



OUR BUSINESS

Elektron Technology is a global business that designs, manufactures and markets products that connect, monitor and control.

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HIGHLIGHTS**Performance***

- » Revenue: £17.9m (-8 per cent) (H1 FY16: £19.5m)
- » Underlying operating profit from businesses excluding Checkit: £1.1m (+22 per cent) (H1 FY16: £0.9m)
- » Planned Checkit start-up losses: £1.8m (H1 FY16: £0.8m)
- » Operating loss (including Checkit): £0.8m (H1 FY16: £0.1m)**
- » Loss attributable to equity shareholders: £0.1m (H1 FY16 profit: £0.3m)
- » Sale of Agar Scientific for £2.0m cash plus £0.4m in deferred consideration
- » Net cash: £0.5m (net debt 31 July 2015: £2.1m; net debt 31 January 2016: £1.6m)
- » New product release of Checkit automated monitoring system launched successfully shortly after period end
- » New product release of Checkit SME edition due in October 2017
- » Five brands designated a priority for future investment: Bulgin, Checkit, Elektron Eye Technology, Queensgate and Sheen

* Figures for continuing operations, except where otherwise stated.

** Before non-recurring and special items.

CHAIRMAN'S AND CHIEF EXECUTIVE'S STATEMENT

The improved performance has enabled the Group to continue to channel funds into new developments, using operating cash flow to fund the design of products for future growth.

Overview

The Board reports that its strategy of maximising cash flow from established businesses to invest in fledgling businesses operating in growing markets remains on track. The results for the first six months demonstrate the Group's further progress in delivering a 22 per cent improvement in underlying operating profit from the Group's businesses (excluding Checkit) despite a reduction in revenue of around 8 per cent. In the first six months of the year we invested £0.9m in new product development (H1 FY16 £1.0m).

As previously announced, the reduction in sales over the prior year predominately relates to lower Bulgin (formerly Connectivity and incorporating Arcoelectric) sales. This was due to a number of atypical stocking orders from distributors last year following the successful implementation of the final stage of the distributor consolidation strategy. The corollary of this has been a gross margin improvement. We have also experienced some softening in demand in the run up to and in the aftermath of the Brexit vote in June. In the period Bulgin began to accept stocking orders for its 4000 series of micro-connectors from major distributors and these have been in line with management's expectations.



Instrumentation, Measurement and Control (IMC) reduced its operating loss by £0.5m on flat turnover through an improved mix of sales principally led by higher sales of ophthalmic products in Elektron Eye Technology (EET) (formerly Elektron Ophthalmic) and Queensgate brands, operational efficiencies, cost controls and overhead improvements. As mentioned in our Annual Report, Queensgate is another fledgling business in which we are investing and accounted for the bulk of the losses in IMC.

The improved performance of the established businesses has enabled the Group to continue to channel operating cash flow to fund the design of products for future growth. As planned, Checkit made an operating loss of £1.8m (H1 FY16: £0.8m) in the first half as greater amounts of technical costs were expensed and sales and marketing efforts were ramped up to establish its next phase of growth. Two new products for launch in the second half are the next generation Checkit Automated Monitoring system and the Checkit Solo Work Management system for SMEs. Initial pilot installations are promising.

Future Investment

Five businesses have been prioritised for investment, namely: Bulgin (connectors and switches), Checkit (Internet of Things), Elektron Eye Technology (eye testing instruments), Queensgate (nanopositioning) and Sheen (materials testing instruments). These businesses have all developed new product development roadmaps with future launches planned during the current and next financial years.

The remaining four businesses, namely Carnation Designs, Digitron, Titman and Wallace, have been identified as non-core to the Group's future growth strategy and the Board is in discussions, which are at various stages, with potential buyers of each of the four. In particular, discussions regarding Carnation Designs and Digitron are at advanced stages. Further announcements will be made as required in due course.

The Agar Scientific business, which had been identified by the Board as non-core, was successfully divested in May 2016 for £2.0m cash plus £0.4m of deferred consideration.

Cash and dividends

For the first time in many years the Group has returned to a net cash position with balance at the half year of £0.5m (H1 FY16 net debt: £2.1m) as a result of the Agar Scientific disposal. Cash generated from operations fell by £1.0m to £1.0m, due principally to the increase in Checkit losses and the absence of any cash contribution from the discontinued operations.

The Board does not propose an interim dividend (H1 FY16: £Nil), conserving cash for the significant investment opportunities that we face.

