Elektron Technology plc
Annual Report and Accounts 2016

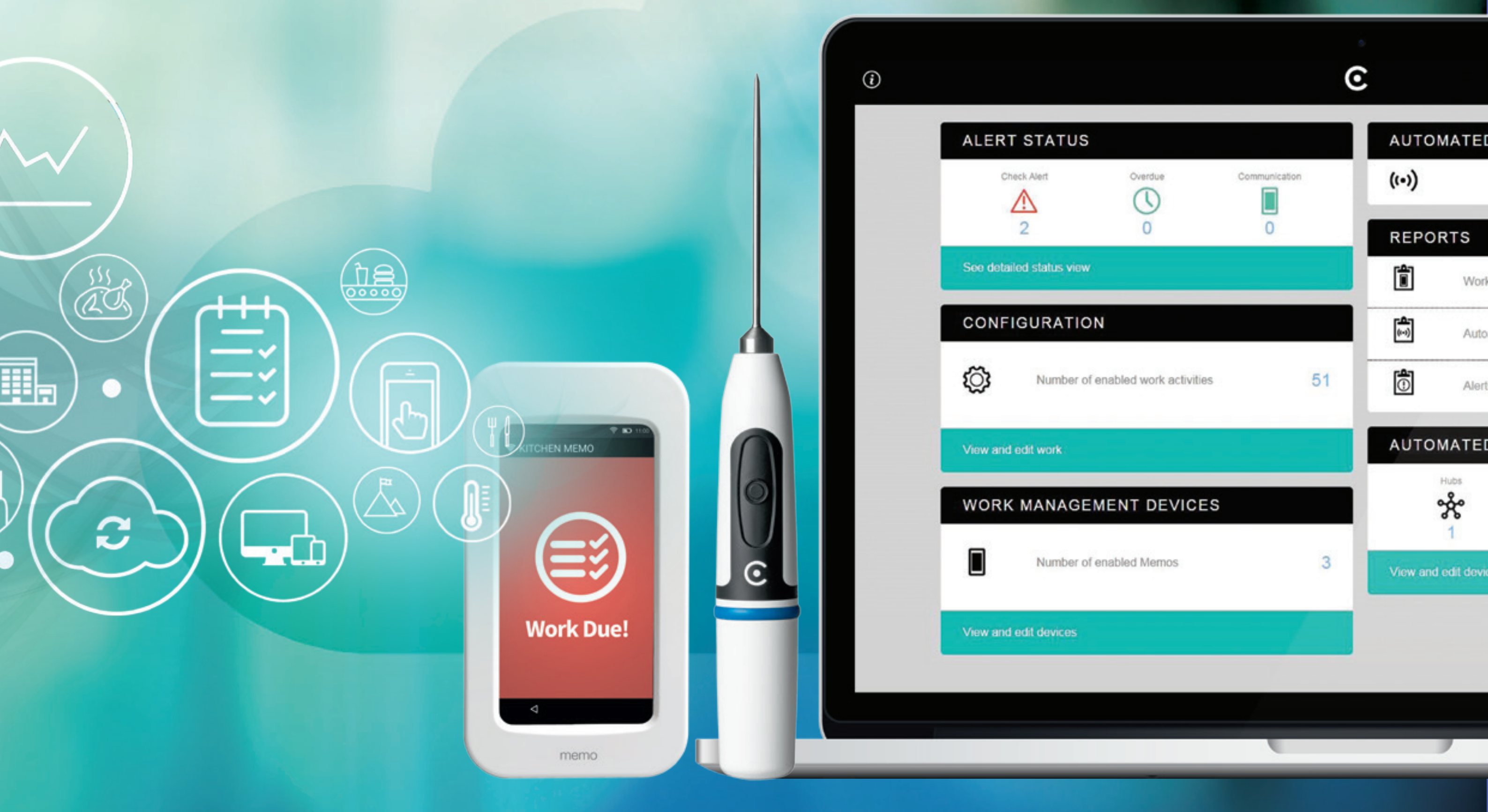
Elektron Technology is a global technology group that designs, manufactures and markets products which are vital to a connected world.

We create and develop products for the networked, always-on world.

NEW PRODUCT LAUNCH

The Checkit product launch represents an investment in development to date of £2.8m. Checkit is transforming how businesses manage people and compliance across the food service, healthcare and facilities management industries – enabling them to enforce consistent work practices and automate countless manual checks.

12 Read more **on page 12**



OUR BUSINESS

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

Find out more online at www.elektron-technology.com

HIGHLIGHTS

- Group operating profits are up 80% to £0.9m (2015: £0.5m) on reduced revenues of £43.3m (2015: £44.4m)
- Profit before tax: £0.8m (2015: £0.2m)
- Underlying operating profits from Connectivity and Instrumentation, Monitoring and Control (IMC) up 42% to £3.4m (2015: £2.4m)[1]
- Checkit start-up losses increased to £2.2m (2015: £0.7m)
- Net debt reduced by £1.1m to £1.6m (2015: £2.7m)
- The Group successfully balanced its investment in new product development (particularly Checkit) with the incoming cash flow from its established businesses as targeted
- A further £1.5m of capitalised development costs invested in Checkit in the year
- Checkit launched its work management system in October 2015
- Agar business sold after the year end for £2.0m cash proceeds and a further £0.3m deferred amount

1 Before non-recurring or special items, further details in Note 1.

CONTENTS

AT A GLANCE

We create and develop products that monitor, control and connect. Products that are used in thousands of ways that affect our everyday lives.

INSTRUMENTATION, MONITORING AND CONTROL

In our always-on world, networked measurement, monitoring and control are crucial. All over the world, Elektron Technology products are helping our customers to quantify real-world environments, process this data and act on the results.

GROUP SALES

'16	40%
'15	41.5%

SALES

£17.3m

'16	£17.3m
'15	£18.4m

UNDERLYING OPERATING LOSS

£(0.4)m

'16	£(0.4)m
'15	£(0.5)m

Key products

- Ophthalmic instruments
- Nanopositioning and sensing equipment
- Vehicle power management systems
- Manufacture and distribution of scientific equipment and consumables
- Router cutter design and manufacture

CONNECTIVITY

Ensuring a constant supply of data and power in today's fast moving world, through the design of high quality and flexible connectivity and switching solutions for even the most demanding of applications.

GROUP SALES

'16	59.5%
'15	58%

SALES

£25.8m

'16	£25.8m
'15	£25.8m

UNDERLYING OPERATING PROFIT

£3.8m

'16	£3.8m
'15	£2.9m

Key products

- Sealed connectors for the most demanding environments
- Switches, indicators, battery and fuseholders

CHECKIT

Checkit is a start-up business which offers a smart, wireless solution providing work management software and automated monitoring. It saves time and reduces risk and costs. It is used by facilities management, healthcare and food industries to enforce consistent work practices and automate countless manual checks.

GROUP SALES

’16	0.5%
’15	0.5%

SALES

£0.2m

’16	£0.2m
’15	£0.2m

UNDERLYING OPERATING LOSS

£(2.2)m

’16	£(2.2)m
’15	£(0.7)m

Key products

» Cloud-based work management software based on interactive checklists

» Smart wireless sensors for continuous automated monitoring

KEY FIGURES

Over 4,000 customers

Approximately 100,000 end users

Network spanning over 125 countries

Business is increasingly globalised and moving faster every day. That’s why we’ve built an organisation focused on delivering innovation.

1. AMERICAS
Revenue contribution:

£8.2m

19% of Group revenue

2. UK
Revenue contribution:

£18.9m

44% of Group revenue

3. ASIA
Revenue contribution:

£4.3m

10% of Group revenue

4. EMEA EX-UK
Revenue contribution:

£11.9m

27% of Group revenue

19 Read more in our financial review **on pages 19 to 21**

CHAIRMAN'S STATEMENT
with Keith Daley

Investing for the future

HIGHLIGHTS

- Further improvement to overall Group performance
- Checkit work management system launched
- £2.0m raised from business disposals subsequent to the year end, leaving the Group in a net cash position

10 Read more about our strategy **on pages 10 to 13**

22 Read more about our governance **on pages 22 to 34**

Overview

The performance of the Group continues to show a marked improvement, demonstrating the successful implementation of the Group's strategy, which is to prioritise investment in businesses that are capable of achieving significant growth over the medium term whilst ensuring that the cash flow from lower-growth established businesses is maximised. Historically the Group has struggled to show growth from its established businesses which operate in mature markets. Detailed commentary on our financial performance is contained in the financial review set out on pages 19 to 21.

Our stated objective last year and in the current year was to invest substantially all our cash flow into developing and marketing promising new products, particularly Checkit.

We conceive, design and market innovative engineered products and services for businesses that connect, monitor and control. We have a multi-skilled team of engineers and software and product line specialists based in Cambridge focused on the opportunities created by global trends in the following areas:

- new waves of "aware" business applications: Checkit;
- demand for ubiquitous power and data: Bulgin;
- ophthalmic instrumentation targeted at conditions caused by ageing: Elektron Technology Ophthalmic; and
- growth in high precision manufacturing: Queensgate.

In addition, Elektron owns a portfolio of seven brands that are being managed for cash flow. Several of these operate in static or declining markets necessitating close attention to costs and total value contribution to the Group.

Subsequent to year end we successfully completed the disposal of Agar for initial proceeds of £2.0m and potential deferred proceeds of £0.3m. Further details are contained in the announcement made to the AIM market of the London Stock Exchange on 23 May 2016.

The disposal recognises the value of this business to the Group; however, it will initially be earnings dilutive, although we will seek to reduce this dilution through strict cost management. The disposal simplifies the Group structure and will allow management to concentrate on the remaining higher margin businesses and those capable of substantial growth.

Also, subsequent to year end we learned that the appeal in the High Court against the judgement in our favour in relation to the Bridge derivative action has been dismissed. This case has been an enormous distraction and has diverted much management time that could have been devoted to the Group.

People

The Group continued to hire experienced professionals, particularly for its growth businesses, during the year. At the same time it has been necessary to reduce staffing levels at those businesses that are not growing. Elektron values its people and recognises the need to look after them, especially at those times when the Group's plans have meant disruption for some. The commitment of Elektron's people throughout the world, in what remains a challenging environment internally and externally, has once again been remarkable and deserves recognition.

Outlook

The Group is currently performing in line with the Board's expectations at lower sales levels than the comparable period for last year, which saw a number of atypical stocking orders from distributors in Connectivity as a result of the implementation of the final stage of the distributor consolidation strategy. As a result, the Board anticipates that the trading performance in the first half for the businesses, excluding Checkit, will be at a lower level to last year, notwithstanding an improved sales mix of higher margin product sales and further efficiency gains. As planned, the Group is increasing its investment in Checkit, with added spend in sales and marketing to promote the work management system and preparatory marketing of the automated monitoring system which is due for launch in the second half of the year, together with further investment in production and other support areas.

Keith Daley
Chairman
8 June 2016

"The Group has prioritised investment in businesses that are capable of achieving significant growth over the medium term."

CHIEF EXECUTIVE OFFICER'S STATEMENT
with John Wilson

Maximising returns whilst fostering growth

HIGHLIGHTS

- 31% improvement in underlying Connectivity profits
- Investment in growth areas increased
- IMC losses narrowed and brand portfolio rationalised subsequent to year end

10 Read more about our business model **on pages 10 and 11**

14 Read more about our KPIs **on page 14**

"In October 2015 we successfully launched the Checkit work management system and we are currently developing major opportunities with a number of blue-chip organisations."

Business strategy and performance

This report outlines the strategies being followed in each of the Group's business segments. Detailed commentary on our financial performance is contained in the financial review set out on pages 19 to 21.

Summaries of the strategies for individual brands are set out below.

We categorise markets according to growth characteristics. We do not detail this categorisation by brand and product for commercial reasons.

Sales in markets categorised as:	**2016 £m**	2015 £m	% change
High growth	**3.2**	2.3	39%
Static/lower growth	**29.2**	29.3	—
Declining	**10.9**	12.8	(15)%
Total	**43.3**	44.4	(2)%

Connectivity sales: £25.8m (2015: £25.8m), underlying operating profit: £3.8m (2015: £2.9m), gross capitalised development costs to date: £1.1m (2015: £1.0m)

Connectivity comprises two complementary product families: Bulgin and Arcolectric.

Arcolectric manufactures switches and indicator lights for white goods and light industry markets and operates in a highly commoditised, cost sensitive product environment with significant low cost competitor activity. Our strategy in this segment is to foster key original equipment manufacturer relationships with a view to increasing our average selling price through offering value added solutions. Operating in a declining market, with limited ability to differentiate standard products, continues to result in eroding revenues in all three geographical regions (APAC, EMEA and the Americas), although this is beginning to show signs of plateauing.

Conversely, Bulgin, a manufacturer of niche, ruggedised products used in harsh environments where a high level of ingress protection (IP) is required, operates in a low growth, more cost-insensitive market. Market launches of substantial newly developed products, combined with iterative product development and bespoke solutions, continued Bulgin's sustained year-on-year growth, mostly offsetting the revenue declines experienced by Arcolectric. During the year Bulgin expanded its Buccaneer® range of environmentally sealed power and data connectors with the introduction of the new Buccaneer 4000 Series. Building on the success of the Buccaneer 6000 and 7000 Series of quick-locking connectors, the 4000 Series provides the same twist-lock coupling and "fit and forget" connectivity in a more compact format, making it easier for product engineers to integrate into their system designs.

Four years ago we implemented a strategy to increase Bulgin revenues through closer working relationships with an optimised, global distribution network. Over the period, we reduced the number of distributors by almost 75% (274 down to 75). As well as attracting increased mindshare from our channel partners, due to increasing sales levels, this has enabled a reduction in overhead as a result of a significantly reduced number of transactions and we have worked hard to drive efficiency through our manufacturing operation. A decision to implement a planned build of inventory of our most popular products has helped improve both production efficiency and service levels to our partners.

The net result for Connectivity is a further increase in operating profit before non-recurring or special items of over 31%, compared with the prior year, on static combined sales.

Substantially all Bulgin sales are now through our global, regional and national channel partners. During the financial year, despite high levels of destocking in the distribution channel due to economic conditions, Bulgin sales grew in both EMEA and the Americas, the latter now accounting for over 24% of Bulgin sales.

IMC sales: £17.3m (2015: £18.4m), underlying operating loss: £0.4m (2015: £0.5m), gross capitalised development costs to date: £2.6m (2015: £2.3m)

The IMC segment contains a number of small businesses that are managed as a portfolio. These include established brands in low growth or declining markets and businesses with high growth potential. Although in aggregate the segment returned an operating loss, there was a wide divergence between individual businesses with most of the losses being made by Queensgate, which is investing heavily in new products, but turnover grew by 61% over the prior year.

During the year the portfolio consisted of the following:

» Agar (distribution of microscopy consumables): flat sales and sold since the year end.

» Agar Medical, formerly Qados (distribution of medical consumables): much of this business has been discontinued in view of its poor profitability. The remainder has been absorbed by other IMC businesses following the sale of Agar.

» Carnation (power management for specialised vehicles): limited investment in a new generation of product. Steady turnover.

» Digitron (temperature and pressure related instrumentation): slightly declining sales.

» Elektron Technology Ophthalmic (screening products for the two leading causes of irreversible blindness): investment in sales channels to lay the foundations for a further substantial increase in sales.

» Queensgate (nanopositioning systems): substantial investment in new products; substantial growth from a low base.

» Sheen (instrumentation for the paint and allied industries): investment in value engineering, improving process and compliance systems; slight decline in sales.

» Titman (router cutter manufacturer): investment in plant and machinery; slight decline in sales.

» Wallace (instrumentation for rubber industry): investment in improving process and compliance systems; substantial decline in sales caused by industry conditions.

Checkit sales: £0.2m (2015: £0.2m), underlying operating loss: £2.2m (2015: £0.7m), gross capitalised development costs to date: £2.8m (2015: £1.3m)

Our investment in Checkit is aimed at building substantial recurring revenues over time by delivering a range of products that remove the inefficiencies and limitations represented by manual, paper-based processes in businesses. Our focus is on industries such as food, healthcare and facilities management where activities performed by large numbers of front-line staff are still frequently recorded using pen and paper. Checkit introduces smart automation and easy-to-use apps to these businesses. The results are reduced costs, improved service levels and reduced business risk.

Checkit represents a new breed of business application that uses cloud computing and Internet of Things technologies to provide a cost effective, easy-to-use and affordable solution as a service that is leading the development of this new market.

In October 2015 we launched Checkit Work Management – a replacement for checklists based on smart handheld devices. We have delayed the release of the second key part of the product – automated monitoring – to allow us to spend the first half of 2016 finalising its design and testing. This technology will provide a wireless sensor network to automate the collection and tracking of key operational data such as temperature.

Checkit is now live with 78 customers, and is developing major opportunities with a number of blue-chip organisations in the following applications:

» food service and retail, to manage health and hygiene checks, quality and operational efficiency;

» facilities management, to manage services delivery and SLA (service level agreement) reporting; and

» health, to manage delivery of “hotel services” to patients.

Food hygiene is a key application for Checkit, with over 500,000 premises in the UK alone inspected for food safety. It is also increasingly important to customers – our recent research[1] shows that the impact of being implicated in a food hygiene incident is catastrophic for the survival of any restaurant business, with 75% of consumers saying they would refuse to return under the current ownership. To support the development of our proposition in this area we have created a pioneering Primary Authority Partnership with Cambridge City Council, providing legally enforceable support for the use of Checkit that is applicable across the UK.

John Wilson
Chief Executive Officer
8 June 2016

1 Checkit research carried out online with 1,000 UK consumers by Toluna in H1 2016.

MARKETS

Exciting prospects in growing markets

CONNECTIVITY – AGRICULTURE

The industry/background
Technology improvements in farming are being driven by a need for increased production to meet the growing demand. Innovation in the mobile/IT and energy spaces has the potential to make a huge impact on the running of a farm. For example, smart power systems, precision agriculture tools, farm management software and affordable sensors are all within reach of even the smallest farmers today.

There is potential in radio frequency technologies (RFID, NFC and Bluetooth), the Internet of Things, and the big data that comes along with it, as well as in clean technology advances from ambient energy, waste-to-energy and renewable sources.

Current investment has seen the agtech sector exceed £3 billion of investment for 2015, compared to £1.6 billion for all of 2014.

The challenge
Our customer has developed a system which allows growers to remotely control all irrigation sets from a soil, weather and map-based perspective. The system software integrates with typical hardware infrastructures including mobile applications. The system is field installable by the farmer and was required to be robust, easy to install and reliable in harsh environments.

Our solution
The customer developed proprietary software to monitor and control all aspects of irrigation within their system. The in-field sensory network required our quick connect 400 Series connectors with embedded EEPROM chip technology incorporated into overmould wire harnessing. The various "standardised" lengths of electronically identifiable cable assemblies would become standard parts for farmers to build and setup their own system.

Bulgin's 400 Series power connectors provide IP68-rated protection against harsh environments. It is the smallest connector in the Buccaneer family with cable diameter ranges from 3 to 7mm. Its secure sealing system is ideal for submersion in water or protection against dust.

The result
Our customer is leading the way with this technology, with the complete system presented this year at the World Ag Expo on 9–11 February 2016 in California, USA.

