limited	(503)
Total consideration	500
Satisfied by:	
Cash (net of repayment of intercompany loan)	100
Deferred consideration	400
Total consideration	500

The resulting net gain from the sale of Agar recognised amounted to £1,581,000.

Disposal of Carnation

Details of the disposal of Carnation are set out below:

	£000's
Inventories	182
Fixed Assets	10
Other	19
Net gain on disposal	18
Total consideration	229
Satisfied by:	
Cash and cash equivalents	229
Total consideration	229

27. POST BALANCE SHEET EVENTS

Subsequent to the year end the Company completed the disposal of the business and certain assets of its Queensgate brand for proceeds of £0.8m at nil profit. These assets were reclassified as assets held for resale at 31 January 2018 and amounted to £0.8m.