Outlook

As previously announced, the Group experienced a drop in orders both immediately before and after the Brexit vote, particularly in the EMEA region, which accounts for around two-thirds of Group turnover. As a response to the effect on input prices as a result of the drop in Sterling, Elektron took action to increase the vast majority of Sterling-based output prices. In addition the Group is implementing further cost-saving initiatives.

The first two weeks of September have seen a reversal in performance, with orders ahead of the same period last year. However, given the Group has limited visibility, with an order book of between five to seven weeks' duration, the Board remains cautious due to the current high level of uncertainty and the fact that cumulatively order intake is around 95 per cent of the same period last year on a like-for-like basis.

Keith Daley
Chairman

22 September 2016

John Wilson
Chief Executive

“ The results for the first six months demonstrate the Group’s further progress in delivering a 22 per cent improvement in underlying operating profit from the Group’s businesses.”



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

unaudited interim results to 31 July 2016

	Unaudited Half year to 31 July 2016 £m	Unaudited Half year to 31 July 2015 £m	Audited Year to 31 January 2016 £m
Revenue (see Note 2)	17.9	19.5	38.3
Cost of sales	(11.5)	(12.7)	(24.3)
Gross profit	6.4	6.8	14.0
Operating expenses			
Net operating expenses (excluding non-recurring or special items)	(7.1)	(6.7)	(13.4)
Operating (loss)/profit before non-recurring or special items (see Note 2)	(0.7)	0.1	0.6
Non-recurring or special items (see Note 3)	(0.1)	(0.2)	(0.3)
Total operating expenses	(7.2)	(6.9)	(13.7)
Operating (loss)/profit (see Note 2)	(0.8)	(0.1)	0.3
Finance costs	—	(0.1)	(0.1)
(Loss)/profit before taxation	(0.8)	(0.2)	0.2
Taxation (see Note 4)	—	—	(0.2)
Loss from continuing operations	(0.8)	(0.2)	—
Profit from discontinued operations (see Note 5)	0.7	0.5	0.6
(Loss)/profit for the period attributable to equity shareholders	(0.1)	0.3	0.6
Other comprehensive expense			
Currency translation differences on foreign currency net investments	—	(0.3)	—
Total other comprehensive expense	—	(0.3)	—
Total comprehensive(expense)/income for the period attributable to equity shareholders	(0.1)	—	0.6
(Loss)/earnings per share from continuing operations (see Note 6)			
– Basic and diluted EPS	(0.5p)	(0.1p)	—
– Adjusted and diluted adjusted EPS	(0.4p)	—	0.2p
Earnings per share from continuing and discontinued operations (see Note 6)			
– Basic and diluted EPS	0.1p	0.2p	0.4p
– Adjusted and diluted adjusted EPS	0.1p	0.3p	0.5p

The accompanying notes form an integral part of this consolidated interim financial information.

CONSOLIDATED BALANCE SHEET

unaudited at 31 July 2016

	Unaudited 31 July 2016 £m	Unaudited 31 July 2015 £m	Audited 31 January 2016 £m
Assets			
Non-current assets			
Capitalised R&D	4.6	4.2	4.3
Other intangible assets	0.7	2.0	1.8
Property, plant and equipment	2.1	2.7	2.7
Total non-current assets	7.4	8.9	8.8
Current assets			
Inventories	5.5	5.1	5.7
Trade and other receivables	5.5	6.6	6.9
Cash and cash equivalents	1.0	0.5	0.6
Total current assets	12.0	12.2	13.2
Total assets	19.4	21.1	22.0
Current liabilities			
Trade and other payables	6.6	7.0	7.2
Borrowings	0.5	1.2	1.9
Current portion of long-term borrowings	—	1.2	0.3
Provisions	—	0.1	0.5
Current tax payable	0.2	0.1	0.2
Total current liabilities	7.3	9.6	10.1
Non-current liabilities			
Long-term borrowings	—	0.2	—
Long-term provisions	0.5	0.3	0.3
Total non-current liabilities	0.5	0.5	0.3
Total liabilities	7.8	10.1	10.4
Net assets	11.6	11.0	11.6
Equity attributable to equity holders of the parent			
Called-up share capital	9.2	9.3	9.3
Share premium	5.4	5.4	5.4
Merger reserve	1.1	1.1	1.1
Capital redemption reserve	0.2	0.2	0.2
Own shares	(2.5)	(3.5)	(3.5)
Other reserves	0.8	0.8	0.8
Translation reserve	(0.8)	(1.1)	(0.8)
Retained earnings	(1.8)	(1.2)	(0.9)
Total equity	11.6	11.0	11.6