OPHTHALMIC – AGE RELATED MACULAR DEGENERATION

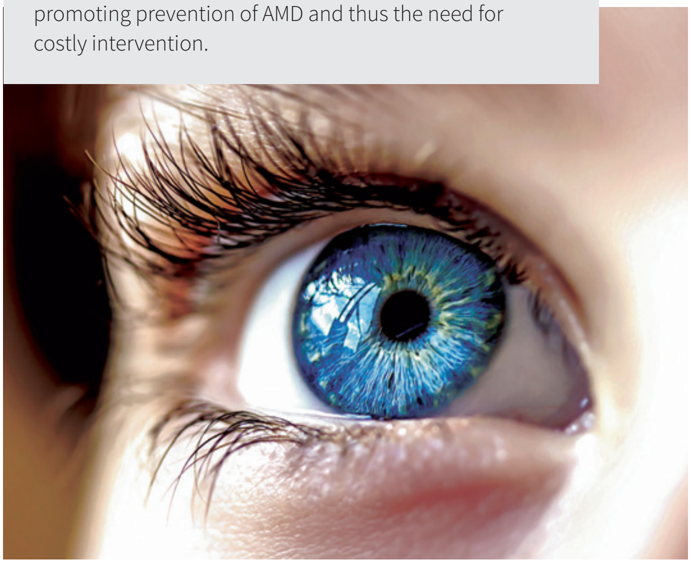
The industry/background

The ageing population and a variety of other factors, including diet and lifestyle, mean that the number of people suffering from age related macular degeneration (AMD) in the next few years is predicted to increase. Although many risk factors need to be considered when ascertaining a person's likelihood to develop AMD, there is considerable evidence that low macular pigment (MP) is one of the main risk factors for having the disease. For this reason, screening for low macular pigment is one of the best ways to identify patients at risk of age related macular degeneration.

There is now a c.£300m market (10–15% CAGR) for supplements, of which the main ones are lutein and zeaxanthin based, and these are consumed to delay the progression of AMD by increasing macular pigment density as there is also emerging evidence that increasing MP can slow the development of AMD.

The solution

Elektron has worked with a Korean customer, who supplies supplements, to obtain registration for its MPS II, macular pigment screener, in Korea. The MPS II will be used by the customer to monitor the efficacy of the customer's supplements in increasing MPOD (macular pigment optical density) values. The customer will market the MPS and its supplements through pharmacies, health specialty stores and eye clinics, increasing awareness of eye health and promoting prevention of AMD and thus the need for costly intervention.



QUEENSGATE – HARD DISK DRIVE STORAGE (HDD)

The industry/background

Whilst unit sales of hard discs have been in decline, demand for HDD storage has increased. Average HDD capacity was around 1TB in Q3 2014, but it jumped to roughly 1.3–1.4TB per drive in Q4 2015. The combination of increased capacity and pressure to reduce manufacturing cost by increasing throughput is a technical challenge which requires dynamic nanoscale positioning.

The solution

Queensgate instruments has provided nanopositioning stages to test over half the world's hard discs for over 15 years. In 2014 we started work with our customer on a next-generation controller. The goal was to replace the existing system and provide an upgrade route for the existing install base of stages (>1000 systems) and a platform for the next generation of testers.

The next generation of testers requires positioning systems which can move and settle to atomic levels in just a few milliseconds. The first step was to produce a low noise controller and provide the live interface to our customers' control system. Working closely with our customers we have improved the performance not only of its specific version of controller but for our full range of positioning controllers. 2015 saw the first substantial order for our new controller, 48 systems for installation in its factory in the Far East.

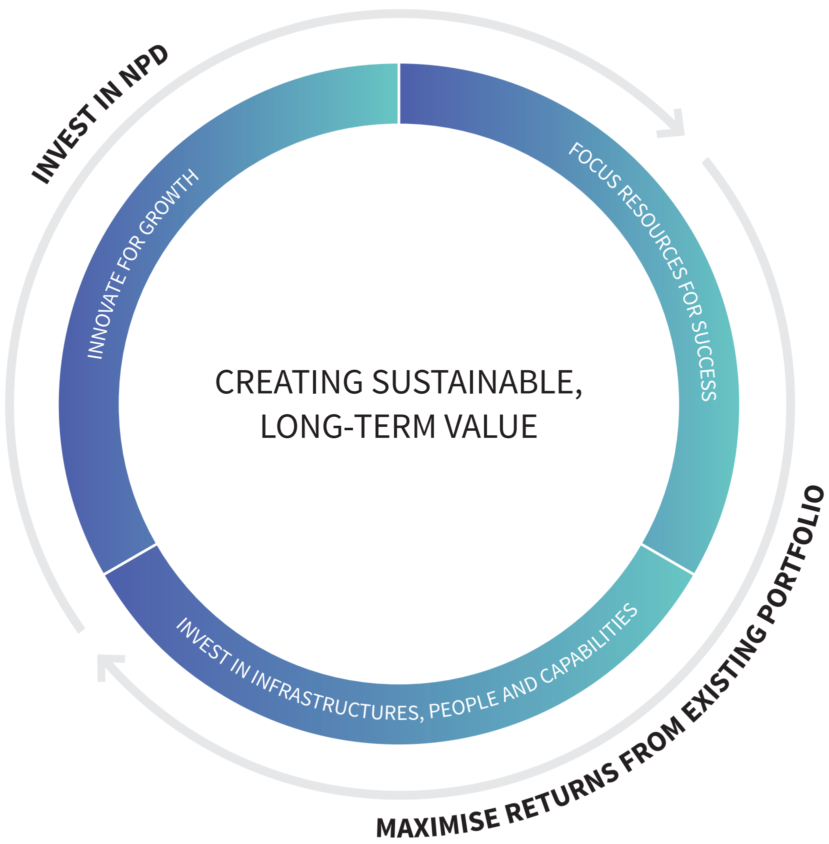
As 2016 progresses our challenge is to deliver the next-generation stage capable of picometre levels of precision. The new stage can achieve resolutions of half the diameter of a hydrogen atom and speeds of 1000 cycles per second. This development will allow the testing of the next-generation HDD storage with speed and precision and reduce manufacturing costs. In doing this Queensgate maintains its position as a technology leader.

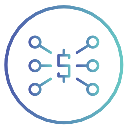
OUR BUSINESS MODEL AND STRATEGY

A clear vision for the future

We create value in two simple ways: investing in new product development (NPD) and maximising operating returns from the Group's existing portfolio of brands.

Our approach to running our business is to identify and then manage the key issues for the Group's continued success. These include strong and effective risk management, maintaining high standards of governance and transparency and developing a multi-disciplined and diverse entrepreneurial team aimed at delivering value to all of our stakeholders.





INVEST IN NPD

Over the past few years the Group has invested in a first-class technology team capable of delivering new-to-market products which will underpin the future growth of the Group.

MAXIMISE RETURNS FROM EXISTING PORTFOLIO

Driving improved performance from the Group's existing portfolio has created the opportunity to reinvest for the long-term success of the Group. A diverse entrepreneurial team has been assembled to focus on delivering value from these businesses.

Innovate for growth

Continual investment in NPD to create a high growth product portfolio.

Key activities

- Established engineering team in Cambridge Technology Centre.
- Multi-year investment programme for core products developed.
- Annual new product introductions planned.

Our 2016 progress

- Launch of Checkit work management software.
- Launch of Buccaneer 4000 Series connector range.
- Commencement of enhancements to Queensgate product range.

Our future priorities

- Checkit automated monitoring launch in 2016/17.
- Prototype launches of Queensgate enhancements.
- Upgrades to Ophthalmic product range.

Focus resources for success

Invest selectively in products with the highest profit and growth potential.

Key activities

- Review the existing portfolio for profit, return on capital and growth potential.
- Continual focus on lean manufacturing processes and effective management of supply chain.

Our 2016 progress

- Underlying performance of Connectivity and IMC up by over 40%.
- New product launches made on time.
- Existing portfolio rationalisation resulting in the sale of a business post year end.

Our future priorities

- Continue to invest in fledgling brands and products that are capable of substantial growth.
- Maximise value from the remainder of the portfolio.

Invest in infrastructure, people and capabilities

Create a scalable organisation to sustain growth, whilst ensuring safe procedures and operations for our people.

Key activities

- Single global enterprise resource planning (ERP) system used by all operations.
- Ancillary systems (customer relationship management (CRM) and analytics) and robust global networks substantially in place.
- Capable multi-tiered leadership team and skilled workforce.

Our 2016 progress

- Further expansion of software engineering team.
- Accreditation to BS OHSAS 18001:2007 – Occupational Health and Safety Management.
- Expansion of our CRM analytics with key business partners.

Our future priorities

- Retention of key skills in a competitive environment, by ensuring a challenging and rewarding work environment.
- Maximise the utilisation of the Group's ERP system to improve control and efficiency.

Changing the way businesses manage people and compliance

Checkit is transforming the way businesses manage food safety, hygiene and facilities management, replacing paper-based systems with a centralised, interactive cloud-based way of managing the multitude of tasks that staff need to do on a daily basis.

By enforcing consistent work practices and automating countless manual tasks, Checkit increases workforce productivity while reducing business risk and costs.

INTERACTIVE CHECKLISTS

- ✓ Standardise procedures
- ✓ Alert, prompt and guide staff
- ✓ Time-stamped audit trail

AUTOMATED MONITORING

- ✓ Continuous, smart wireless monitoring
- ✓ Automated alerting
- ✓ Auditable records

REDUCED COSTS

- ✓ Automate and streamline repetitive tasks
- ✓ Improve workforce productivity and reduce wastage and energy costs
- ✓ Track, analyse and improve performance

MINIMISED RISK

- ✓ Automate and enforce compliance
- ✓ Identify and address issues early
- ✓ Monitor across multiple sites

Save staff time and reduce risk and costs.

Checkit has been approved by the Cambridge City Council food safety team. This landmark Primary Authority Partnership has been created to help all food businesses achieve better food safety and hygiene ratings.

> "Checkit enables us to operate more proactively and identify and remedy issues prior to them becoming incidents. Cloud access from any mobile device means potential faults at the plant can be detected even if the team is off site."

Steve Clow, Site Engineer, J.O. Sims Ltd.
Leading supplier of fresh fruit, ingredients and snacks.

THE BUSINESS IMPERATIVE
Checkit carried out extensive research of UK consumers on their attitudes to food safety, hygiene and customer service.

75%

of people would never visit a food outlet implicated in a poisoning or hygiene incident while it was under the same management

Only 3%

would visit even if a trusted friend recommended it

KEY PERFORMANCE INDICATORS

We regularly produce a wide variety of key figures for all of our businesses that enable us to identify performance against budget and the previous year. New KPIs have been introduced to focus on the Group's strategy of reinvesting cash generated into new product development.

Key performance indicators are shown below:

GROSS PROFIT MARGIN

37.2%

'16	37.2%
'15	35.6%

The ratio of gross profit to revenue expressed as a percentage.

EBITDA

£3.7m

'16	£3.7m
'15	£3.6m

Earnings before interest, tax, depreciation, amortisation and non-recurring and special items.

NPD TO EBITDA RATIO

0.5:1

'16	0.5:1
'15	0.3:1

Ratio of the investment in new products to EBITDA in the year.

BASIC EARNINGS PER SHARE

0.4p

'16	0.4p
'15	0.1p

The profit after tax on continuing operations divided by the weighted average number of ordinary shares in issue during the year, excluding Treasury shares.

ADJUSTED EARNINGS PER SHARE

0.5p

'16	0.5p
'15	1.0p

The profit after tax before non-recurring or special items on continuing operations, divided by the weighted average number of ordinary shares in issue during the year.

NET GEARING

14%

'16	14%
'15	26%

The ratio of total borrowings less cash to shareholders' funds expressed as a percentage.

NET ASSETS PER SHARE

6.8p

'16	6.8p
'15	6.4p

Net assets divided by the number of ordinary shares in issue at the balance sheet date, excluding Treasury shares, expressed in pence per share.

HEADCOUNT

1,020

'16	1,020
'15	1,050

The average monthly number of persons employed by the Group.

NET OPERATING PROFIT % OF REVENUE BEFORE NON-RECURRING OR SPECIAL ITEMS

2.8%

'16	2.8%
'15	3.8%

The ratio of net operating profit before non-recurring or special items to revenue expressed as a percentage.

RISK AND RISK MANAGEMENT

The management of the business and the nature of Elektron's growth strategy are subject to a number of risks and uncertainties.

Our ability to meet our goals and objectives may be affected by a number of risks and uncertainties relating to our strategy, business model and operating environment.

Our approach

Effective risk management aids decision making, underpins the delivery of the Group's strategy and objectives and helps to ensure that the risks the Group takes are adequately assessed and actively managed. The Group regularly monitors its key risks and reviews its management processes and systems to ensure that they are effective and consistent with good practice. The Board is ultimately responsible for the Group's risk management. The risk management process involves the identification and prioritisation of key risks, together with appropriate controls and plans for mitigation, which are then reported to the Board.

Objectives of the Elektron risk management process:

- to identify and understand the risks that Elektron faces in the execution of its strategy and the operation of its business model;
- to ensure that the risk appetite of the Board is embedded throughout the organisation and fully understood by those who are responsible for managing risk and making key decisions across the business;
- to assess the potential impact of identified risks and to create and maintain a register of these risks, documenting the decisions taken and the judgements made;
- to ensure that appropriate mitigating actions and controls are in place for all identified risks and that the residual risk is aligned to the risk appetite of the Board;
- to control systematic risks within the organisation by maintaining and improving a system of internal controls to manage risks in decision making, legal contract management, quality and regulatory processes and the processing of financial transactions; and
- to ensure that identified risks are reported to relevant stakeholders in a timely manner to facilitate effective decision making.

16 Read more about our risks **on pages 16 to 18**

PRINCIPAL RISKS AND UNCERTAINTIES

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

Change in 2016

- Increased
- No change
- Decreased

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

MARKETS

RISK DESCRIPTION AND POTENTIAL IMPACT	MITIGATING ACTIONS	CHANGE
Level of sales		
Elektron's revenues are, and will be, principally from sales of its products. There can be no assurance that current product revenues can be maintained or increased in the future. Product sales may be affected by adverse market conditions or other factors, including pricing pressures from governments or other authorities, competition, the withdrawal of a product because of a regulatory or other reason, or the financial or commercial failure of a marketing partner. Some of the markets for Group products are in decline. The Group is highly operationally geared which means that a relatively small reduction in sales can lead to a much larger percentage reduction in profits.	The Group has approximately 4,000 customers (with no one customer amounting to more than 8% of sales) and substantially more end users worldwide. Its portfolio of brands and products to some extent mitigates risk through diversity. The investment in NPD assists in reducing the risk of sales decline by focusing on products that are in one way or another unique within markets that are growing or are expected to grow. The Group's sales force is focused on geographically diverse markets in order to reduce the risk of a downturn in a particular geography.	No change
Reliance on legacy business to fund NPD		
Many of the Group'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 Group continually focuses on reducing costs and thereby giving customers the best value for money in order to defend itself against competition in difficult markets. It seeks to bring new products to market at the earliest possible time and will not engage in speculative developments. It seeks to obtain best value for money from its development programmes and the Group will also seek to maximise value by making disposals from its legacy portfolio.	Increased
Relationship with end users		
We sell a significant proportion of our sales through distributors and in many cases do not have direct contact with end users. Distributors may suggest the substitution of competitors' products for our products.	The Group has incorporated a requirement for Point of Sale (POS) data into many contracts with distributors. With POS data the Group 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.	No change
International nature of the Group		
The Group 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 Group carefully monitors conditions in each country in which it operates and in appropriate cases ensures it is paid for goods in advance. The Board keeps under regular review the potential impact of developments in Tunisia on the Group's operations. As a consequence it also keeps its insurance arrangements under regular review and takes out appropriate cover, including political risk insurance.	Increased

MARKETS *CONTINUED*

RISK DESCRIPTION AND IMPACT	MITIGATING ACTIONS	CHANGE
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 Group 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.	→

NPD, INCLUDING CHECKIT

RISK DESCRIPTION AND IMPACT	MITIGATING ACTIONS	CHANGE
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.	→
Checkit demand unpredictable		
Checkit's target market consists of around 500,000 businesses in the UK. If demand for the initial launch were too great, Elektron would not be able to supply products, whether for operational or financial reasons. This would tarnish the brand and cause losses.	The Group manages this risk by controlling demand creation activities (for example, by phasing the launch of new offerings and introducing lead generation activities incrementally) and by building an extremely flexible, scalable supply chain and by automating key internal processes, such as account creation, to increase scalability.	→
Currently non-existent markets		
Checkit is an innovative product with several proposed features that do not currently exist in the market. Its target market currently uses paper-based systems. It is therefore necessary to make assumptions as to how the market will develop until sufficient market feedback has been obtained post product launch. If those assumptions are wrong the Company will have misallocated resources causing losses.	The business case for Checkit is based on considerable feedback gained in marketing the current first-generation product and the launch of its work management solution in October. The Group is continually evaluating learning and research from the market. Our approach and technology provide capabilities that mitigate some of this risk. They are suitable for a wide variety of food business types and have applications beyond food hygiene in a number of large markets. We are therefore not reliant on one highly specific segment.	↘
Cloud services		
The Group is reliant on cloud services provided by third parties in respect of its Checkit product. The failure or withdrawal of these services would mean that Checkit could not function.	This risk is mitigated by selecting large, global providers with demonstrable scale and reliability to provide the Checkit cloud offerings and designing the systems where possible to allow functionality to be moved between providers.	→

PRINCIPAL RISKS AND UNCERTAINTIES *CONTINUED*

FINANCE AND OPERATIONS

RISK DESCRIPTION AND IMPACT	MITIGATING ACTIONS	CHANGE
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. We do not tie ourselves into long-term currency hedging contracts. Where possible we match currency inflows and outflows. Product design is kept under review to seek to ensure that Elektron's products use no more of such commodities than product offerings of our direct competitors.	→
Bank facilities and liquidity		
The Group's bank facilities contain performance covenants including minimum headroom, interest cover and debt to borrowing ratio which, if breached, could lead to a need to renegotiate terms or, in the extreme case, a reduction or withdrawal of the facilities concerned. The Group only has a limited forward order book for its products creating unpredictability in revenues and cash.	The Group maintains regular and transparent dialogue with its primary facility lender to ensure they are aware of developments in the business and reviews the level of facilities required with them based on the Group's forecasts. These forecasts indicate that it will meet the covenant tests under this facility. The sale of Agar has considerably reduced the reliance on the currently available facilities. The Board receives weekly and monthly information to enable it to consider the Group's short and medium-term performance. If performance is not in line with forecast, the Group has a number of mitigating actions that could be implemented.	↘
IT systems		
Elektron is increasingly reliant on its IT systems which, if lost, would mean that the Group would be unable to function.	The Group has engaged and invested in disaster recovery and business continuity plans to reduce the risk of outage and improve recovery from major interruptions. The Group maintains an appropriate level of backup at all times.	→
Reliance on key individuals and retention of high quality staff		
The Group 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 Group is highly dependent on its technology team in Cambridge to enable it to grow.	The Group 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 Group seeks to identify employees who may be considering leaving with a view to addressing any concerns.	→
Reliance on key suppliers		
Certain of the Group's products are reliant on single-sourced items. If those suppliers were unable to supply, the Group would be unable to sell some products.	The Group maintains an open dialogue with suppliers to ensure that an early warning system is in place. Where subcontracted items are single sourced, the Group ensures that appropriate technical files and work instructions are maintained.	↘
Customer reliance on Group 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 Group 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.	→

FINANCIAL REVIEW
with Andy Weatherstone

Progressing towards our goals

Further progress was made during the year with operating profits from the Group's Connectivity and IMC businesses increasing to £3.4m, up 42% from the previous year, enabling £3.4m to be invested in the development of Checkit and used to reduce the level of net borrowings by £1.1m to £1.6m.

Group revenue for the year decreased by 2.5% to £43.3m (2015: £44.4m), following the pattern of the previous year. Checkit, as a start-up operation, contributed £0.2m (2015: £0.2m) of Group revenue.

The continued implementation of our improvement plans, focusing on margin improvement through selective price increases, product rationalisation and cost reductions, led to a significant improvement in underlying operating profits[1] from businesses, excluding Checkit, from £2.4m in the previous year to £3.4m this year, an increase of 42%.

After Checkit's increased start-up losses of £2.2m (2015: £0.7m), underlying Group operating profit was £1.2m (2015: £1.7m).

Group EBITDA (Earnings before interest, taxation, depreciation and amortisation) maintained at £3.7m (2015: £3.6m) and provides a useful measure of the Group's cash generation from its operations.

As expected, none of the non-recurring or special items were cash items (2015: £0.8m), leaving £0.3m (2015: £0.4m) of non-cash items relating to amortisation of acquisition intangible assets and share-based incentive charges, which results in an overall profit before tax from continuing operations of £0.8m (2015: £0.2m).

1 Before non-recurring or special items.

> "Further progress was made during the year with underlying operating profits from the Group's Connectivity and IMC businesses increasing to £3.4m, up 42% from the previous year, enabling £3.4m to be invested in the development of Checkit and used to reduce the level of net borrowings by £1.1m to £1.6m."

Segmental performance

Connectivity

	2016 £m	2015 £m
Revenue	**25.8**	25..8
Underlying operating profit	**3.8**	2.9
EBITDA	**4.8**	3.6

Underlying operating profits grew by £0.9m (31%) over the previous year in spite of a flat revenue performance.

Although we experienced some impact from destocking by our major distribution partners, Bulgin revenues grew 9% over the prior year as the Group benefited from the optimised distribution channel, with the direct sales force focusing its attention on managing key OEM accounts and channel partners. In contrast, Arcolectric revenues continued to contract, albeit at a slower rate of 11% compared to 15% in the previous year, with falls experienced across all of the main regions which we serve due to our decision not to compete solely on price in a market where price is the key differentiator.

Margins continue to improve due to a number of factors including targeting growth of higher value added sales in Bulgin, the continued improvement in manufacturing efficiency in both the UK and Tunisian manufacturing operations and a drive to reduce the cost of our key raw materials and components together with reduced supply costs.

Over the last three years we have sought to strengthen the local management in Tunisia and have coupled this with a planned programme of investing in the factory and upgrading tooling and equipment. This has resulted in continued levels of efficiency and reduced levels of material waste. This is a strategy for the long term and we expect further gains in performance in the coming year in part to offset local wage inflation, which has been running at an annual rate of 7% over the past three years.

The autonomy of the Tunisian operations has meant that there has been little impact from the UK government's recommended travel restriction for UK nationals. The Group has reviewed its insurance arrangements, including political risk cover, in respect of its Tunisian operations to ensure they remain appropriate in the aftermath of the terror attacks.

FINANCIAL REVIEW *CONTINUED*

Segmental performance *continued*

IMC

	2016 £m	2015 £m
Revenue	**17.3**	18.4
Underlying operating loss	**(0.4)**	(0.5)
EBITDA	**0.8**	0.5

The performance of the IMC portfolio of brands was mixed. The Group continues to experience declines in demand from some of its more mature brands and this has outstripped the improvement achieved from the growth brands in which the Group is investing.

IMC brands are small in size and highly operationally geared with small changes in sales having a marked effect on overall performance. As with Connectivity there is a focus on reducing costs wherever possible but this is made more difficult given the size and lack of synergy between some of the brands. Nevertheless, losses were narrowed on revenues which were 6% lower than the previous year.

The Group achieved increased sales in its growth brands, ophthalmic and Queensgate, of 19% and 61% respectively due to the new product launches in recent years. The Group is continuing to invest in these brands and upgrades and additional products are expected during the current financial year.

Wallace experienced a significant decline in demand following the weakening of rubber prices, resulting in a fall of 44% of equipment sales and further falls in equipment service revenues. No recovery is expected in the near future. Agar, Sheen, Titman and Digitron experienced falls in demand ranging from 5% to 10%, with Carnation consolidating on its much improved performance from last year on slightly higher improved sales.

The Group is committed to maximising shareholder value from these brands in both the short and medium term. The steps taken include the downscaling of its Qados business followed by the sale of the Agar business since the year end, which has realised value of up to £2.3m. The Group's immediate focus is to reduce costs to offset the lost contribution from these businesses, whilst maintaining investment in its growth brands.

Checkit

	2016 £m	2015 £m
Revenue	**0.2**	0.2
Underlying operating loss	**(2.2)**	(0.7)
LBITDA	**(1.9)**	(0.5)

Checkit remains in its start-up phase and the losses for the year represent costs incurred to support the development of the brand. Revenues represent sales principally from earlier prototype systems. Following the launch of its work management service, the Group has ramped up investment in sales and marketing to promote the new product. There was also investment in improving manufacturing capability. The Group also fully amortised the remaining capitalised development costs relating to earlier prototype systems.

Capitalised product development on the work management and automated monitoring projects amounted to £1.5m during the year, over double that of the previous year. The total cash absorbed by Checkit in the year amounted to £3.4m.

Checkit is expected to remain loss making whilst the revenue stream and associated margin increase over the medium term, and a further cash investment of £4m is planned for the current year. Initial reaction from large customers has been extremely positive.

New product development (NPD)

Elektron spent £3.5m on NPD and sustaining engineering in the financial year (2015: £2.1m). Of this, £1.9m was capitalised (2015: £1.1m), mainly focused on Checkit, although the development of a new range of Bulgin connectors – the 4000 Series – was also completed and launched during the year. In the current year the principal focus will continue to be on completing the automated monitoring product release for Checkit and developing further enhancements to the Queensgate product range.

The net book value of capitalised NPD is as follows:

	2016 £m	2015 £m
Bulgin	**0.7**	0.7
Queensgate	**0.8**	1.2
Ophthalmic	**0.4**	0.4
Subtotal	**1.9**	2.3
Checkit	**2.4**	1.2
Total	**4.3**	3.5

The Board has undertaken a detailed review of the business plans, including a sensitivity analysis, supporting the justification of the carrying value of its NPD investment.

People and employment costs

The Group continues to invest in its NPD programme and, as a consequence, employment and contractor costs in technical and engineering have risen in the current year by approximately £1.0m. Headcount reduced elsewhere as part of our efficiency plans to offset wage inflation and incentive payments. Overall the total wage cost for the year was £15.1m (2015: £14.1m) with an average number of employees of 1,020 (2015: 1,050), of which 721 (2015: 754) were employed in Tunisia.

Net finance costs

Interest costs on borrowing decreased by £0.2m to £0.1m (2015: £0.3m), reflecting the decrease in the average level of net debt from £4.8m in 2015 to £1.5m in 2016, representing an effective interest rate of 6.0% (2015: 6.1%).

Taxation

The Group continues to not recognise any deferred tax in respect of UK trading losses or other timing differences as the Board remains of the view that the restructuring of the Group, the continued investment in NPD and the launch of Checkit will result in minimal taxable profits in the foreseeable future.

At 31 January 2016 the Group had estimated unused trading losses in excess of £4.9m (2015: £5.0m) to offset against future UK profits. The tax charge in the year of £0.2m (2015: £Nil) is in respect of profits earned overseas.

Earnings per share

The average number of ordinary shares in issue during the year was 171.0m (excluding shares held by the Employee Benefit Trust). Basic earnings per share in respect of continuing operations before non-recurring or special items were 0.5 pence (2015: 1.0 pence).

After taking into account non-recurring or special items to the financial statements (see note 4) the Group recorded earnings per share on continuing operations of 0.4 pence (2015: 0.1 pence).

Cash flow and net debt

The Group generated cash of £4.1m (2015: £4.9m) from operations before non-recurring or special items, of which £0.3m (2015: £1.4m) was from a reduction in working capital. Reductions in working capital were more modest given the need to build up inventory of Checkit products and the strategic decision to increase Connectivity finished products to improve service levels to customers. In spite of some improvement, inventory levels in a number of other brands remain too high and a major focus of the current year is to reduce these through better management of procurement and alterations to production planning.

Total capital investment in the year was a net £2.6m (2015: £1.5m), representing 104% (2015: 84%) of depreciation and amortisation.

Overall net cash generated of £1.1m reduced net borrowing to £1.6m.

Bank facilities, covenants and going concern

At 31 January 2016 the Group had available facilities of £5.4m which include a revolving credit facility of £2.0m, available invoice finance facilities of £3.0m (which could increase up to £5.0m depending on sales levels) and leasing facilities of £0.3m, together with a bank overdraft of £0.1m. At 31 January 2016 available headroom on these facilities amounted to £3.5m.

The Group successfully agreed a two-year extension to its revolving credit facility in April 2016 at a level of £2.1m, reducing by £0.28m per quarter.

The Directors have prepared and reviewed forecasts and projections for a period of not less than twelve months from the date of this announcement. These are based upon detailed assumptions, in particular with regard to key risks and uncertainties together with the level of borrowings and other facilities made available to the Group. The Board also takes account of reasonably possible changes in trading performance to determine whether the Group should be able to operate within its current level of facilities.

In the event, should actual performance fall below the current forecast levels in this period, the Group has a number of mitigating factors available to it and the Board has the necessary monitoring and controls in place in order to be able to put the required actions in place if it sees a need to do so.

The Directors have, at the time of approving the financial statements and after taking into account the factors noted above, concluded that the Group has adequate financial resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going concern basis.

Dividends

Having considered the resources needed to invest in new product development, the Board believes that it is in the Group's best interests not to pay a dividend for the year.

Potential litigation – update

Mr Bridge's application for permission to appeal against the judgement His Honour Judge Hodge QC made on 17 June 2015 in respect of his application to pursue a derivative action against certain Directors of the Company was dismissed by Lord Justice Kitchin at the hearing on 20 April 2016. Lord Justice Kitchin came to the firm conclusion that Mr Bridge's appeal would not have a real prospect of success on any of the grounds put forward. There is no further route of appeal available to Mr Bridge.

As previously reported in the RNS announcement made on 18 June 2015, at the hearing on 17 June 2015 His Honour Judge Hodge QC also ordered Mr Bridge to pay the costs of both the Company and the Directors. Enforcement of those costs was stayed pending the outcome of Mr Bridge's application for permission to appeal to the Court of Appeal. That application was dismissed on 20 April 2016, with the result that the stay on enforcement has been lifted. The Company is therefore now taking steps to recover the costs that it has incurred in relation to this matter.

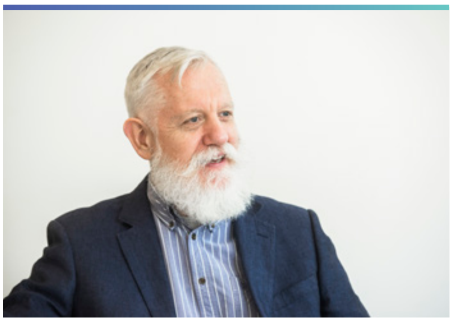
On behalf of the Board

Andy Weatherstone
Chief Financial Officer
8 June 2016

The strategic report set out on pages 1 to 21 was approved by the Board of Directors on 8 June 2016 and signed on its behalf by:

Keith Daley
Chairman
8 June 2016

BOARD OF DIRECTORS AND COMPANY SECRETARY



Keith Daley (61)
Executive Chairman

Appointed to the Board in 2004 and as Chairman in 2008, Keith originally trained as a corporate banker. He is an experienced serial entrepreneur and Chairman with a strong sales and marketing focus. He has bought, invested in, managed and sold numerous businesses over the past 30 years.

Keith takes primary responsibility for Checkit and IMC line management as well as functional responsibility for HR, marketing and legal. He leads on all corporate finance transactions such as acquisitions and disposals.

John Wilson (40)
Chief Executive Officer

Appointed to the Board in August 2010 and as Chief Executive in December 2010, John originally joined Elektron Technology in March 2008 as Technical Director. Prior to this he had spent his career in senior management positions in the UK and North America as well as consulting for a world-leading technology consultancy.

John takes primary responsibility for Connectivity line management as well as functional responsibility for Technology and New Product Development. He takes the lead on sales outside the UK and spends a significant amount of time overseas.

Andrew "Andy" Weatherstone (52)
Chief Financial Officer

Appointed to the Board in January 2015, Andy is a Chartered Accountant with approaching 20 years' experience at main board level within the small UK public quoted companies sector. He initially developed his career with KPMG before moving into industry where he has built up significant experience in both financial and operational management of global-based manufacturing.

Andy leads the finance function and, in addition, takes functional responsibility for IT and takes the lead on Connectivity operations.

Peter Welch (53)
Non-executive Director

Appointed to the Board in September 2015, Peter has spent the majority of his career in the insurance industry and held a number of senior roles at Hiscox plc (a FTSE 250 company) for 15 years until 2005. In 2006 he was one of the three founders of N+1 Singer Capital Markets, a SmallCap institutional stockbroking business with a focus on a number of sectors, including technology. In addition to Elektron he is a Director of Entertainment Insurance Partners.

Giovanni Ciuccio (35)
Non-executive Director

Appointed to the Board in September 2015, Giovanni is currently employed as an investment analyst/portfolio manager at D&A Income Limited, which is a principal shareholder in Elektron. Giovanni trained as a Chartered Accountant in South Africa, starting his career with KPMG before moving into investment banking at Barclays Bank Plc and investment management thereafter. Giovanni has extensive experience in capital markets, structured finance and valuation. Giovanni is also a CFA charter holder.

Martin Reeves (62)
Company Secretary

Appointed as Company Secretary in 2010, Martin has held senior company secretarial positions at Martin Currie Investment Management, Resolution PLC, Haysmacintyre and the Morgan Crucible Co PLC.

As Secretary to the Board, he is responsible for the Group's governance and compliance framework and advising the Board on all governance and legal matters.

REPORT OF THE DIRECTORS

The Directors present their Annual Report on the affairs of the Group together with the audited financial statements for the year ended 31 January 2016.

Principal activity

Elektron Technology is a global business that designs, manufactures and markets products that connect, monitor and control. Further details of the performance of the business is set out in the Strategic report on pages 1 to 21. The principal activity of the Company is that of a holding company.

The Directors are not aware, at the date of this report, of any likely major changes in the Group's activities during the next year, other than the disposal of its Agar business.

The subsidiaries of the Group as at 31 January 2016 are listed in Note 14.

Results and dividends

There was a profit for the year after taxation of £0.6m (2015: £0.2m).

No interim dividend was paid in the year (2015: nil pence per share). The Directors are not recommending the payment of a final dividend (2015: nil pence per share).

Research and development

The continual advancement of technology and processes by the Group means costs are incurred each year in research and development. The Directors consider that research and development continues to play a vital role in maintaining and increasing the Group's competitive position in the market. Details are set out in Note 12 to the financial statements.

Health, safety and environment

The Group recognises and accepts its responsibilities for health and safety and is committed to achieving the highest practicable standards in health and safety management for all its operations to safeguard its employees, customers and the local community.

The Group is committed to the care of the environment and the maintenance of environmental controls as they relate to the business and aims to ensure that its activities comply at all times with relevant environmental legislation.

Directors and their interests

Biographical details of the current Directors are set out on page 22 and details of Directors' beneficial interests in the shares of the Company as at 31 January 2016 are set out in the Remuneration report on pages 26 to 31.

As last year, the Board is following best practice recommendations and, accordingly, the whole Board will be offering itself for re-appointment or appointment as appropriate.

Share capital

As at the date of this report, the total number of shares in issue (being ordinary shares of 5 pence each) is 186,100,851.

During the year, the Company did not issue any ordinary shares of 5 pence each (2015: 66,574,586 shares).

Details of the share capital are given in Note 21 to the financial statements.

Charitable and political donations

The Group made no political contributions (2015: £Nil) and no charitable donations (2015: £Nil) during the year.

Employees

The Group has human resources policies designed to meet the needs of its Group companies and employees around the world. Recognition is given to individual employees' needs and requirements and employees are encouraged to apply their skills, knowledge and energy. The Group recognises the importance of its employees and their training.

The Group is committed to equality of opportunity for all, regardless of gender, race, age, disability, religion or sexual orientation, where it is reasonable and practicable within existing legislation. This applies equally to recruitment and to the promotion, development and training of staff. The Group recognises that the needs of the business will continue to change. As such, training is and will continue to be offered such that employees are able to enhance their skill base to assist the business in meeting future challenges.

The Group continues to keep its staff informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings. At each of our main sites, an employee forum has been established.

Substantial shareholdings

As at the date of this report, the Company was aware, or has been notified in accordance with chapter 5 of the Disclosure Transparency Rules, of the following interests of 3% or more in its issued ordinary share capital:

D&A Income Limited	24.13%
Mr J Kinder	15.71%
Mr K Daley[1]	9.42%
Elektron Technology 2012 Employee Benefit Trust	8.10%
Mr and Mrs N Slater	6.10%
Mr A Perloff and Panther Securities Plc	4.92%

1 Excluding JSOP interests.

The Company's website, www.elektron-technology.com, provides updated information on substantial shareholdings.

Corporate governance statement

The Company is listed on AIM and is not required to comply with the provisions of the UK Corporate Governance Code 2014 ("2014 Code"). However, the Directors recognise the importance of, and accordingly support, the principles of good corporate governance as contained within the 2014 Code and apply these where they consider they are appropriate to the Group.

Directors

(i) The Board

The Board currently comprises the Executive Chairman, two other Executive Directors and two Non-executive Directors. Brief biographical details of the Directors appear on page 22. These illustrate the level and range of business experience which the Board believes enables it to provide clear and effective leadership of the Group. The composition of the Board is reviewed regularly. Appropriate training, briefings and induction information is available to all Directors on appointment and subsequently, as necessary,

REPORT OF THE DIRECTORS *CONTINUED*

Directors *continued*

(i) The Board *continued*

taking into account existing qualifications and experience. New Directors are subject to election by shareholders at the first Annual General Meeting (AGM) after their appointment.

The Board meets formally at least six times each year and more frequently where business needs require. The Board receives reports from the Executive Directors and business unit and functional heads ensuring matters are considered fully and enabling Directors to discharge their duties properly. The Board has a schedule of matters reserved to it for decision and the requirement for Board approval on those matters is known to senior management within the Group. This includes subjects such as material capital and revenue commitments, business acquisitions and disposals, health and safety and appointments to the boards of subsidiary companies.