The accompanying notes form an integral part of this consolidated interim financial information.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

unaudited interim results to 31 July 2016

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Own shares £m	Other reserves £m	Translation reserve £m	Retained earnings £m	Total £m
At 1 February 2015	9.3	5.4	1.1	0.2	(3.5)	0.7	(0.8)	(1.5)	10.9
Profit for the period	—	—	—	—	—	—	—	0.3	0.3
Currency translation differences on foreign currency net investments	—	—	—	—	—	—	(0.3)	—	(0.3)
Total comprehensive (expense)/income for the period	—	—	—	—	—	—	(0.3)	0.3	—
Credit in respect of share-based payments	—	—	—	—	—	0.1	—	—	0.1
At 31 July 2015	9.3	5.4	1.1	0.2	(3.5)	0.8	(1.1)	(1.2)	11.0
Profit for the period	—	—	—	—	—	—	—	0.3	0.3
Currency translation differences on foreign currency net investments	—	—	—	—	—	—	0.3	—	0.3
Total comprehensive income for the period	—	—	—	—	—	—	0.3	0.3	0.6
Credit in respect of share-based payments	—	—	—	—	—	—	—	—	—
At 1 February 2016	9.3	5.4	1.1	0.2	(3.5)	0.8	(0.8)	(0.9)	11.6
Profit for the period	—	—	—	—	—	—	—	(0.1)	(0.1)
Currency translation differences on foreign currency net investments	—	—	—	—	—	—	—	—	—
Total comprehensive (expense)/income for the period	—	—	—	—	—	—	—	(0.1)	(0.1)
Sale/release of own shares	(0.1)	—	—	—	1.0	—	—	(0.8)	0.1
Credit in respect of share-based payments	—	—	—	—	—	—	—	—	—
At 31 July 2016	9.2	5.4	1.1	0.2	(2.5)	0.8	(0.8)	(1.8)	11.6

The own shares are held by the Elektron Technology 2012 Employee Benefit Trust.

The accompanying notes form an integral part of this consolidated interim financial information.

CONSOLIDATED STATEMENT OF CASH FLOWS

unaudited interim results to 31 July 2016

	Unaudited Half year to 31 July 2016 £m	Unaudited Half year to 31 July 2015 £m	Audited Year to 31 January 2016 £m
Net cash flows from operating activities			
(Loss)/profit before taxation			
– From continuing operations	(0.8)	(0.2)	0.2
– From discontinued operations	0.7	0.5	0.6
Adjustments for:			
Depreciation charge	0.3	0.4	0.7
Non-recurring or other special items			
– Continuing (including £0.1m of amortisation of intangibles (H1 FY16: £0.1m; FY16: £0.1m))	0.1	0.2	0.3
Amortisation of capitalised R&D and other intangibles	0.7	0.5	1.8
Gain on disposal of discontinued operations	(0.7)	—	—
Loss on disposal of fixed assets	—	0.1	—
Interest payable	—	0.1	0.1
Operating cash flows before working capital changes and non-recurring or special items	0.3	1.6	3.7
Decrease in trade and other receivables	1.3	0.2	0.2
(Increase)/decrease in inventories	(0.1)	0.3	(0.3)
(Decrease)/increase in trade payables	(0.2)	0.2	0.4
Payments for non-recurring and other special items	(0.3)	(0.1)	(0.1)
Other non-cash movements	—	(0.1)	—
Cash generated by operations	1.0	2.1	3.9
Interest paid	—	(0.1)	(0.1)
Net cash generated from operating activities	1.0	2.0	3.8
Investing activities			
Purchase of property, plant and equipment	(0.1)	(0.4)	(0.8)
Proceeds from the sale of property, plant and equipment	—	—	0.2
Capitalisation of R&D costs	(0.9)	(1.0)	(2.1)
Disposal of business	2.0	—	—
Net cash generated from/(used in) investing activities	1.0	(1.4)	(2.7)
Cash flows from financing activities			
Decrease in bank loans	(1.4)	(0.7)	(0.9)
Payment of hire purchase and finance liabilities	(0.3)	—	(0.2)
Proceeds from sale of own shares	0.1	—	—
Expenses on share issue	—	—	—
Net cash used in financing activities	(1.6)	(0.7)	(1.1)
Net increase/(decrease) in cash and cash equivalents	0.4	(0.1)	—
Cash and cash equivalents at the beginning of period	0.6	0.6	0.6
Cash and cash equivalents at the end of the period	1.0	0.5	0.6

The accompanying notes form an integral part of this consolidated interim financial information.

NOTES TO THE UNAUDITED INTERIM RESULTS to 31 July 2016

1. Accounting policies

The interim financial information has been prepared on the basis of International Financial Reporting Standards (IFRS) as adopted by the European Union. Full details of accounting policies are included in the Annual Report for the year ended 31 January 2016. Fixed annual charges are apportioned to the interim period on the basis of time elapsed. Other expenses are accrued in accordance with the same principles used in the preparation of the annual accounts.

The Group has not applied IAS 34 “Interim Financial Reporting”, which is not mandatory for UK groups, in the preparation of these interim financial statements.

2. Segmental reporting – continuing operations

Revenues

Geographic	Half year to 31 July 2016 £m	Half year to 31 July 2015 £m	Year to 31 January 2016 £m
United Kingdom	7.1	7.4	14.3
Rest of Europe, Middle East and Africa	5.0	6.1	11.9
Asia Pacific and China	1.9	2.1	4.0
Americas	3.9	3.9	8.1
Total	17.9	19.5	38.3

Product segment	Half year to 31 July 2016 £m	Half year to 31 July 2015 £m	Year to 31 January 2016 £m
Connectivity	11.7	13.3	25.8
Instrumentation, Monitoring and Control	6.1	6.1	12.3
Total Connectivity and IMC	17.8	19.4	38.1
Checkit	0.1	0.1	0.2
Total	17.9	19.5	38.3

Operating (loss)/profit before non-recurring or special items

Product segment	Half year to 31 July 2016 £m	Half year to 31 July 2015 £m	Year to 31 January 2016 £m
Connectivity	1.7	2.0	3.8
Instrumentation, Monitoring and Control	(0.6)	(1.1)	(1.0)
Total Connectivity and IMC	1.1	0.9	2.8
Checkit	(1.8)	(0.8)	(2.2)
Total	(0.7)	0.1	0.6

Operating (loss)/profit

Product segment	Half year to 31 July 2016 £m	Half year to 31 July 2015 £m	Year to 31 January 2016 £m
Connectivity	1.6	1.9	3.6
Instrumentation, Monitoring and Control	(0.6)	(1.2)	(1.1)
Total Connectivity and IMC	1.0	0.7	2.5
Checkit	(1.8)	(0.8)	(2.2)
Total	(0.8)	(0.1)	0.3

3. Non-recurring or special items

Non-recurring or special items are disclosed separately to improve visibility of the underlying business performance.

Management has defined such items as restructuring and site closure costs, acquisition costs, amortisation of acquired intangible assets, share-based payments and other non-recurring items incurred outside the normal course of business.

	Half year to 31 July 2016 £m	Half year to 31 July 2015 £m	Year to 31 January 2016 £m
Non-cash items			
– IFRS 2 charge	—	0.1	0.1
– Amortisation of acquired intangible assets	0.1	0.1	0.2
Total	0.1	0.2	0.3

4. Taxation

The tax credit/(charge) on (loss)/profit from continuing operations before taxation has been estimated at £Nil (July 2015: £Nil; January 2016: £0.2m).

5. Discontinued operations

Discontinued operations in the prior full and half-year results comprise the Agar brand sold on 20 May 2016 and Qados, which was discontinued at the end of the 2016 financial year. Discontinued operations in the current year comprise the Agar brand sold on 20 May 2016.

The results of the Qados discontinued operation, which have been included in the consolidated statement of comprehensive income, were as follows:

	Half year to 31 July 2016 £m	Half year to 31 July 2015 £m	Year to 31 January 2016 £m
Revenue	—	0.8	1.6
Expenses	—	(0.6)	(1.3)
Profit before tax	—	0.2	0.3
Attributable tax expense	—	—	—
Net profit from discontinued operations attributable to equity shareholders	—	0.2	0.3

During the year, Qados contributed £Nil (H1 FY16: £0.2m) to the Group's net operating cash flows, paid less than £0.1m (H1 FY16: less than £0.1m) in respect of investing and paid less than £0.1m (H1 FY16: less than £0.1m) in respect of financing activities.