There is an agreed procedure whereby Directors wishing to take independent professional advice in furtherance of their duties may do so, if necessary, at the Group's expense.

In addition, each Director has access to the services of the Company Secretary. The Secretary is charged by the Board with ensuring that all Board procedures are followed and relevant regulations are complied with.

(ii) Executive Chairman and Chief Executive

The division of responsibilities between the Executive Chairman and the Chief Executive is clearly established and understood.

The Board operates with a number of Board Committees.

(iii) Audit, Remuneration and Nominations Committees

Peter Welch chairs the Audit Committee, the Nominations Committee and the Remuneration Committee.

The Audit Committee consists of the Non-executive Directors. The Executive Directors are encouraged to attend Audit Committee meetings where possible as part of the programme to maintain the Group's systems of internal controls. Part of each meeting is held with the external auditor without the Executive Directors being present. The Audit Committee considers the adequacy and effectiveness of the risk management and control systems of the Group and reports the results to the Board. It reviews the scope and results of the external audit, its cost effectiveness and the objectivity of the auditor. The Committee also reviews the annual financial statements, the interim statement, the preliminary announcement and other financial announcements prior to their approval by the Board, together with accounting policies and compliance with accounting standards and internal control procedures. The Audit Committee report is on pages 32 and 33.

The Nominations Committee consists of the Non-executive Directors and the Chairman of the Board and reviews the structure, size and composition of the Board and its Committees. It identifies and nominates suitable candidates to the Board and gives full consideration to succession planning for Directors and other senior executives, and keeps under review the leadership needs of the organisation.

The Remuneration Committee, which comprises the Non-executive Directors, determines and agrees with the Board the framework and policy of executive remuneration packages, including bonuses, incentive payments, share options or awards and pension arrangements. The remuneration of the Non-executive Directors is agreed by the Board. The Remuneration report is on pages 26 to 31.

The terms of reference for each of the Board Committees are available on request from the Company Secretary.

(iv) Supply of information

To enable the Board to perform its duties effectively and allow Directors to discharge their responsibilities, full and timely access is given to all relevant information.

The agenda for regular Board meetings includes a Chief Executive Officer's report and a report from the Chief Financial Officer together with documents regarding specific matters.

(v) Appointments to the Board

The role of the Nominations Committee is to review and make recommendations on all appointments to the Board.

(vi) Re-appointment

Any Director appointed during the year is required, in accordance with the Company's Articles of Association (the Articles), to retire and seek appointment by shareholders at the next AGM. The Articles also require that one-third, but not more than one-third, of the Directors retire by rotation each year and seek re-appointment at the AGM. The Directors required to retire will be those who have been longest in office since their last appointment or re-appointment and the date for determination of the number of Directors will not be earlier than 28 days prior to the date of the Notice of AGM. However, ahead of the AGM in 2014 the Board took the decision to follow best practice recommendations for larger fully listed companies and, consequently, the whole Board will be seeking re-appointment at the forthcoming AGM.

Directors' remuneration

Details of Directors' remuneration are contained in the Remuneration report on pages 26 to 31.

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.

Communication with shareholders

(i) Dialogue

The Group recognises the importance of constructive communication with its shareholders to ensure its strategy and performance are understood. This is achieved principally through the Group's Interim Report, Annual Report and AGM. In addition, a range of corporate information is available to investors on the Group's website.

(ii) Use of the Annual General Meeting
All shareholders have the opportunity to raise questions at the Company's AGM. In view of the low number of attendees at general meetings, the Board does not make formal business presentations but instead allows time for informal discussion after the conclusion of formal proceedings.

Accountability and audit

(i) Internal financial control
The Board has overall responsibility for the Group's system of internal financial control, which is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The key procedures that are in place are:

» a comprehensive budgeting system, including reviews at operating unit level, and formal reviews and approvals of the annual budget by the Directors;

» monitoring of actual results and comparison to budget for each operating unit on a monthly basis;

» a clearly defined organisation structure within which individual responsibilities are identified and can be monitored; and

» defined procedures for the appraisal, review and authorisation of capital and major revenue and development expenditure.

(ii) Financial reporting
It is the Board's responsibility to present a balanced assessment of the Group's position and prospects. The respective responsibilities of the Directors and the auditor in connection with these financial statements are explained on pages 34 and 35.

Auditor and disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware there is no relevant audit information of which the Group's auditor is unaware and each 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 Group's auditor is aware of that information. This confirmation is given and should be interpreted in accordance with Section 418 of the Companies Act 2006.

Deloitte LLP has indicated its willingness to continue in office as auditor and a resolution concerning its re-appointment will be proposed at the forthcoming AGM.

Annual General Meeting

The Company's AGM will be held on 28 July 2016. Accompanying this Annual Report and Accounts is a letter from the Chairman and a Notice of AGM that sets out the resolutions to be considered and approved at the meeting.

On behalf of the Board

Martin Reeves
Company Secretary
8 June 2016

Registered number
448274

REMUNERATION REPORT

Peter Welch
Chairman of the Remuneration Committee

Dear Shareholder

I am pleased to present our 2016 Remuneration report, which has been prepared by the Committee and approved by the Board. Shareholders will be invited to approve this report at the forthcoming Annual General Meeting.

The workload of the Remuneration Committee was particularly heavy this year and I should like to thank my fellow Committee member, Giovanni Ciuccio, for his significant contribution.

You will see in the following table our approach to the key elements of the remuneration of the Executive Directors. Once again the basic salaries for the Executive Directors have not been increased. Exceptional performance will be rewarded through the proposed new Long Term Incentive Plan (NLTIP) (following a proposed unwind of the previous Joint Share Ownership Plan (JSOP)) and the annual bonus scheme. Much work was done last year by both me and Giovanni and our predecessors in establishing the overall package for the Executive Directors and I am pleased to say that major shareholders representing over 50% of the issued share capital support these proposals.

We shall continue to benchmark director packages against market norms, using external advice as appropriate.

Companies with securities listed on AIM are not required to comply with either The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 or the UKLA Listing Rules. However, the Remuneration Committee is committed to maintaining high standards of corporate governance and open communication with shareholders and has applied the regulations and guidelines as far as is practical given the current size and development of the Group.

Should any shareholder wish to discuss the Remuneration report with me, I can be contacted via the Company Secretary at the Company's registered office: Broers Building, JJ Thomson Avenue, Cambridge CB3 0FA or by email: martin.reeves@elektron-technology.com.

Unaudited information

The independent auditor is not required to audit and has not, except where indicated, audited the information included in the Remuneration report. The audited information meets the remuneration disclosure requirements of Rule 19 of the AIM Rules for Companies.

Composition and role of the Remuneration Committee

The Remuneration Committee consists only of the Non-executive Directors. During the financial year ended 31 January 2016, its members were Ric Piper and Tony Harris, both of whom served until 10 September 2015, and Peter Welch and Giovanni Ciuccio, both of whom served from 10 September 2015. None of the Committee has had any personal financial interest (other than as shareholders) or conflicts of interests arising from cross-directorships or day-to-day involvement in running the business. The Committee is responsible for setting policy on Directors' remuneration and for determining the individual remuneration packages of the Group's Executive Directors.

The Committee is also responsible for considering management proposals for remuneration and employment terms for the Group's senior staff, including arrangements for bonus payments and long-term incentive plans, and for all staff where the issue of equity is involved.

Executive Directors' remuneration policy

The Group's remuneration policy is designed to motivate, retain and attract Directors and senior executives of the high calibre necessary for a business with Elektron's complexity, international scope and ambitions, and to ensure that their interests are closely aligned with those of shareholders. The Remuneration Committee actively reviews the Group's remuneration structure, seeking independent advice where appropriate, to ensure that it is designed to deliver this policy efficiently and effectively, balancing this with the need to obtain value for money for the Group. In addition this review ensures that the balance between fixed and variable remuneration is appropriate.

A remuneration policy table for the Executive Directors is set out opposite showing how the Remuneration Committee intends the policy to operate for the period until the Company's next Annual General Meeting in 2017.

REMUNERATION ELEMENT, PURPOSE AND LINK TO STRATEGY	OPERATION	MAXIMUM OPPORTUNITY	PERFORMANCE METRICS
Basic salary			
To pay competitive basic salaries to attract, retain and motivate the talent required to operate and develop the Group's businesses and to develop and deliver the Group's strategy.	Basic salaries are reviewed on an annual basis.	Salary increases in practice are expected to be limited. In exceptional circumstances, at the Committee's discretion, increases of a higher amount may be made, taking into account individual circumstances such as alignment to market level and if it is necessary for the recruitment and/or retention of an Executive Director.	None, although the overall performance of the individual will be taken into consideration by the Committee when reviewing and setting salary levels.
Pension			
To provide an opportunity for Executives to build up income on retirement.	All Executive Directors are eligible to participate in the Group Personal Pension Scheme, or to receive a contribution to self-invested personal pension schemes or to receive a payment in lieu of the above.	10% of basic salary, or equivalent paid as salary.	Not applicable.
Benefits			
To provide market-competitive, non-cash benefits.	Executive Directors receive benefits that consist primarily of car allowance, income protection in the event of long-term ill health, private family healthcare insurance and death-in-service benefits.	Benefits may vary by role and are set at levels which the Committee considers to be sufficient based on the role and individual circumstances.	Not applicable.
Annual Bonus Plan based on current year performance			
To incentivise and reward strong performance against annual financial targets, thus delivering value to shareholders. See further notes below.	The Remuneration Committee intends that the bulk of any increase in annual cash remuneration should come as a result of this bonus scheme. Financial performance targets are typically set in the first quarter of the financial year. The Committee then assesses actual audited performance compared to those performance targets following the completion of the financial year and determines the bonus payable to each individual. Bonus payments may be delivered in cash or shares at the Remuneration Committee's discretion. The plan is reviewed annually.	For the Executive Directors, on-target performance shall not exceed 30% of basic salary and maximum performance shall not normally exceed 120% of basic salary. The Committee shall have discretion to pay higher levels of bonuses in the case of exceptional performance.	Performance is determined by the Committee on an annual basis by reference to specific profit and other targets.
Long Term Incentive Plan (LTIP) arrangements			
To drive sustained long-term performance that supports the creation of shareholder value. See further notes below.	Awards are designed to provide a meaningful reward to Executive Directors linked to the long-term success of the business. A new plan is proposed as detailed below.	One-off JSOP awards and share appreciation rights were made in 2012 (see notes below). This scheme will be wound up. A new plan is proposed as detailed below. The Executive Chairman will not participate in the new LTIP arrangements.	The new LTIP detailed below relies on multiple performance targets.
Company Share Option Plan (CSOP)			
To drive sustained long-term performance that supports the creation of shareholder value. See further notes below.	Option grants are made from time to time at the Committee's discretion.	Any aggregate outstanding CSOP awards made to a participant may not relate to shares with value(s) at time of grant(s) exceeding £30,000, the limit approved by HM Revenue & Customs (HMRC).	Vesting of options is subject to a vesting period of at least three years and continued employment. If no entitlement has been earned at the end of the relevant performance period, awards will lapse.

REMUNERATION REPORT *CONTINUED*

Notes

Annual bonus plan

Bonuses are not contractual and remain at the discretion of the Remuneration Committee.

2015/16

Last year the bonus plan was predicated on the achievement of an aggregated Connectivity and IMC audited operating profit target after annual bonuses of £3.3m. In addition to the bonuses payable to John Wilson and Andy Weatherstone, we have agreed to make a discretionary bonus payment to Keith Daley, to be the same as John Wilson's, to recognise his contribution to an excellent underlying result for the business in this financial year. Payment to Keith will be conditional on this Remuneration report being approved by shareholders.

Details of amounts payable are contained in the table shown later in this report.

2016/17

The bonus plan for the year to 31 January 2017 (FY2016/17) for Keith Daley, John Wilson and Andy Weatherstone is based on the achievement of certain profit targets detailed below.

For FY2016/17 the structure of the bonus plan has been modified to include the Checkit business given its increasing importance to the overall Group performance. In addition, as Keith Daley will not participate in the new LTIP arrangements, the Remuneration Committee proposes that he participate in the annual bonus plan, conditional on this Remuneration report being approved by shareholders.

A bonus will be paid if the audited operating profit before tax after adding back (a) profit/(loss) on sale of assets, (b) amortisation of intangibles and (c) share incentive costs but after the cost of the annual bonus of the Group, exceeds £0.74m, reflecting an increase of 10% over the reported profit on the same basis for the year to 31 January 2016 (FY2015/16) of £0.67m after deducting the contribution of specifically identified discontinued or lost business. The Remuneration Committee recognises that the aggregate profit number is small and is attributable to the sum of profitable established businesses, specifically Connectivity and IMC, and the losses incurred by promising new businesses, particularly Checkit. Accordingly, the Remuneration Committee has reduced the annual bonus as compared to last year. Under the terms of the plan John Wilson, Keith Daley and Andy Weatherstone will share in a bonus pool of £0.13m to be shared 39%, 39% and 22% respectively. This would result in a bonus of 25.4%, 25.4% and 16.4% of basic salary for each of John Wilson, Keith Daley and Andy Weatherstone, respectively, for reaching the minimum target. The bonus pool would then increase on a pro-rata straight line basis to £0.4m (to be shared on the same basis as noted above) for an audited operating profit as defined above in excess of the minimum level up to a maximum level of £2m. This would result in maximum bonuses of 78%, 78% and 51% of Keith Daley's, John Wilson's and Andy Weatherstone's basic pay, respectively. Should profits exceed this level then any further bonus payments would be at the absolute discretion of the Remuneration Committee.

Long Term Incentive Plans

The current Remuneration Committee inherited the JSOP scheme which we have sought to replace with the NLTIP building on the previous scheme and enhancing it with features we feel we can more readily support. The NLTIP, developed in close consultation with the largest shareholders, we feel more closely aligns the interests of management with those of shareholders. The focus is on total cash generation and total shareholder return over a three-year period. The NLTIP is limited to John Wilson and Andy Weatherstone who do not currently have significant shareholdings in the Company (noting that Keith Daley will not participate in the new scheme). The old LTIP (i.e. JSOP) awards will be unwound.

These arrangements are supported by over 50% of shareholders.

The following details the proposed unwind of the JSOP and terms of the new NLTIP.

Long Term Incentive Plan

Unwind of the JSOP

The existing JSOP awards take the form of interests in shares (including voting rights) in the Company that are jointly owned by the trustee (the Trustee) of the Elektron Technology 2012 Employee Benefit Trust (EBT) and the relevant participant. The participants were also granted stock appreciation rights which are linked to their joint ownership interests. Keith Daley and John Wilson invested approximately £65,000 in aggregate to acquire their joint ownership interest.

The JSOP awards, which, if unexercised, were scheduled to unwind in 2022, will be unwound with the agreement of the Trustee and all of the participants. The Trustee will be requested to purchase all the joint ownership interests held by each participant for a consideration of one ordinary share in the Company for every four jointly held shares held by the participant, subject to an external valuation. The linked stock appreciation rights will also lapse.

Purchase of shares from the EBT

Keith Daley, John Wilson, one other shareholder and the Trustee of the EBT are currently considered to be in a concert party under Rule 9 of the Takeover Panel Rules. This limits their individual ability to freely purchase shares in the open market but not from other concert party members. The Remuneration Committee considers it is desirable that Directors demonstrate their belief in the Company by buying shares. Accordingly, it is proposed that Keith Daley and John Wilson be permitted to acquire from the Trustee at any time, at the higher of the mid-market price at close of business on the immediately preceding dealing day or 5 pence, a maximum of 3,541,500 shares and 2,941,500 shares respectively.

The Trustee currently holds 15,075,650 shares. Following the unwind of the JSOP, 12,683,650 shares will remain outstanding, of which 6,483,000 will be available for Keith Daley and John Wilson to acquire in this way.

New LTIP

John Wilson and Andy Weatherstone will each receive awards equivalent to 5m and 2.5m Elektron Technology plc shares respectively. Each will only benefit to the extent that the share price exceeds 10 pence, and the awards will vest after the financial year 31 January 2019 (the Performance End Period) if the following performance hurdles are met:

(a) the consolidated cash balances exceed £8m after adding back any cash distributions paid to shareholders and deducting all consolidated group financial liabilities including net working capital liabilities per the audited accounts; and

(b) the share price (plus any cumulative cash distribution paid to shareholders before the Performance End Period) is (i) greater than 15 pence but less than 17.5 pence (in which case 75% of the allocation vests), (ii) greater than 17.5 pence but less than 20 pence (in which case 85% of the allocation vests), and (iii) greater than 20 pence (in which case 100% of the allocation vests). The share price for these purposes will be a 90-day volume weighted average measured from the date the audited accounts for the Performance End Period are announced.

Vesting will be triggered earlier (irrespective of condition (a) above being met) if cumulative cash distributions have been made to shareholders before the end of the Performance End Period equal to the hurdles mentioned in (b) above (i.e. if there are 15 pence of cumulative cash distributions per share, then 75% of the award vests etc.).

Awards will also vest early in the case of certain corporate transactions, including a takeover of the Company.

The major differences between the NLTIP and old JSOP are as follows:

» The participants in the NLTIP (unlike the JSOP) will have no voting rights in Elektron Technology plc until the awards vest and the participants receive Company shares.

» Keith Daley will not participate and Andy Weatherstone will participate. The reverse was the case with the JSOP.

» The NLTIP contains two vesting criteria (including a cash hurdle) whereas the JSOP was based on a single target price.

» Under the NLTIP the participants will only benefit to the extent that the share price exceeds 10 pence (being a 90% increase in the share price at the date of writing this report). Under the JSOP scheme, including the stock appreciation rights, the award was capable of vesting if a target price of 17.8 pence (if adjusted to take account of the 2014 placing) was met.

The awards will be structured under a tax-advantaged Employee Shareholder Shares (ESS) scheme where shares in Elektron Technology UK Limited (ETUK), a wholly owned subsidiary, will be issued to each of John Wilson and Andy Weatherstone. If the performance hurdles are met, the participants can put vested ETUK shares to the Company or Trustee for an amount determined by reference to the sum of (i) any cumulative cash distributions made by the Company to the Performance Period End plus (ii) the 90-day volume weighted Elektron Technology plc share price immediately prior to the date of exercise of the put less (iii) the 10 pence hurdle. Such amount can be paid in Company shares (or in cash if so determined by the Remuneration Committee). If the performance hurdles are not met the ETUK shares will be acquired by the Company at no cost. Any Company shares received by participants must be retained until 31 January 2021 (subject to an ability to sell sufficient Company shares to cover any tax liabilities arising from the award).

The awards will be forfeited if the participant ceases employment before the end of the Performance End Period other than for agreed good leaver reasons. Malus and clawback provisions also apply. In the event of sale of all or substantially all of the assets or 75% of the shares in the Company the awards will vest in full noting the participants will only benefit from any increase in value over 10 pence per share.

Company Share Option Plan (CSOP)

The Company operates a tax-advantaged Company Share Option Plan (CSOP) for Executives, up to the £30,000 individual limit under the relevant regime. No new awards under the CSOP were made to Directors during the year. Keith Daley and John Wilson both allowed their interests under this plan to lapse as from 8 July 2015. The Directors' interests under the CSOP as at 31 January 2015 and 2016 are set out in the table below.