NOTES TO THE UNAUDITED INTERIM RESULTS *CONTINUED***to 31 July 2016****5. Discontinued operations** *continued*

The results of the Agar discontinued operation, which have been included in the consolidated statement of comprehensive income, were as follows:

	Half year to 31 July 2016 £m	Half year to 31 July 2015 £m	Year to 31 January 2016 £m
Revenue	1.1	1.7	3.4
Expenses	(1.1)	(1.4)	(3.1)
Profit before tax	—	0.3	0.3
Attributable tax expense	—	—	—
Gain on disposal of discontinued operations	0.7	—	—
Attributable tax expense	—	—	—
Gain from discontinued operations attributable to equity shareholders	0.7	0.3	0.3

During the year, Agar contributed £Nil (H1 FY16: £0.3m) to the Group's net operating cash flows, paid less than £0.1m (H1 FY16: less than £0.1m) in respect of investing and paid less than £0.1m (H1 FY16: less than £0.1m) in respect of financing activities.

Expenses of discontinued operations in the year to 31 January 2016 included £Nil classified as non-recurring or special items (H1 FY16 and FY16: £Nil).

Details of the disposal of Agar are set out below:

	£m
Property, plant and equipment	0.4
Inventories	0.3
Trade and other receivables	0.5
Trade and other payables	(0.3)
Assets sold	0.9
Related intangible written off	0.8
Net gain on disposal	0.7
Total consideration	2.4
Satisfied by:	
Cash and cash equivalents	2.0
Deferred consideration	0.4
Total consideration	2.4

6. (Loss)/earnings per share

The calculation of the basic, adjusted and diluted earnings per share is based on the following data:

(Loss)/earnings

	31 July 2016 £m	31 July 2015 £m	31 January 2016 £m
(Loss)/earnings from continuing operations			
Loss for the purposes of the basic (loss)/earnings per share, being net profit attributable to the owners of the Company	(0.8)	(0.2)	—
Adjustment in respect of non-recurring or special items net of taxation of £Nil (July 2015: £Nil; January 2016: £Nil)	0.1	0.2	0.3
(Loss)/earnings for the purposes of adjusted earnings per share	(0.7)	—	0.3

6. (Loss)/earnings per share *continued***(Loss)/earnings** *continued*

	31 July 2016	31 July 2015	31 January 2016
	£m	£m	£m
Earnings from continuing and discontinued operations			
Earnings for the purposes of the basic earnings per share, being net profit attributable to the owners of the Company	0.1	0.3	0.6
Adjustment in respect of non-recurring or special items net of taxation of £Nil (July 2015: £Nil; January 2016: £Nil)	0.1	0.2	0.3
Earnings for the purposes of adjusted earnings per share	0.2	0.5	0.9

Number of shares

	31 July 2016	31 July 2015	31 January 2016
Weighted average number of ordinary shares for the purposes of basic earnings per share	171,025,201	167,604,133	171,025,201
Effect of dilutive potential ordinary shares: share options	—	—	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	171,025,201	167,604,133	171,025,201

(Loss)/earnings per share

	31 July 2016	31 July 2015	31 January 2016
From continuing operations			
Basic and diluted EPS	(0.5p)	(0.1p)	—
Adjusted and diluted adjusted EPS	(0.4p)	—	0.2p
From continuing and discontinued operations			
Basic and diluted EPS	0.1p	0.2p	0.4p
Adjusted and diluted adjusted EPS	0.1p	0.3p	0.5p

7. Cautionary statement

This interim financial information has been prepared only for the shareholders of Elektron as a whole and its sole purpose and use is to assist shareholders to exercise their governance rights. Elektron and its Directors and employees are not responsible for any other purpose or use or to any other person in relation to this report.

The report contains indications of likely future developments and other forward-looking statements that are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the countries, sectors and business segments in which the Group operates. Key risks and their mitigation have not changed materially in the period from those disclosed on pages 16 to 18 of the annual financial statements for the year ended 31 January 2016.

These and other factors could adversely affect the Group's results, strategy and prospects. Forward-looking statements involve risks, uncertainties and assumptions. They relate to events and/or depend on circumstances in the future which could cause actual results and outcomes to differ materially from those currently anticipated. No obligation is assumed to update any forward-looking statements, whether as a result of new information, future events or otherwise.

8. Other information

The financial information in this statement does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The financial information in respect of the year ended 31 January 2016 has been extracted from the statutory accounts, which have been filed with the Registrar of Companies. The Auditor's Report on those accounts was unqualified and did not contain a statement under Sections 498(2) or 498(3) of the Companies Act 2006.

Copies of the interim results are available to download from the Group's website, www.elektron-technology.com.

DIRECTORS, MANAGEMENT AND ADVISERS

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Chairman

John Wilson

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Andy Weatherstone

Chief Financial Officer

Peter Welch

Independent Non-executive Director

Giovanni Ciuccio

Independent Non-executive Director

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