Directors' interests in approved options over ordinary shares of 5 pence each	Exercise period	Option price	**No. of options at 31 January 2016**	No. of options at 31 January 2015
Keith Daley	2014–2021	38.0p	–	78,000
John Wilson	2014–2021	38.0p	–	78,000
Total			–	156,000

As part of the overall remuneration package for Andy Weatherstone, the Committee has agreed to award him a CSOP option to acquire ordinary shares in the Company with a value of £30,000 (measured at grant), which will be awarded as soon as practicable.

Employment contracts

All Executive Directors are employed on service contracts terminable on six months' notice by the Company or the Director.

Approach to recruitment or appointment of executive directors

The Committee shall exercise discretion to award remuneration outside of the scope of the Executive Directors' policy table to an individual whose appointment to the Company as an Executive Director is being contemplated by the Committee in exceptional circumstances and where the interests of the Group require an exception to be made in order to secure the recruitment successfully.

Non-executive Directors

All Non-executive Directors serve under letters of appointment that either party can terminate on one month's written notice. Their remuneration is determined by the Board within the limits set by the Articles of Association and is based on information on fees paid in similar companies and the skills and expected time commitment of the individual concerned. The Non-executive Directors receive no remuneration or benefits in kind other than their basic fees and are not eligible for any equity-based incentive schemes.

REMUNERATION REPORT *CONTINUED*

Total emoluments and the single figure of total remuneration

Emoluments for the Executive Directors and Non-executive Directors are set out below. The figures below represent emoluments earned as Directors during the relevant financial year. Such emoluments are paid in the same financial year, with the exception of bonuses, which may be paid in the year following that in which they are earned but are charged in the year to which they relate.

Audited information

Year to 31 January 2016	Basic pay £'000	Benefits[1] £'000	Bonuses £'000	Total £'000	Pension contribution[2] £'000	Severance £'000	LTIPs vested/ options exercised in the year £'000	Single figure of total remuneration £'000
Executive Directors								
Keith Daley	200	12	77	289	20	—	—	309
John Wilson	200	12	77	289	20	—	—	309
Andy Weatherstone	175	12	51	238	16	—	—	254
Non-executive Directors								
Ric Piper (resigned 10 September 2015)	29	—	—	29	—	12	—	41
Tony Harris (resigned 10 September 2015)	22	—	—	22	—	9	—	31
Giovanni Ciuccio (appointed 10 September 2015)	8	—	—	8	—	—	—	8
Peter Welch (appointed 10 September 2015)	14	—	—	14	—	—	—	14
Total 2016	**648**	**36**	**205**	**889**	**56**	**21**	**—**	**966**

1 Benefits include car or car allowance, fuel and private medical insurance for Directors and dependants.

2 Includes payments made in lieu of pension contributions.

Year to 31 January 2015	Basic pay[3] £'000	Benefits[1] £'000	Bonuses £'000	Total £'000	Pension contribution[2] £'000	Severance £'000	LTIPs vested/ options exercised in the year £'000	Single figure of total remuneration £'000
Executive Directors								
Keith Daley	200	12	—	212	20	—	—	232
John Wilson	200	27	—	227	20	—	—	247
Andy Weatherstone	181	9	—	190	15	—	—	205
Non-executive Directors								
Ric Piper	48	—	—	48	—	—	—	48
Tony Harris	30	—	—	30	—	—	—	30
Total 2015	659	48	—	707	55	—	—	762

1 Benefits include car or car allowance, fuel and private medical insurance for Directors and dependants. In April 2014 John Wilson received a one-off payment of £12,500 as compensation for receiving a car allowance in lieu of a fully expensed company car with effect from that date.

2 Includes payments made in lieu of pension contributions.

3 Basic pay of Andy Weatherstone included fees paid to A&JW Management Services Limited, a company of which he is a beneficial owner, prior to him becoming a permanent member of the Board on 4 April 2014, which amounted to £35,000 in 2015.

Messrs Daley and Weatherstone elected to take payments in lieu of company pension contributions during the year. Messrs Piper and Harris received a payment of three months' fees in lieu of notice per their letters of appointment, upon resignation of office on 10 September 2015.

The emoluments of the highest paid Director were £289,000 (2015: £227,000) and, in addition, the Group made pension contributions or payments in lieu of pension contributions of £20,000 (2015: £20,000).

The annual basic pay for each of the Directors at the year end and as at the date of this report is listed below, together with the date of last increase:

	Basic pay at date of report £'000	**2016 £'000**	2015 £'000	Last increased
Keith Daley	200	**200**	200	April 2010
John Wilson	200	**200**	200	February 2011
Andy Weatherstone	175	**175**	175	—
Giovanni Ciuccio (appointed 10 September 2015)	20	**—**	—	—
Peter Welch (appointed 10 September 2015)	36	**—**	—	—

Directors' share ownership

The shares owned by the Directors serving at 31 January 2016, including their interests in shares via the JSOP which are jointly held with the Trustee of the trust, are shown below:

	Shares owned outright at 31 January 2015 or date of appointment	**Shares owned outright at 31 January 2016**	**JSOP interests at 31 January 2015 and 2016**	Total at 31 January 2015 or date of appointment	**Total at 31 January 2016**
Executive Directors					
Keith Daley	17,530,016	**17,530,016**	**4,722,000**	22,252,016	**22,252,016**
John Wilson	35,661	**35,661**	**3,922,000**	3,957,661	**3,957,661**
Andy Weatherstone	50,000	**50,000**	**—**	50,000	**50,000**
Non-executive Directors					
Giovanni Ciuccio	—	**13,500**	**—**	—	**13,500**
Peter Welch	—	**150,000**	**—**	—	**150,000**
Total	17,615,677	**17,779,177**	**8,644,000**	26,259,677	**26,423,177**

On 14 September 2015, Peter Welch acquired 150,000 ordinary shares in the Company. On 28 September 2015, Giovanni Ciuccio acquired 13,500 ordinary shares in the Company.

Savings-related Share Option Scheme

Directors' interests on options over ordinary shares of 5 pence each under the Elektron Technology savings-related Share Option Scheme 2012	Exercisable from	Option price	No. of options at 31 January 2015	**No. of options at 31 January 2016**
Keith Daley	July 2016	8.8p	102,272	**102,272**
John Wilson	July 2016	8.8p	102,272	**102,272**
Total			204,544	**204,544**

Amounts payable to outside advisers in respect of Directors' remuneration

Independent remuneration consultant MM&K Limited was formally engaged by the Committee and provided advice on directors' remuneration and employee share plans to the Committee in 2015/16. Eversheds LLP provided legal advice to the Company in respect of employee share plans in 2015/16. Total advisers' fees charged during 2015/16 in respect of advice on employee incentive matters and services to the Committee amounted to £61,000.

Approval

This report was approved by the Board of Directors on the date shown below and signed on its behalf by:

Peter Welch
Chairman of the Remuneration Committee
8 June 2016

AUDIT COMMITTEE REPORT

Peter Welch
Chairman of the Audit Committee

This report describes the membership and operation of the Audit Committee.

The Audit Committee consists only of independent Non-executive Directors. Peter Welch is the current Chairman. During the financial year ended 31 January 2016 its members were Ric Piper and Tony Harris, both of whom served until 10 September 2015, and Peter Welch and Giovanni Ciuccio, both of whom served from 10 September 2015.

Key responsibilities

» Monitoring the integrity of the half-yearly and annual financial statements and formal announcements relating to the Group's financial performance;

» reviewing significant financial reporting issues and accounting policies and disclosures in financial reports;

» reviewing the effectiveness of the Group's internal control procedures and risk management systems;

» considering how the Group's internal audit requirements shall be satisfied and making recommendations to the Board;

» making recommendations to the Board on the appointment or re-appointment of the Group's independent external auditor;

» a review of the independent auditor's audit strategy and implementation plan and its findings in relation to the annual report and half-year report;

» overseeing the Board's relationship with the independent auditor, including their continuing independence and, where appropriate, the selection of a new independent auditor; and

» ensuring that an effective whistleblowing procedure is in place.

The Board considers that Giovanni Ciuccio and Peter Welch have recent and relevant financial experience.

The Committee met three times during the year. The independent auditor attended all of the meetings and the Committee met privately with the independent auditor during the year.

Operation of the Committee

The Committee's terms of reference were reviewed and updated in January 2016 to conform to current best practice. No significant changes were deemed necessary. They are available on request from the Company Secretary.

The terms of reference will be next reviewed by January 2018.

The main activities of the Committee during the year were as follows:

Oversight of financial reporting
The Committee acts in an oversight role in respect of the Annual Report and announcements with financial content that is prepared by executive management. The Committee received reports on the annual and interim financial statements from the external auditor who attended its meetings. The auditor's report, including a summary of key areas of audit focus, is set out on page 35.

The Committee's work also included reviewing the financial statements, key finance policies, including accounting, tax and treasury and significant issues of judgement, detailed as follows:

» ***Impairment of goodwill and intangibles arising from acquisitions***

We considered the value of the acquired intangibles and whether, given the future prospects of these businesses, the value remains appropriate.

The Committee reviewed the assumptions and calculations used by management in the assessment of any impairment of acquired intangible assets and agreed that no impairment charges were required.

» ***Impairment of capitalised development costs***

We considered the level of capitalised development costs held in the Group's balance sheet and whether, given the future prospects of the products being developed, the value of these capitalised costs remained appropriate.

The Committee reviewed the assumptions and calculations used by management in the assessment of any impairment of the capitalised development costs and agreed that no impairment charges were required.

» ***Inventory valuation***

The Committee reviewed the judgements applied to standard costing valuations and provisions against excess and obsolete inventory and concurred with management's assessment.

In addition the Committee reviewed the appropriateness of costs disclosed as non-recurring or special items and the appropriateness of the recognition of deferred taxation, further details on these are disclosed in Notes 4 and 15 respectively.

The main activities of the Committee during the year were as follows:

» ***Internal financial control systems***

The Committee reviewed the recommendations made by the independent auditor and management's responses and actions. The Committee was satisfied that it was appropriate for the Board to make the statements regarding internal controls included in the Report of the Directors and the Directors' responsibilities statement.

» ***Internal audit***

The Committee undertook its annual review and proposed to the Board, which agreed, that it was not appropriate for the Group to undertake formal internal audit activities during the year.

The Chairman of the Committee reported to the Board on the Committee's activities after each meeting, identifying relevant matters requiring communication to the Board and recommendations on the steps to be taken.

Independent auditor

The appointment of the independent external auditor is approved by shareholders annually. The independent auditor's audit of the financial statements is conducted in accordance with International Standards on Auditing, ISA (UK and Ireland) issued by the Auditing Practices Board.

The independent auditor, with Julian Rae as Senior Statutory Auditor, provides the following services:

» a report to the Audit Committee giving an overview of the results, significant contracts and judgements and observations on the control environment; and

» an opinion on the truth and fairness of the Group and Company accounts.

The Audit Committee monitors the cost-effectiveness of audit and non-audit work performed by the independent auditor and also considers the potential impact, if any, of this work on independence. Approval is required prior to the independent auditor commencing any material non-audit work in accordance with a Group policy approved by the Committee. Certain work, such as providing bookkeeping services, is prohibited.

The Audit Committee also regulates the appointment of former employees of the independent auditor to positions in the Group. The Audit Committee regularly reviews all fees for non-audit work paid to the independent auditor. Details of these fees can be found in Note 4 to the financial statements.

The Committee concluded that the level of non-audit fees, which represented 17% (2015: 28%) of the audit fees for the Group, did not have a negative impact on Deloitte LLP's independence.

The independent auditor also operates procedures designed to safeguard their objectivity and independence. These include the periodic rotation of audit partner, use of independent concurring partners, use of a technical review panel (where appropriate) and annual independence confirmations by all staff. The independent auditor reports to the Committee on matters including independence and non-audit work on an annual basis.

Evaluation of the Committee

No evaluation of the Committee was undertaken during the year.

Approval

This report was approved by the Committee, on behalf of the Board, on the date shown below and signed on its behalf by:

Peter Welch
Chairman of the Audit Committee
8 June 2016

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the Directors must not approve the accounts 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 the parent company financial statements, the Directors are required to:

» select suitable accounting policies and then apply them consistently;

» make judgements and accounting estimates that are reasonable and prudent;

» state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

» prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors:

» properly select and apply accounting policies;

» present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

» provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

» make an assessment of the Group's ability to continue as a going concern.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibilities statement

We confirm that to the best of our knowledge:

» the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;

» the Strategic report includes a fair review of the development and performance of the business, the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that it faces; and

» the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

John Wilson
Chief Executive Officer

Andy Weatherstone
Chief Financial Officer
8 June 2016

INDEPENDENT AUDITOR'S REPORT
to the members of Elektron Technology plc

We have audited the financial statements of Elektron Technology plc for the year ended 31 January 2016, which comprise the consolidated statement of comprehensive income, the consolidated and parent Company balance sheets, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related Notes 1 to 28 and Notes 1 to 17 for the Company.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

Respective responsibilities of Directors and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

» the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 January 2016 and of the Group's profit for the year then ended;

» the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

» the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

» the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Separate opinion in relation to IFRSs as issued by the IASB

As explained in Note 1 to the Group financial statements, the Group, in addition to complying with its legal obligation to apply IFRSs as adopted by the European Union, has also applied IFRSs as issued by the International Accounting Standards Board (IASB).

In our opinion the Group financial statements comply with IFRSs as issued by the IASB.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

» adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

» the parent company financial statements are not in agreement with the accounting records and returns; or

» certain disclosures of Directors' remuneration specified by law are not made; or

» we have not received all the information and explanations we require for our audit.

Julian Rae (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge, United Kingdom
8 June 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
year ended 31 January 2016

	Notes	2016 £m	2015 £m
Revenue	2	**43.3**	44.4
Cost of sales		**(27.2)**	(28.6)
Gross profit		**16.1**	15.8
Operating expenses			
Operating expenses (excluding non-recurring or special items[1])	3	**(14.9)**	(14.1)
Operating profit before non-recurring or special items		**1.2**	1.7
Non-recurring or special items	4	**(0.3)**	(1.2)
Total operating expenses	3	**(15.2)**	(15.3)
Operating profit	4	**0.9**	0.5
Finance costs	5	**(0.1)**	(0.3)
Profit before taxation		**0.8**	0.2
Taxation	8	**(0.2)**	—
Profit for the period		**0.6**	0.2
Other comprehensive expense			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**—**	(0.2)
Total comprehensive income/(expense) for the financial year attributable to equity shareholders		**0.6**	—
Earnings per share from continuing operations			
Basic and diluted EPS	10	**0.4p**	0.1p
Adjusted and diluted adjusted EPS[2]	10	**0.5p**	1.0p

1 See Note 1 to financial statements for definition.

2 Before non-recurring and special items.

CONSOLIDATED BALANCE SHEET

as at 31 January 2016

	Notes	2016 £m	2015 £m
Assets			
Non-current assets			
Capitalised R&D	12	**4.3**	3.5
Other intangible assets	12	**1.8**	2.3
Property, plant and equipment	13	**2.7**	2.8
Total non-current assets		**8.8**	8.6
Current assets			
Inventories	16	**5.7**	5.4
Trade and other receivables	17	**6.9**	6.8
Cash and cash equivalents		**0.6**	0.6
Total current assets		**13.2**	12.8
Total assets		**22.0**	21.4
Current liabilities			
Trade and other payables	18	**7.2**	6.8
Borrowings	19	**1.9**	1.0
Current portion of long-term borrowings	19	**0.3**	1.3
Current tax payable		**0.2**	—
Provisions	20	**0.5**	0.2
Total current liabilities		**10.1**	9.3
Non-current liabilities			
Long-term borrowings	19	**—**	1.0
Long-term provisions	20	**0.3**	0.2
Total non-current liabilities		**0.3**	1.2
Total liabilities		**10.4**	10.5
Net assets		**11.6**	10.9
Equity attributable to the owners of the Company			
Called up share capital	21	**9.3**	9.3
Share premium	21	**5.4**	5.4
Merger reserve	21	**1.1**	1.1
Capital redemption reserve	21	**0.2**	0.2
Own shares	21	**(3.5)**	(3.5)
Other reserves	21	**0.8**	0.7
Translation reserve	21	**(0.8)**	(0.8)
Retained earnings	21	**(0.9)**	(1.5)
Total equity		**11.6**	10.9

The financial statements of Elektron Technology plc (registered no. 448274) were approved by the Board of Directors on 8 June 2016 and were signed on its behalf by:

Keith Daley
Director

Andy Weatherstone
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

year ended 31 January 2016

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Own shares[1] £m	Other reserves £m	Translation reserve £m	Retained earnings £m	Total £m
At 1 February 2014	6.0	5.4	1.1	0.2	(3.5)	0.5	(0.6)	(1.7)	7.4
Profit for the period	—	—	—	—	—	—	—	0.2	0.2
Other comprehensive income	—	—	—	—	—	—	(0.2)	—	(0.2)
Total comprehensive (expense)/income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(0.2)**	**0.2**	**—**
Share issue	3.3	—	—	—	—	—	—	—	3.3
Credit to equity for share-based payments	—	—	—	—	—	0.2	—	—	0.2
At 31 January 2015	**9.3**	**5.4**	**1.1**	**0.2**	**(3.5)**	**0.7**	**(0.8)**	**(1.5)**	**10.9**
Profit for the period	—	—	—	—	—	—	—	0.6	0.6
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**0.6**	**0.6**
Credit to equity for share-based payments	—	—	—	—	—	0.1	—	—	0.1
At 31 January 2016	**9.3**	**5.4**	**1.1**	**0.2**	**(3.5)**	**0.8**	**(0.8)**	**(0.9)**	**11.6**

1 The Treasury shares are held by the Elektron Technology 2012 EBT.

CONSOLIDATED STATEMENT OF CASH FLOWS

year ended 31 January 2016

	Notes	2016 £m	2015 £m
Net cash inflow from operating activities	6	**3.8**	3.5
Investing activities			
Purchase of property, plant and equipment	13	**(0.8)**	(0.5)
Purchase of other intangible assets	12	**(2.1)**	(1.1)
Proceeds from the sale of property, plant and equipment		**0.2**	0.1
Net cash used in investing activities		**(2.7)**	(1.5)
Financing activities			
Proceeds from ordinary share issue		**—**	3.3
Decrease in bank loans		**(0.9)**	(5.2)
Payment of hire purchase and finance liabilities		**(0.2)**	(0.3)
Net cash used in financing activities		**(1.1)**	(2.2)
Net decrease in cash and cash equivalents		**—**	(0.2)
Cash and cash equivalents at the beginning of the period		**0.6**	0.8
Cash and cash equivalents at the end of the period		**0.6**	0.6

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended 31 January 2016

General information
Elektron Technology plc (the "Group" or "Elektron") is a public limited liability company incorporated in England and Wales and domiciled in the UK. The address of its registered office is Broers Building, JJ Thomson Avenue, Cambridge CB3 0FA. The nature of the Group's operations and its principal activities are set out in the Report of the Directors on pages 23 to 25.

These financial statements are presented in Sterling, the currency of the primary economic environment in which the Group operates, and all values are rounded to the nearest hundred thousand (£0.1m) except where otherwise stated. Foreign operations are included in accordance with the accounting policies set out in Note 1.

1. Summary of significant accounting policies
The particular accounting policies adopted by the Directors in the preparation of these consolidated financial statements are described below:

Basis of accounting
The consolidated financial statements of Elektron Technology plc have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union and therefore the Group financial statements comply with Article 4 of the EU IAS Regulation.

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of financial instruments. The principal accounting policies adopted are set out below. These policies have been applied consistently to all years presented, unless otherwise stated.

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

- Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"
- Annual Improvement 2010–2012 Cycle
- Annual Improvement 2011–2013 Cycle

Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions" – amends IAS 19 Employee Benefits to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions can, but are not required to, be recognised as a reduction in the service cost in the period in which the related service is rendered.

Annual improvements 2010–2012 Cycle
Makes amendments to the following standards:

IFRS 2 – Amends the definitions of "vesting condition" and "market condition" and adds definitions for "performance condition" and "service condition"

IFRS 3 – Requires contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date

IFRS 8 – Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarification of reconciliations of segment assets only required if segment assets are reported regularly

IFRS 13 – Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only)

IAS 16 and IAS 38 – Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount

Standards not affecting the reported results nor the financial position
At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9 "Financial Instruments"

IFRS 15 "Revenue from Contracts with Customers"

The Directors do not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Group in future periods.

IFRS 16 "Leases"

The Directors are yet to assess the full impact of this standard which requires leases to recognise assets and liabilities unless the lease is twelve months or less or the underlying asset has a low value. It is expected that a significant proportion of leases currently accounted for as operating leases would be expected to be recognised as assets with a corresponding liability under IFRS 16.

1. Summary of significant accounting policies *continued*

Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements in conformity with IFRSs 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 non-recurring or special items (Note 4): in line with the way the Board and chief operating decision maker reviews the business, non-recurring or special items are separately identified. Management has defined and reports such items as restructuring and site closure 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 of 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 Group 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 estimation of the deferred income tax asset (Note 15): deferred taxation assets are recognised for subsidiaries with a past history of profitable trends where there is persuasive and reliable evidence in the form of management accounts and financial projections that taxable profits are anticipated;

» the estimation of the net realisable value of inventory (Note 16): 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 estimation of the cost of restructuring activities, dilapidations and the estimation of the provision for product rectification (Note 20).

Going concern

The Group’s business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman’s statement and the Chief Executive Officer’s statement on pages 4 to 7. The principal risks and uncertainties facing the business are described on pages 16 to 18. The Financial review on pages 19 to 21 gives details of the Group’s principal banking facilities.

The Directors have prepared and reviewed current cash flow projections for a period not less than twelve months from the approval of the Annual Report. These projections take account of reasonably possible changes in trading performance, borrowing facilities and forecast covenant compliance. In the event, should actual performance fall below the current forecast levels in this period, the Group has a number of mitigating factors available to it and the Board has the required monitoring and controls in place in order to be able to put the necessary actions in place if they see a need to do so.

The Directors have no reason to believe that any of the existing borrowing facilities might be withdrawn or that there would be any other material change in the current financial projections of the Group. As a result the Directors have formed a judgement when approving the financial statements that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Consolidation

The consolidated financial statements incorporate the financial statements of Elektron Technology plc and all subsidiary undertakings drawn up to 31 January each year. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies so as to obtain benefit from their activities. The results of businesses acquired during the year are included from the effective date of acquisition. The results of businesses discontinued during the year are included until the date of disposal. Business combinations are accounted for using the purchase method. Balances between Group companies are eliminated and no profit is taken on intra-group sales.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair value (at the date of exchange) of assets given, liabilities incurred or assumed, equity instruments issued and cash paid by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in the statement of comprehensive income as incurred.

Where a business combination is achieved in stages, the Group’s previously held interests in the acquired entity are remeasured to fair value at the acquisition date.

The acquiree’s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) “Business Combinations” are recognised at their fair value at the acquisition date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONTINUED*
year ended 31 January 2016

1. Summary of significant accounting policies *continued*
Goodwill
Goodwill arises on the acquisition of subsidiaries and represents any excess of cost of the acquired entity over the Group's interest in the fair value of the entity's identifiable assets and liabilities acquired and is capitalised as a separate item. Goodwill is recognised as an intangible asset.

Under the business combination exemption of IFRS 1, goodwill previously capitalised or written off to reserves under UK GAAP is not recycled to the statement of comprehensive income on calculating a gain or loss on disposal.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. Cash generating units to which goodwill has been allocated are tested for impairment annually, or more frequently where there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. Impairment losses are recognised in the statement of comprehensive income.

Negative goodwill, representing the amount by which the net fair value of the assets and liabilities of an acquired business exceeds the acquisition cost, is in accordance with IFRS 3, recognised in the statement of comprehensive income in the year of acquisition.

Other intangible assets
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Group's development is recognised only if all of the following conditions are met:

» an asset is created that can be identified (such as software and new processes);

» it is probable that the asset created will generate future economic benefits; and

» the development cost of the asset can be measured reliably.

The cost of acquiring software (including associated implementation costs where applicable) that is not specific to an item of property, plant and equipment is classified as an intangible asset.

Other intangible assets that are separately acquired by the Group are stated at fair value. The category of other intangible assets also includes marketing, customer and technology related assets arising from the acquisition of Hartest Holdings plc recognised at fair value.

Amortisation of intangible assets is charged on a straight line basis over the estimated useful lives of intangible assets determined on an asset-by-asset basis. The estimated useful lives are as follows:

» Computer software	3–10 years
» Marketing, customer and technology related assets	10–20 years
» Development costs	4 years

Government grants
Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants relating to property, plant and equipment and intangible assets are treated as deferred income and released to profit or loss over the expected useful lives of the assets concerned.

Property, plant and equipment
The cost of property, plant and equipment is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated on the cost of each property, plant and equipment asset individually on a straight line basis and is designed to write off the costs of the assets less any residual value over their estimated useful lives. The estimated useful lives are:

» Plant, equipment and tools	3–15 years
» Motor vehicles	4 years
» Fixtures and fittings	8–16 years
» Leasehold improvements	Term of the lease

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. The carrying value is reviewed for impairment in the period if events or changes in circumstances indicate the carrying value may not be recoverable. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

1. Summary of significant accounting policies *continued*

Impairment of tangible and intangible assets excluding goodwill

The carrying amount of the Group's assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises all direct expenditure and, where appropriate, production overheads based on the normal level of activity. Where necessary, provision is made for obsolete, slow moving and defective stocks. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs to completion.

Employee benefits

Pensions to employees are provided through defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions to an independent entity. The Group has no legal obligations to pay further contributions after payment of the fixed contribution.

The contributions recognised in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

Share-based employee remuneration

The Group's management awards certain employee incentives from time to time on a discretionary basis and through its Company Share Option Plan (CSOP) and its Joint Share Ownership Plan (JSOP).

In accordance with IFRS 2 "Share-based Payment", the Group reflects the economic cost of awarding shares and share options to employees by recording an expense in the statement of comprehensive income equal to the fair value of the benefit awarded, fair value being estimated using the Black-Scholes option pricing model. The expense is recognised in the statement of comprehensive income over the vesting period of the award. 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. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 21. For the shares and share options awarded by the Group to employees of subsidiary undertakings using the Company's equity instruments, the fair value of the equity instruments is recognised as a capital contribution to the Company's subsidiary undertakings over the vesting period. The capital contribution is reduced by any payments received from subsidiary undertakings in respect of these share-based payments.

Share capital

(a) Treasury shares

Where the Group purchases its own equity share capital (Treasury shares) the consideration paid, including any directly attributable incremental costs (net of taxes), is deducted from equity attributable to the Company's shareholders until the shares are cancelled, reissued or disposed of.

(b) Trust shares

The Elektron Technology 2012 Employee Benefit Trust ("EBT") uses funds provided by the Group to meet the Group's obligations under the employee share option plans and the JSOP. All shares acquired by EBT are purchased on the open market or, in the case of the JSOP shares, may be issued directly to EBT at the then market value. Where the Group holds its own equity shares through EBT, these shares are shown as a reduction in equity; consideration paid or received is shown in the reconciliation of equity movements and no gain or loss is recognised within the consolidated income statement or the statement of comprehensive income on the purchase, sale, issue or cancellation of these shares.

Leases

In accordance with IAS 17 "Leases", the economic ownership of a leased asset is transferred to the lessee if they bear substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability.

Subsequent accounting for assets held under finance lease agreements, i.e. depreciation methods and useful lives, correspond to those applied to comparable acquired assets. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are expensed to finance costs. Finance charges represent a constant periodic rate of interest on the outstanding balance of the finance lease liability.

All other leases are treated as operating leases. Payment on operating lease agreements is recognised as an expense on a straight line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONTINUED*

year ended 31 January 2016

1. Summary of significant accounting policies *continued*

Financial liabilities/assets

The Group's financial liabilities are overdrafts, revolving credit and invoice discounting facilities, trade and other payables and finance leasing liabilities. They are included in the balance sheet line items "borrowings", "long-term borrowings" and "trade and other payables".

Financial liabilities are recognised when the Group becomes party to the contractual arrangements of the instrument.

All interest related charges are recognised as an expense in "finance cost" in the statement of comprehensive income.

Finance lease liabilities are measured at initial value less the capital element of lease repayments.

Trade payables are stated at their amortised cost.

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides goods directly to a debtor. Receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the statement of comprehensive income.

Provision against trade receivables is made when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Equity instruments

Share capital is determined using the nominal value of shares that have been issued. Equity-settled share-based employee remuneration is credited to other reserves until the related equity instruments are realised by the employee.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts and include cash at bank and in hand and bank deposits available at less than 24 hours' notice. Bank overdrafts and invoice discounting advances are presented as current liabilities to the extent that there is no right of offset with cash balances. The carrying value of these assets is approximately equal to their fair value.

Accounting for taxes

Current tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year.

Where an item of income or expense is recognised in the statement of comprehensive income, any related tax generated is recognised as a component of tax expense in the statement of comprehensive income. Where an item is recognised directly to equity and presented within the statement of comprehensive income, any related tax generated is treated similarly.

Deferred taxation

Deferred taxation is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred taxation liabilities are generally recognised on all taxable temporary differences. Deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date. The carrying value of deferred taxation 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 against which taxable temporary differences can be utilised. Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The Group manufactures and sells a range of engineered products to industrial markets. Sales of goods are recognised when a Group entity has despatched products to the customer, the customer has full discretion over the use of the components and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the risks of obsolescence and loss have been transferred, and either the products have been accepted in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

1. Summary of significant accounting policies *continued*

Revenue recognition *continued*

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.

In respect of fee-based subscription services, when the Group sells hardware and a subscription in one bundled transaction, the total consideration from the arrangement is allocated to each element based on their relative fair values. The amount of revenue the Group recognises for delivered elements is limited to the cash received.

Foreign currencies

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in Sterling, which is the functional currency of the Group and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions is used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation.

Financial risk management

The Group's multinational operations and debt financing expose it to a variety of financial risks. In the course of its business, the Group is exposed to foreign currency risk, interest rate risk, liquidity risk and credit risk. Financial risk management is an integral part of the way the Group is managed. Financial risk management policies are set by the Board. Further details are included in the Report of the Directors.

The Group does not hold or use derivative financial instruments.

(i) Foreign currency risk

Foreign currency risk arises both where sale or purchase transactions are undertaken in currencies other than the respective functional currencies of Group companies (transactional exposures) and where the results of overseas companies are consolidated into the Group's reporting currency of Sterling (translational exposures). The Group has overseas operations that record their results in different local functional currencies. In countries where the Group does not have operations, it frequently has some customers or suppliers that transact in a foreign currency. The Group is therefore exposed to the changes in foreign currency exchange rates between a number of different currencies, but the Group's primary exposures relate to the US Dollar, Euro and Tunisian Dinar.

The Group's policy is not to hedge its exposure using financial instruments, but to mitigate exposure by natural hedges.

The Group's translational exposures to foreign currency risks can relate both to the statement of comprehensive income and net assets of overseas subsidiaries. The Group's policy is not to hedge the translational exposure that arises on consolidation of the statements of comprehensive income of overseas subsidiaries.

(ii) Interest rate risk

Interest rate risk arising from borrowing at variable rates is not hedged.

(iii) Liquidity risk

Liquidity risk represents the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing this risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages this risk by maintaining adequate committed lines of funding. The undrawn facilities committed to the Group as at 31 January 2016 are set out in Note 25.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONTINUED*

year ended 31 January 2016

1. Summary of significant accounting policies *continued*

Financial risk management *continued*

(iv) Credit risk

Credit risk arises because a counterparty may fail to perform its obligations. The Group is exposed to credit risk on financial assets such as cash balances, trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables. The amounts recognised in the balance sheet are net of appropriate allowances for doubtful receivables, estimated by the Group's management based on prior experience and its assessment of the current economic environment. Trade receivables are subject to credit limits and control and approval procedures in the operating companies. Due to its large geographic base and number of customers, the Group is not exposed to material concentrations of credit risk on its trade receivables.

Credit risk associated with cash balances is managed by transacting with financial institutions with high quality credit ratings. Accordingly, the Group's associated credit risk is limited. The Group has no significant concentration of credit risk.

The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset in the Group balance sheet.

Capital management

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Details of share-based payments are disclosed in Note 21.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

From time to time the Group purchases its own shares in the market; the timing of these purchases depends on market prices. Buy and sell decisions are made on a specific transaction basis by the Board.

There were no changes to the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Non-GAAP measure

These financial statements contain references to operating profit before non-recurring or special items. This financial measure does not have any standardised meaning prescribed by IFRS and is therefore referred to as a non-GAAP measure. The non-GAAP measure used by the Company may not be comparable to similar measures used by other companies.

The definition of operating profit before non-recurring or special items is set out earlier in this Note (critical accounting judgements and key sources of estimation uncertainty). The Board believes that this is a useful supplemental metric as it provides an indication of the results generated by the Company's principal business activities prior to consideration of how the results are impacted by one-time exceptional charges or how the results are affected by the accounting standards associated with the Group's share-based payment expense.

2. Segmental reporting

The Group has continued to adopt the provisions of IFRS 8 "Operating Segments" and historically shown summary information in respect of these segments. This segmentation is consistent with internal reports to the chief operating decision maker for use in assessing business performance and allocating Group resources. The chief operating decision maker is the Chief Executive of the Group. The activity of each segment is explained in the Review of performance and strategic update.

	Segment revenue		Operating profit/(loss) before non-recurring or special items		Operating profit/(loss)	
Segment revenues and results of continuing operations	**2016 £m**	2015 £m	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Connectivity	**25.8**	25.8	**3.8**	2.9	**3.6**	2.2
Instrumentation, Monitoring and Control (IMC)	**17.3**	18.4	**(0.4)**	(0.5)	**(0.5)**	(1.0)
Total Connectivity and IMC	**43.1**	44.2	**3.4**	2.4	**3.1**	1.2
Checkit	**0.2**	0.2	**(2.2)**	(0.7)	**(2.2)**	(0.7)
Total	**43.3**	44.4	**1.2**	1.7	**0.9**	0.5
Finance costs (net)					**(0.1)**	(0.3)
Profit before tax					**0.8**	0.2

Revenue reported above represents revenue generated from external customers.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 1.

2. Segmental reporting *continued*

Segment profit represents the profit earned by each segment, including a share of central administration costs, which is allocated on the basis of actual use or pro rata to sales. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Segment assets	2016 £m	2015 £m
Connectivity	**10.2**	10.4
IMC	**9.0**	9.8
Total Connectivity and IMC	**19.2**	20.2
Checkit	**2.8**	1.2
Consolidated assets	**22.0**	21.4

Segment liabilities	2016 £m	2015 £m
Connectivity	**5.8**	5.6
IMC	**4.4**	4.7
Total Connectivity and IMC	**10.2**	10.3
Checkit	**0.2**	0.2
Consolidated liabilities	**10.4**	10.5

	Depreciation and amortisation		Additions to non-current assets	
Other segment information	2016 £m	2015 £m	2016 £m	2015 £m
Connectivity	**1.0**	0.7	**0.6**	0.5
IMC	**1.2**	1.0	**0.5**	0.4
Total Connectivity and IMC	**2.2**	1.7	**1.1**	0.9
Checkit	**0.3**	0.2	**1.8**	0.7
Total	**2.5**	1.9	**2.9**	1.6

Geographical information

The Group considers its operations to be in the following geographical regions:

	Revenue from external customers		Non-current assets	
	2016 £m	2015 £m	2016 £m	2015 £m
United Kingdom	**18.9**	19.3	**8.0**	7.8
Rest of Europe, the Middle East and Africa	**11.9**	12.3	**0.8**	0.8
Asia Pacific and China	**4.3**	5.1	**—**	—
Americas	**8.2**	7.7	**—**	—
Total	**43.3**	44.4	**8.8**	8.6

3. Net operating expenses

	2016 £m	2015 £m
Net operating expenses		
Selling and distribution costs	**5.9**	6.1
Administrative expenses	**9.0**	8.0
Operating expenses excluding non-recurring or special items	**14.9**	14.1
Non-recurring or special items (see Note 4)	**0.3**	1.2
Total operating expenses	**15.2**	15.3

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONTINUED*

year ended 31 January 2016

4. Operating profit

	2016 £m	2015 £m
Operating profit is after charging:		
Depreciation on owned property, plant and equipment	**0.6**	0.7
Depreciation on property, plant and equipment held under finance leases	**0.1**	0.1
Amortisation of non-acquisition intangible assets	**1.6**	0.9
Impairment of other intangible assets	**0.2**	0.2
Research and development expenditure	**1.0**	1.1
Loss on foreign currency translation	**0.1**	0.1
Operating lease rentals:		
– land and buildings	**0.9**	1.0
– plant and machinery	**0.1**	0.1
Auditor's remuneration:		
– fees payable to the Company's auditor for the audit of the Company's annual accounts	**—**	—
– fees payable to the Company's auditor for the audit of the Company's subsidiaries pursuant to legislation	**0.2**	0.2
Total audit fees for audit services	**0.2**	0.2
– tax services	**—**	—
Total auditor's remuneration	**0.2**	0.2
Non-recurring or special items:		
– strategic review costs	**—**	0.8
– IFRS 2 charge	**0.1**	0.2
– amortisation of acquisition intangible assets	**0.2**	0.2
Total non-recurring or special items	**0.3**	1.2

Included within auditor's remuneration for audit services is less than £0.1m (2015: less than £0.1m) for the audit of overseas subsidiaries carried out by an auditor other than Deloitte LLP and less than £0.1m (2015: less than £0.1m) payable to Deloitte LLP for the audit of the Company's annual accounts.

5. Finance costs

	2016 £m	2015 £m
Bank overdrafts and loans wholly repayable within five years	**(0.1)**	(0.2)
Finance leases and hire purchase contracts	**—**	(0.1)
	(0.1)	(0.3)

6. Net cash flows from operating activities

	2016 £m	2015 £m
Profit before taxation		
– from continuing operations	**0.8**	0.2
Adjustments for:		
Depreciation	**0.7**	0.8
Non-recurring or other special items – continuing	**0.3**	1.2
Amortisation of development costs and computer software	**1.8**	0.9
Loss on disposal of fixed assets	**—**	0.1
Interest payable	**0.1**	0.3
Operating cash flow before working capital changes and non-recurring or special items	**3.7**	3.5
Decrease in trade and other receivables	**0.2**	2.7
(Increase)/decrease in inventories	**(0.3)**	0.8
Increase/(decrease) in trade and other payables	**0.4**	(2.1)
Payments for non-recurring and other special items	**(0.1)**	(1.1)
Cash generated by operations	**3.9**	3.8
Interest paid	**(0.1)**	(0.3)
Net cash inflow from operating activities	**3.8**	3.5

7. Staff information (including Directors)

Employee costs were:

	Note	2016 £m	2015 £m
Wages and salaries		**13.2**	12.4
Social security costs		**1.6**	1.4
Other pension costs	24	**0.3**	0.3
		15.1	14.1

Redundancy costs of £0.1m (2015: £0.1m) were incurred in the year and were included within operating costs. Redundancy costs incurred in 2015 were included in special and non-recurring items (see Note 4).

The average monthly number of people employed by the Group during the year, including Executive Directors, was as follows:

	2016 Number	2015 Number
Administration and sales	**167**	162
Production	**853**	888
	1,020	1,050

Details of Directors' remuneration are included in the Remuneration report on pages 26 to 31.

8. Taxation

(a) Analysis of tax charge for the year

	2016 £m	2015 £m
Current taxation:		
Overseas corporation tax charge on profit for the year	**0.1**	—
Underprovision for prior year	**0.1**	—
Total current taxation	**0.2**	—
Tax charge on continuing operations	**0.2**	—

(b) Factors affecting taxation charge for the year

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

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

	2016		2015	
	Tax rate	£m	Tax rate	£m
Profit on continuing operations before taxation		**0.8**		0.2
Profit on ordinary activities multiplied by weighted average standard rate of corporation tax in the UK of 20.2%	**20.2%**	**0.2**	21.3%	—
Effects of:				
Expenses not deductible for tax purposes	**37.5%**	**0.3**	50.0%	0.1
Overseas tax rates	**25.5%**	**(0.2)**	(150.0)%	(0.3)
Timing differences not recognised	**12.5%**	**0.1**	—	—
Utilisation of tax losses brought forward	**(37.5)%**	**(0.3)**	50.0%	0.1
Non-recognition of tax losses	**37.5%**	**0.3**	50.0%	0.1
	20.2%	**0.2**	—	—

(c) Factors that may affect future taxation charges

Deferred taxation assets amounting to £0.9m (2015: £1.0m) have not been provided in respect of unutilised income tax losses that can be carried forward against future taxable income as there is currently insufficient evidence that these assets will be recovered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONTINUED*

year ended 31 January 2016

9. Dividends paid

No interim or final dividend was paid for year ended 31 January 2016 (2015: nil).

10. Earnings per share

The calculation of the basic earnings per share (basic EPS), diluted earnings per share (diluted EPS) and earnings per share before non-recurring or special items (adjusted EPS) is based on the following data. Shares held in treasury are excluded from the number of shares in issue for the purposes of earnings per share calculations. The calculation of the diluted earnings per share is based on the basic earnings per share adjusted to allow for the issue of shares on the assumed conversion of all dilutive options. However, in accordance with IAS 33 "Earnings Per Share", potential ordinary shares are only considered dilutive when their conversion would decrease the profit per share or increase the loss per share from continuing operations attributable to the equity shareholders. As at 31 January 2016 there were 14,099,350 potential ordinary shares which have been disregarded in the calculation of diluted earnings per share as they were considered non-dilutive at this date.

Earnings

Earnings from continuing operations	2016 £m	2015 £m
Earnings for the purposes of basic and diluted EPS being net profit attributable to the owners of the Company	**0.6**	0.2
Adjustment in respect of non-recurring or special items net of taxation of £Nil (2015: £Nil)	**0.3**	1.2
Earnings for the purposes of adjusted EPS	**0.9**	1.4

Number of shares

	2016 No.	2015 No.
Weighted average number of ordinary shares for the purposes of basic EPS	**171,025,201**	140,221,240
Effect of dilutive potential ordinary shares:	**—**	—
Share options	**—**	—
Weighted average number of ordinary shares for the purposes of diluted EPS	**171,025,201**	140,221,240

Earnings per share

From continuing operations	2016	2015
Basic and diluted EPS	**0.4p**	0.1p
Adjusted and diluted adjusted EPS	**0.5p**	1.0p

11. Goodwill

Net book value	2016 £m	2015 £m
At 1 February and 31 January	**—**	—

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill has been allocated to one CGU.

In preparing the 2014 financial statements the Board decided, based upon its testing, that it was appropriate to fully impair the Group's goodwill.

12. Other intangible assets

	Development costs £m	Computer software £m	Acquired intangible assets £m	Total £m
Cost				
At 1 February 2014	3.5	1.8	2.5	7.8
Additions	1.1	—	—	1.1
At 31 January 2015	4.6	1.8	2.5	8.9
Additions	1.9	0.2	—	2.1
At 31 January 2016	**6.5**	**2.0**	**2.5**	**11.0**
Amortisation				
At 1 February 2014	0.4	0.5	1.1	2.0
Charge for the year	0.7	0.2	0.2	1.1
At 31 January 2015	1.1	0.7	1.3	3.1
Charge for the year	1.1	0.5	0.2	1.8
At 31 January 2016	**2.2**	**1.2**	**1.5**	**4.9**
Carrying amount				
At 1 February 2014	3.1	1.3	1.4	5.8
At 31 January 2015	3.5	1.1	1.2	5.8
At 31 January 2016	**4.3**	**0.8**	**1.0**	**6.1**

Development cost additions by project	**2016 £m**	2015 £m
Connectivity	**0.1**	0.1
Queensgate	**—**	0.2
Ophthalmic	**0.1**	0.1
Digitron	**0.1**	—
Other	**0.1**	—
Total Connectivity and IMC	**0.4**	0.4
Checkit	**1.5**	0.7
Total development cost additions	**1.9**	1.1

	Cost value		Net book value	
Total amounts by project	**2016 £m**	2015 £m	**2016 £m**	2015 £m
Connectivity	**1.1**	1.0	**0.7**	0.7
Queensgate	**1.4**	1.4	**0.8**	1.2
Ophthalmic	**0.6**	0.5	**0.4**	0.4
Digitron	**0.1**	—	**—**	—
Other	**0.5**	0.4	**—**	—
Total Connectivity and IMC	**3.7**	3.3	**1.9**	2.3
Checkit	**2.8**	1.3	**2.4**	1.2
Total development costs	**6.5**	4.6	**4.3**	3.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONTINUED*

year ended 31 January 2016

12. Other intangible assets *continued*

Acquired intangible assets include marketing (£0.9m), customer (£1.3m), and technology (£0.3m) related assets arising from the acquisition of Hartest Holdings plc, which are being amortised over their estimated useful lives, which are estimated to be between ten and 20 years. In accordance with the requirements of IAS 12, an initial deferred tax liability of £0.5m was recognised separately in respect of these assets. The deferred tax liability has been reduced in line with the amortisation of these assets. As at 31 January 2016 the remaining deferred tax liability amounted to £0.2m. An impairment charge of £0.4m was recognised in relation to the acquired intangible assets in 2014, in conjunction with the impairment testing of goodwill. The Group has tested the intangible assets for impairment and no further impairment was considered necessary in 2016.

The Group has prepared cash flow forecasts derived from the most recent financial budgets and high level plans approved by the Board for the period to 31 January 2019, assuming no growth in cash flows thereafter. The forecasts reflect the trading conditions experienced in the current year, where relevant, and these forecasts have been used in the value-in-use calculation.

The key assumptions to which the value-in-use calculation is most sensitive are those regarding the discount rates, growth rates and expected changes to selling prices and costs during the period.

The rate used to discount forecast cash flows is 11.5% (2015: 15%), which is deemed to be the Group's weighted average cost of capital.

13. Property, plant and equipment

	Leasehold improvements £m	Plant and machinery £m	Equipment, fixtures, fittings and vehicles £m	Total £m
Cost				
At 1 February 2014	1.2	9.0	2.9	13.1
Currency translation	(0.1)	—	—	(0.1)
Additions	0.2	0.2	0.1	0.5
Disposals	(0.1)	(0.4)	(0.2)	(0.7)
At 31 January 2015	1.2	8.8	2.8	12.8
Additions	0.1	0.5	0.2	0.8
Disposals	—	(0.4)	(0.4)	(0.8)
At 31 January 2016	**1.3**	**8.9**	**2.6**	**12.8**
Depreciation				
At 1 February 2014	0.3	7.6	1.8	9.7
Charge for the year	0.1	0.3	0.4	0.8
Disposals	—	(0.3)	(0.2)	(0.5)
At 31 January 2015	0.4	7.6	2.0	10.0
Charge for the year	0.1	0.3	0.3	0.7
Disposals	—	(0.3)	(0.3)	(0.6)
At 31 January 2016	**0.5**	**7.6**	**2.0**	**10.1**
Net book value				
At 1 February 2014	0.9	1.4	1.1	3.4
At 31 January 2015	0.8	1.2	0.8	2.8
At 31 January 2016	**0.8**	**1.3**	**0.6**	**2.7**

The net book value of tangible fixed assets held under finance leases and hire purchase contracts was £0.2m (2015: £0.1m).

14. Investment in subsidiary undertakings

The subsidiary undertakings at 31 January 2016 were:

Name	Country of incorporation	Nature of business	Shares held by parent	Shares held by Group
Elektron Technology Corporation	USA	Sale of electromechanical components and instrumentation products	100%	100%
Elektron Technology PTE Ltd	Singapore	Sale of electromechanical components and instrumentation products	100%	100%
Elektron Technology UK Ltd	England and Wales	Design, manufacture and sale of electromechanical components and instrumentation products	100%	100%
Elektron Technology (Shanghai) Trading Limited	China	Sale of electromechanical components and instrumentation products	100%	100%
Elektron Tunisie Sarl	Tunisia	Manufacture of electromechanical components	100%	100%
Hartest Precision Instruments India Private Limited	India	Dormant company	100%	100%
Agar Scientific Limited	England and Wales	Dormant company	0%	100%
Bulgin PLC	England and Wales	Dormant company	0%	100%
Checkit Limited	England and Wales	Web-based service for work management and automated monitoring	0%	100%
Checkit Technology Limited	England and Wales	Dormant company	0%	100%
Elektron Enterprises 1 Limited	England and Wales	Dormant company	0%	100%
Elektron Precision Instruments Ltd	England and Wales	Design, manufacture and sale of measurement products	0%	100%
Hartest Precision Instruments Limited	England and Wales	Dormant company	0%	100%
Titman Tip Tools GmbH	Germany	Manufacture and sale of drilling and boring tooling	0%	100%
Titman Tip Tools Limited	England and Wales	Dormant company	0%	100%

All subsidiary undertakings are operated primarily in the country of incorporation.

15. Deferred tax

	2016 £m	2015 £m
Deferred tax assets recoverable after more than one year	**—**	—

The gross movement on the deferred tax asset is as follows:

	Notes	**2016 £m**	2015 £m
At 1 February 2015		**—**	—
Deferred tax on separately indentifiable intangible assets	8a	**0.1**	0.1
Deferred tax on capitalised development costs		**(0.1)**	—
Origination and reversal of other timing differences	8a	**—**	(0.1)
At 31 January 2016		**—**	—
This is made up of the following:			
Depreciation in excess of capital allowances		**0.4**	0.4
Deferred tax on capitalised development costs		**(0.5)**	(0.4)
Other short-term timing differences		**0.3**	0.3
Deferred tax on separately identifiable intangible assets		**(0.2)**	(0.3)
		—	—

Deferred taxation assets have only been recognised for subsidiaries with a past history of profitable trends where there is persuasive and reliable evidence in the form of management accounts and financial projections that taxable profits are anticipated to arise in the foreseeable future. Deferred taxation assets have not been provided in respect of unutilised income tax losses that can be carried forward against future taxable income as there is currently uncertainty over their offset against future taxable profits and therefore their recoverability.

No deferred tax liabilities have been provided in respect of the unremitted earnings of the overseas subsidiaries. The amount of such unremitted earnings is estimated to be a retained profit of £5.4m (2015: £4.8m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONTINUED*

year ended 31 January 2016

16. Inventories

	2016 £m	2015 £m
Raw materials	**3.9**	2.9
Work in progress	**0.3**	0.3
Finished goods and goods for resale	**1.5**	2.2
	5.7	5.4

In the ordinary course of business, the Group makes provision for slow-moving, excess and obsolete inventory as appropriate. Inventory is stated after charging impairments of less than £0.1m (2015: less than £0.1m), which are included within operating profit.

The amount of inventory recognised as an expense within the cost of sales amounted to £14.0m (2015: £15.1m).

17. Trade and other receivables

	2016 £m	2015 £m
Trade receivables	**6.6**	6.4
Less: provision for impairment	**(0.7)**	(0.7)
Trade receivables – net	**5.9**	5.7
Other receivables	**0.4**	0.3
Prepayments	**0.6**	0.8
	6.9	6.8

The fair values of trade and other receivables are considered to be as stated above.

Trade receivables can be analysed as follows:

	2016 £m	2015 £m
Not past due	**6.0**	4.7
Past due but not impaired	**0.2**	1.0
Past due and impaired	**0.4**	0.7
	6.6	6.4

The ageing of trade receivables classed as past due but not impaired is as follows:

	2016 £m	2015 £m
Up to one month past due	**0.1**	0.9
Over one month past due	**0.1**	0.1
	0.2	1.0

Trade receivables are normally due within 30 to 90 days and do not bear any effective interest rate. Some trade receivables are covered by credit insurance. There is no specific concentration of credit risk as the amounts recognised represent a large number of receivables from various customers.

Trade receivable days are 47 days (2015: 47 days).

Trade receivables of £0.7m (2015: £0.7m) are considered potentially impaired. The specifically impaired receivables relate to a wide variety of individual customers. Provisions for impairment are management's best estimates based on prior experience and an assessment of the current economic environment.

Ageing of impaired receivables:

	2016 £m	2015 £m
Not past due	**0.3**	—
Between one month and two months past due	**—**	0.2
Over two months past due	**0.4**	0.5
	0.7	0.7

17. Trade and other receivables *continued*

Movements on the provision for impairment of trade receivables are as follows:

	2016 £m	2015 £m
At 1 February 2015	**0.7**	0.8
Decrease in provision for receivables impairment	**—**	(0.1)
At 31 January 2016	**0.7**	0.7

The gross carrying amounts of trade and other receivables are denominated in the following currencies:

	2016 £m	2015 £m
Sterling	**4.7**	5.0
US Dollar	**1.4**	1.0
Euro	**0.5**	0.6
Other	**0.3**	0.2
	6.9	6.8

18. Trade and other payables

	2016 £m	2015 £m
Trade payables	**3.6**	4.0
Other payables	**1.1**	0.7
Accruals and deferred income	**2.5**	2.1
	7.2	6.8

The fair value of trade payables has not been disclosed as, due to their short-term nature, management considers the carrying amounts recognised in the balance sheet to be a reasonable approximation of their fair value.

Trade payable days are 37 days (2015: 45 days).

19. Borrowings

	2016 £m	2015 £m
Bank overdrafts and invoice discounting facilities	**1.5**	1.0
Obligations under finance leases and hire purchase contracts	**0.3**	0.5
Bank loans	**0.4**	1.8
	2.2	3.3
Short-term borrowings	**1.9**	1.0
Current portion of long-term borrowing	**0.3**	1.3
Long-term borrowings	**—**	1.0
	2.2	3.3
Analysis of repayments		
Bank overdrafts and invoice discounting facilities:		
Within one year	**1.5**	1.0
Finance leases and hire purchase contracts:		
Within one year	**—**	0.2
In two to five years	**0.3**	0.3
	0.3	0.5
Bank loans:		
Within one year	**0.4**	1.1
In two to five years	**—**	0.7
	0.4	1.8
	2.2	3.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONTINUED*
year ended 31 January 2016

19. Borrowings *continued*
Bank overdrafts and invoice discounting facilities of £1.9m (2015: £1.0m) and bank loans of £Nil (2015: £1.8m) are secured by debentures and fixed charges over certain Group assets. Balances have been offset where appropriate.

Bank overdrafts and invoice discounting facilities of £1.9m (2015: £1.0m) attract interest at 3.25% above the currency base rate.

Bank loans attract interest at 4.35% over LIBOR.

Finance leases and hire purchase contracts of £0.3m attract interest at 2.2% to 3.65% over base rates.

On 27 April 2016, the Group agreed amended terms with its lender in respect of its revolving credit facility, which was due to expire in that month. This facility has now been extended until 31 March 2018 at a commitment of £2.1m which amortises on a quarterly basis of £285k per quarter with the remaining amount expiring at the end of the facility.

All other terms remain substantially unchanged.

20. Provisions

	2016 £m	2015 £m
Non-current	**0.3**	0.2
Current	**0.5**	0.2
	0.8	0.4

	Product rectification £m	Dilapidation costs £m	Restructuring costs £m	Total £m
At 1 February 2015	—	0.2	0.2	0.4
Provided for in the year	0.3	0.1	—	0.4
At 31 January 2016	**0.3**	**0.3**	**0.2**	**0.8**
Anticipated utilisation				
Within one year	0.3	—	0.2	0.5
Beyond one year	—	0.3	—	0.3

The dilapidation costs relate to redecoration, maintenance and reinstatement costs required to meet the terms of property leases held by the Group.

The restructuring costs relate principally to redundancy and other costs of streamlining the Group based on detailed plans that have been communicated to the affected parties.

Product rectification relates to costs required to meet potential costs of replacing faulty equipment.

21. Share capital and reserves
Share capital

	2016 £m	2015 £m
Authorised		
200,000,000 (2015: 200,000,000) ordinary shares of 5 pence each	**10.0**	10.0
Allotted, called up and fully paid		
186,100,851 (2015: 186,100,851) ordinary shares of 5 pence each	**9.3**	9.3

Of the allotted, called up and fully paid share capital, 15,075,650 shares (2015: 15,075,650) are held by the Elektron Technology 2012 Employee Benefit Trust (EBT) and are treated as Treasury shares. Excluding these shares, the issued share capital at 31 January 2016 was 171,025,201 (2015: 171,025,201).

Shares held by the EBT include 9,568,000 shares (2015: 9,568,000) jointly owned with employees participating in the JSOP.

The middle-market price of the ordinary shares at 31 January 2016 was 6.375 pence per share and the range during the year was 4.375 pence per share to 8.375 pence per share.

21. Share capital and reserves *continued*

Share options

Elektron Technology plc Savings related Share Option Scheme: as at 31 January 2016, there was a total of 1,501,250 options outstanding held by 28 employees, including Directors. These options are exercisable after 1 July 2016 and the exercise price is 8.8 pence.

Elektron Technology plc Company Share Option Plan (CSOP)

			Number of options	
Year of grant	Exercise period	Option price	**2016 '000**	2015 '000
2011	2014–2021	38.00p	**—**	390
2012	2015–2022	25.00p	**—**	120
2014	2015–2022	17.00p	**150**	450
2014	2016–2023	10.625p	**220**	580
2015	2018–2025	8.00p	**2,430**	—

The weighted average exercise price of all options under the CSOP is 8.68 pence.

Movement in share options during the year:

	2016		2015	
	No. of shares 000s	**Weighted average**	No. of shares 000s	Weighted average
Outstanding at beginning of year	**1,540,000**	**10.52p**	2,308,000	20.99p
Granted during the year	**2,430,000**	**8.00p**	—	—
Forfeited/lapsed during the year	**(1,170,000)**	**(22.77)p**	(768,000)	(21.10)p
Outstanding at year end	**2,800,000**	**8.68p**	1,540,000	20.52p
Exercisable at the end of the period	**—**	**—**	—	—

During the year, 360,000 share options lapsed as a result of employees leaving the Group, 654,000 share options were voluntarily waived in exchange for the grant of replacement share options and 156,000 share options were voluntarily waived by Directors.

Elektron stock appreciation options

During the year, options in the form of stock appreciation rights not included in the above table, over 622,000 shares which were granted in 2012 for employees outside the UK and were voluntarily waived in exchange for the grant of options in the form of stock appreciation rights over 230,000 shares. The exercise period for these options granted during the year is 2018–2025 and the exercise price is 8.00 pence.

Valuation of share awards

Share-based payments, including awards under the CSOP, and the SAYE schemes and stock appreciation options are valued using an independent probability valuation model and take account of performance criteria (if any). The significant inputs into the model for awards during the year were:

Risk-free interest rate – yield on zero coupon UK government bonds at date of grant	0.64% to 1.6%
Weighted average contractual life	3 years
Weighted average share price	7.25p to 13.75p
Strike price	8p to 11p
Volatility of share price	47%
Forfeiture rate	20%–50%

The Group recognised a charge of £0.1m in the year (2015: £0.2m).

Reserves

The nature of the reserves shown in the consolidated balance sheet and consolidated statement of changes in equity is as follows:

Share premium

Amount subscribed for share capital in excess of nominal value.

Merger reserve

Amount arising on an acquisition in prior years satisfied substantially by the issue of share capital and thereby eligible for merger relief under the provisions of Section 612 of the Companies Act 2006.

Capital redemption reserve

The cumulative nominal value of own shares acquired by the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONTINUED*

year ended 31 January 2016

21. Share capital and reserves *continued*

Reserves *continued*

Own shares

The value of the Company's shares held by the Elektron Technology 2012 EBT.

Translation reserve

Gains and losses arising on retranslating the net assets of overseas operations into Sterling of £0.8m (2015: £0.8m).

Other reserves

A reserve arising from the application of IFRS 2 "Share-based Payments" of £0.8m (2015: £0.7m).

Retained earnings

Cumulative gains and losses recognised in the consolidated statement of comprehensive income not included above.

22. Capital commitments

Expenditure sanctioned but not contracted for amounted to less than £0.1m (2015: £0.1m), and expenditure contracted but not provided for in the financial statements amounted to £Nil (2015: £Nil).

23. Operating lease commitments

At 31 January 2016 the Group had total commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2016 £m	2015 £m	**2016 £m**	2015 £m
Minimum lease payments:				
Expiring within one year	**0.1**	0.4	**0.1**	0.1
Expiring between two and five years	**0.4**	0.4	**0.1**	0.2
Expiring after five years	**2.1**	2.0	**—**	—
	2.6	2.8	**0.2**	0.3

24. Retirement benefit schemes

The Group operates a Group Personal Pension Plan (which is a defined contribution scheme) for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of the trustees.

Contributions to the Group Personal Pension Plan and to other personal pension plans are charged to the statement of comprehensive income as they become payable. The pension cost charge for the year was £0.3m (2015: £0.3m) and outstanding contributions at the year end amounted to less than £0.1m (2015: less than £0.1m).

25. Financial assets and liabilities

(i) Financial instruments

The Group's financial instruments comprise borrowings, cash and cash equivalents, and various items such as trade receivables and payables that arise directly from its operations. The main purpose of these instruments is to raise finance for operations. The Group has not entered into derivatives transactions nor does it trade in financial instruments as a matter of policy. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board's policy on each is described in Note 1 and has not changed since 2012. Operations are financed through working capital management and short-term flexibility is achieved by revolving credit and invoice discounting facilities.

Treasury matters are dealt with on a Group basis and are approved by the Board. At 31 January 2016 gross gearing on net assets was 18.8% (2015: 30.9%).

(ii) Financial assets: excluding receivables due within one year

Details of trade and other receivables are provided in Note 17. The only other current financial asset held is cash and cash equivalents. The balances as at 31 January are detailed below:

	2016 £m	2015 £m
US Dollar accounts	**0.2**	0.1
Indian Rupee	**0.1**	0.1
Euro accounts	**0.1**	0.1
Pound Sterling	**0.2**	0.3
	0.6	0.6

25. Financial assets and liabilities *continued*

(iii) Financial liabilities: excluding non-debt current liabilities

The only financial liabilities of the Group which are subject to interest charges are bank loans, invoice discounting facilities, overdrafts and obligations under finance leases and hire purchase contracts. All borrowings attract interest at variable rates. At 31 January the interest rate profile of the Group's financial liabilities was as follows:

	2016 £m	2015 £m
Floating rate financial liabilities	2.2	3.4

(iv) Maturity

The maturity profile is shown in Note 19.

(v) Fair value of financial assets and liabilities

IFRS 7 "Financial Instruments" requires disclosure of fair value measurements by the level of the following fair value measurement hierarchy:

» quoted prices (unadjusted) in active markets (Level 1);

» inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (Level 2); and

» inputs for the asset or liability that are not based on observable market data (Level 3).

There were no applicable assets or liabilities at 31 January 2016 (2015: nil).

(vi) Committed undrawn borrowing facilities

At the year end the Group had committed undrawn facilities of £2.6m (2015: £3.9m) that related to revolving credit, invoice discounting, leasing and overdraft facilities repayable on demand in the event of any breaches in the covenants given by the Group.

(vii) Currency risk

The Group has transactional currency exposure arising from normal trading activity. Such exposure arises from sales and purchases in currencies other than Sterling. The Group does not trade in derivatives or make speculative hedges.

At 31 January 2016 the Group had no commitments under non-cancellable forward contracts (2015: £Nil).

The Group's currency exposure, being those transactional exposures that give rise to net currency gains and losses recognised in the statement of comprehensive income, was as follows:

	Assets		Liabilities	
	2016 £m	2015 £m	2016 £m	2015 £m
US Dollar	1.6	1.1	(0.3)	(0.2)
Euro	0.6	0.6	(0.2)	(0.3)
Indian Rupee	0.1	0.1	—	—
	2.3	1.8	(0.5)	(0.5)

(viii) Sensitivity analysis

For the year ended 31 January 2016 it is estimated that, for a 10% exchange rate movement, which is considered to be a reasonably possible change, the Group's Sterling-reported profit before tax would have changed by:

» £0.1m (2015: £0.1m) for the US Dollar;

» less than £0.1m (2015: £0.1m) for the Euro; and

» less than £0.1m (2015: less than £0.1m) for the Indian Rupee.

Sensitivity to other currencies and interest rates is not considered to be material in the context of the 2016 results.

(ix) Categories of financial instruments

Financial assets	2016 £m	2015 £m
Cash and bank balances	0.6	0.6
Loans and receivables	6.6	6.8
	7.2	7.4

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *CONTINUED*
year ended 31 January 2016

25. Financial assets and liabilities *continued*
(ix) Categories of financial instruments *continued*

Financial liabilities	2016 £m	2015 £m
Other financial liabilities at amortised cost		
Trade and other payables	**4.7**	4.7

26. Related party transactions
(a) Transactions between Group companies, which are related parties, have been eliminated on consolidation and have therefore not been disclosed.

(b) The Group occupies a number of leasehold properties with annual rentals of £0.4m (2015: £0.3m), the landlord of which is part of Panther Securities Plc, a substantial shareholder in Elektron Technology plc.

Elektron Technology plc, the Company, has also given rental guarantees to Panther Securities Plc as described in Note 13 to the parent company financial statements.

27. Potential litigation update
Mr Bridge's application for permission to appeal against the judgement His Honour Judge Hodge QC made on 17 June 2015 in respect of his application to pursue a derivative action against certain Directors of the Company was dismissed by Lord Justice Kitchin at the hearing on 20 April 2016. Lord Justice Kitchin came to the firm conclusion that Mr Bridge's appeal would not have a real prospect of success on any of the grounds put forward. There is no further route of appeal available to Mr Bridge.

As previously reported in the RNS announcement made on 18 June 2015, at the hearing on 17 June 2015 His Honour Judge Hodge QC also ordered Mr Bridge to pay the costs of both the Company and the Directors. Enforcement of those costs was stayed pending the outcome of Mr Bridge's application for permission to appeal to the Court of Appeal. That application was dismissed on 20 April 2016, with the result that the stay on enforcement has been lifted. The Company is therefore now taking steps to recover the costs that it has incurred in relation to this matter.

28. Post balance sheet events
Subsequent to year end the Group completed the disposal of its wholly owned subsidiary undertaking Agar Scientific Limited (which traded as a brand within the IMC segment of the Group) for total initial proceeds of £2.0m and potential deferred proceeds of £0.3m. The deferred consideration of £0.3m is subject to adjustment for levels of working capital at completion and it is repayable in monthly instalments of £10,000, commencing 30 June 2016. The disposal will be initially earnings dilutive, although the Group will seek to reduce this dilution through strict cost management. The disposal is part of the Group's rationalisation of its portfolio and will allow management to concentrate on the remaining higher margin businesses and those capable of substantial growth. The proceeds will be used to reduce borrowings (see Note 19 for details), leaving the Group in a net cash position.

PARENT COMPANY BALANCE SHEET
as at 31 January 2016

	Notes	2016 £m	2015 £m
Fixed assets			
Intangible assets	3	—	1.1
Tangible assets	4	—	0.1
Investments in subsidiary undertakings	5	0.3	0.3
		0.3	1.5
Current assets			
Debtors	6	17.2	18.1
Cash in hand and at bank		0.1	0.1
		17.3	18.2
Creditors: amounts falling due within one year	7	(1.5)	(2.7)
Net current assets		15.8	15.4
Total assets less current liabilities		16.1	16.8
Creditors: amounts falling due after more than one year	8	—	(0.3)
Provisions for liabilities	10	—	—
Net assets		16.1	16.5
Capital and reserves			
Called up share capital	11	9.3	9.3
Share premium	11	5.4	5.4
Merger reserve	11	1.1	1.1
Capital redemption reserve	11	0.2	0.2
Other reserves	11	0.4	0.3
Profit and loss account	11	(0.3)	0.2
Shareholders' funds		16.1	16.5

The financial statements were approved by the Board of Directors on 8 June 2016 and were signed on its behalf by:

Keith Daley
Director

Andy Weatherstone
Director

STATEMENT OF CHANGES IN EQUITY

year ended 31 January 2016

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Other reserves £m	Profit and loss account £m	Total £m
At 1 February 2014	6.0	5.4	1.1	0.2	0.1	2.2	15.0
Loss for the year	—	—	—	—	—	(2.0)	(2.0)
Total comprehensive (expense) for the year	—	—	—	—	—	(2.0)	(2.0)
Share issue	3.3	—	—	—	—	—	3.3
Credit to equity for share-based payment	—	—	—	—	0.2	—	0.2
At 1 February 2015	9.3	5.4	1.1	0.2	0.3	0.2	16.5
Loss for the year	—	—	—	—	—	(0.5)	(0.5)
Total comprehensive (expense) for the year	—	—	—	—	—	(0.5)	(0.5)
Credit to equity for share-based payment	—	—	—	—	0.1	—	0.1
At 31 January 2016	**9.3**	**5.4**	**1.1**	**0.2**	**0.4**	**(0.3)**	**16.1**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

year ended 31 January 2016

1. Accounting policies

Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006. The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 January 2016 the Company has decided to adopt FRS 101 and has undergone transition from reporting under previously applicable United Kingdom accounting standards to FRS 101 as issued by the Financial Reporting Council. Accordingly, the financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) "Reduced Disclosure Framework" as issued by the Financial Reporting Council. This transition is not considered to have had a material effect on the financial statements except for those shown in Note 15 below.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to share-based payments, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash flow statement and certain related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements.

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are the same as those set out in Note 1 to the consolidated financial statements except as noted below:

Investments

Investments in subsidiaries and associates are stated at cost less, where appropriate, provisions for impairment.

Tangible fixed assets

The cost of fixed assets is their purchase cost less depreciation. Depreciation is calculated on the cost of each tangible fixed asset individually on a straight line basis and is designed to write off the cost of the asset, less any residual value over their estimated lives. Assets are not depreciated until they are brought into use. The estimated useful lives are:

» Equipment — three to seven years

» Motor vehicles — four years

2. Loss for the financial year

As permitted by Section 408 of the Companies Act 2006 the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year amounted to £0.5m (2015: £1.2m).

3. Intangible assets

	Computer software £m
Cost	
At 1 February 2015	1.7
Disposals	(0.1)
Inter-company transfer	(1.6)
At 31 January 2016	**—**
Amortisation	
At 1 February 2015	0.6
Charge for the year	0.3
Disposals	(0.1)
Inter-company transfer	(0.8)
At 31 January 2016	**—**
Net book value	
At 31 January 2016	**—**
At 31 January 2015	1.1

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS *CONTINUED*

year ended 31 January 2016

4. Tangible fixed assets

	Equipment and vehicles £m
Cost	
At 1 February 2015	0.5
Disposals	(0.1)
Inter-company transfer	(0.4)
At 31 January 2016	**—**
Depreciation	
At 1 February 2015	0.4
Charge for the year	—
Inter-company transfer	(0.4)
At 31 January 2016	**—**
Net book value	
At 31 January 2016	**—**
At 31 January 2015	0.1

5. Investments in subsidiary undertakings

	2016 £m	2015 £m
At 1 February	**0.3**	2.0
Dissolution of dormant subsidiaries (Note 14)	**—**	(1.7)
At 31 January	**0.3**	0.3

6. Debtors: amounts falling due within one year

	2016 £m	2015 £m
Amounts owed by subsidiary undertakings	**17.0**	17.9
Prepayments	**0.2**	0.2
	17.2	18.1

7. Creditors: amounts falling due within one year

	2016 £m	2015 £m
Bank loans and overdrafts (Note 9)	**—**	1.1
Amounts owed to subsidiary undertakings	**1.1**	1.1
Finance leases (Note 8)	**—**	0.2
Other taxes and social security costs	**—**	0.1
Other creditors	**0.2**	0.1
Accruals and deferred income	**0.2**	0.1
	1.5	2.7

8. Creditors: amounts falling due after more than one year

	2016 £m	2015 £m
Finance leases	**—**	0.3

9. Loans and other borrowings

	2016 £m	2015 £m
Bank loans	—	1.1
Finance leases	—	0.5
	—	1.6
Maturity of financial liabilities		
In one year or less	—	1.3
In more than one year, but not more than two years	—	0.3
	—	1.6

Bank loans of less than £0.1m are secured by debentures and fixed charges over certain of the assets of the Company and the Group. Bank loans attract interest at 4.35% over LIBOR.

10. Provisions

	2016 £m	2015 £m
At 1 February	—	0.1
Released in the year	—	(0.1)
At 31 January	—	—

11. Share capital and reserves

Details of the share capital and reserves are given in Note 21 of the notes to the consolidated financial statements.

12. Capital expenditure commitments and operating lease commitments

Capital expenditure contracted but not provided for in the financial statements amounted to £Nil (2015: £Nil). The Company had £1.2m total future minimum leave commitment for land and buildings at 31 January 2016 (2015: £1.5m).

13. Contingent liabilities

The Company has given certain guarantees in respect of invoice discounting arrangements of certain subsidiary companies up to £1.0m and has guaranteed rental obligations of certain subsidiary companies up to £0.4m.

14. Related party transactions

Related party transactions are the same for the Company as for the Group. Details can be found in Note 26 of the notes to the consolidated financial statements.

15. Transition to FRS 101

For all periods up to and including the year ended 31 January 2015, the Company prepared its financial statements in accordance with previously extant United Kingdom Generally Accepted Accounting Practice (UK GAAP). These financial statements, for the year ended 31 January 2016, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 February 2014, and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 February 2014, the Company's date of transition to FRS 101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the Company in restating its financial statements for the year ending 31 January 2015 under the previous UK GAAP, including the opening balance as at 1 February 2014.

On transition to FRS 101, the Company has applied the requirements of paragraphs 6–33 of IFRS 1 "First–time Adoption of International Financial Reporting Standards".

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS *CONTINUED*

year ended 31 January 2016

15. Transition to FRS 101 *continued*

Reconciliation of equity

	At 31 January 2015 £m	At 1 February 2014 £m
Equity reported under GAAP	16.1	18.1
Adjustment to equity on transition to FRS 101		
– Investment acquisition costs	0.4	0.4
Equity reported under FRS 101	16.5	18.5

16. Transition to FRS 101 – investments

Under UK GAAP, the acquisition costs that arose as part of the acquisition of Hartest by Elektron Technology PLC, are treated as part of the cost of investment and capitalised on the Elektron Technology PLC balance sheet under investment costs. However, under IFRS these acquisition costs are expensed straight to the income statement rather than being capitalised to the balance sheet as part of the cost of investment. Therefore an adjustment has been made to remove the acquisition costs from the investment line in the balance sheet and adjust the reserves balance as this adjustment has impacted the income statement results for the year, reducing the profit in the period. This adjustment has been made to both the current and prior year balance sheets.

17. Transition to FRS 101 – fixed assets

In the prior year Elektron Technology plc held fixed assets and a portion of these were related to computer software assets. These have been reclassified as intangible assets under IFRS.

WEB PROPERTY

Agar Scientific
www.agarscientific.com

Arcolectric
www.arcolectric.com

Bulgin
www.bulgin.co.uk

Carnation Designs
www.carnationdesigns.com

Checkit
www.checkit.net

Digitron
www.digitron.com

Elektron Technology
www.elektron-technology.com

Queensgate
www.queensgate.co.uk

Sheen Instruments
www.sheeninstruments.com

Titman UK
www.titman.co.uk

Titman GmbH
www.titman.de

Wallace Instruments
www.wallaceinstruments.co.uk

ADVISERS

Company Secretary
Martin Reeves
BA Hons, FCIS

Registered office
Broers Building
JJ Thomson Avenue
Cambridge CB3 0FA

Registered in England
No. 448274

Registrars
Capita Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Nominated adviser and broker
finnCap
60 New Broad Street
London EC2M 1JJ

Solicitors
Birketts LLP
Brierly Place
New London Road
Chelmsford CM2 0AP

Auditor
Deloitte LLP
Deloitte House
Station Place
Cambridge CB1 2FP

Bankers
HSBC Bank plc
70 Pall Mall
London SW1Y 5EZ

Elektron Technology plc's commitment to environmental issues is reflected in this Annual Report which has been printed on Symbol freelife Satin, which is an FSC® Mix Certified paper, ensuring that all virgin pulp is derived from well managed forests and other responsible sources.

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Elektron Technology plc
Broers Building
JJ Thomson Avenue
Cambridge CB3 0FA

info@elektron-technology.com
www.elektron-technology.com