Connect
Monitor
Control

Elektron Technology plc
Annual Report and Accounts 2017

elektron technology

We believe Checkit will transform 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.

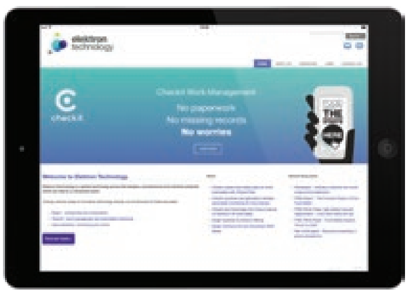
Elektron Technology is a global technology group that designs, manufactures and markets products for a connected world.

2017 highlights

- A year of streamlining with three disposals generating £2.9m, with a further disposal generating £0.3m shortly after the year end.
- Net cash at year end of £1.0m (2016: net debt of £1.6m).
- Torquay factory to close with operations moving to an existing factory in West Molesey.
- Revenues from continuing operations of £32.7m (2016: £34.1m).
- Bulgin net margin improved on sales of £24.1m, in difficult trading conditions immediately post-Brexit with underlying[1] operating profits of £3.7m (2016: £25.8m and £3.8m respectively). Management focus is now on growing sales in this historically low growth business whilst maintaining margins.
- Checkit sales of £0.3m and start-up underlying[1] operating loss of £3.5m (2016: £0.2m and £2.2m loss respectively). Management focus is on converting the significant opportunities that face this business.
- Instrumentation, Monitoring and Control (IMC) sales of £8.3m and underlying[1] operating loss of £1.0m (2016: £8.1m and £1.4m loss respectively). Management focus is on eliminating losses following sale of non-core businesses in prior and current year and further organic sales growth.
- Operating loss from continuing operations of £1.6m (after making provisions of £0.8m for the closure of the Torquay site) (2016 profit: £0.2m).
- Ex-Checkit operating profit of £1.9m (2016: profit £2.4m).
- Profits from and arising on sale of discontinued operations of £0.8m (2016: £0.7m).
- Loss for the period attributable to shareholders of £0.1m (2016: profit of £0.6m).
- Expenditure on new product development and streamlining is expected to peak in current year.
- Bulgin, the Group's main profit generator has made a promising start to the new financial year with orders ahead of last year. Other businesses are performing in line with management's expectations.

1 Before non-recurring or special items. Further details in Note 1 and Note 28.

Contents



Find out more online at Checkit.net

Business segments

Bulgin

Key products

» Sealed connectors for the most demanding environments

» Custom product and system development in demanding environments

Group sales

'17	74%
'16	75.5%

Sales

£24.1m

'17	£24.1m
'16	£25.8m

Underlying[1] operating profit

'17	£3.7m
'16	£3.8m

Operating profit

'17	£3.3m
'16	£3.8m

Instrumentation, Monitoring and Control

Key products

» Ophthalmic instruments

» Nanopositioning and sensing equipment

» Materials testing equipment

Group sales

'17	25%
'16	24%

Sales

£8.3m

'17	£8.3m
'16	£8.1m

Underlying[1] operating loss

'17	£(1.0)m
'16	£(1.4)m

Operating loss

'17	£(1.4)m
'16	£(1.4)m

Checkit

Key products

» Cloud-based work management software based on interactive checklists

» Smart wireless sensors for continuous automated monitoring

Group sales

'17	1%
'16	0.5%

Sales

£0.3m

'17	£0.3m
'16	£0.2m

Underlying[1] operating loss

'17	£(3.5)m
'16	£(2.2)m

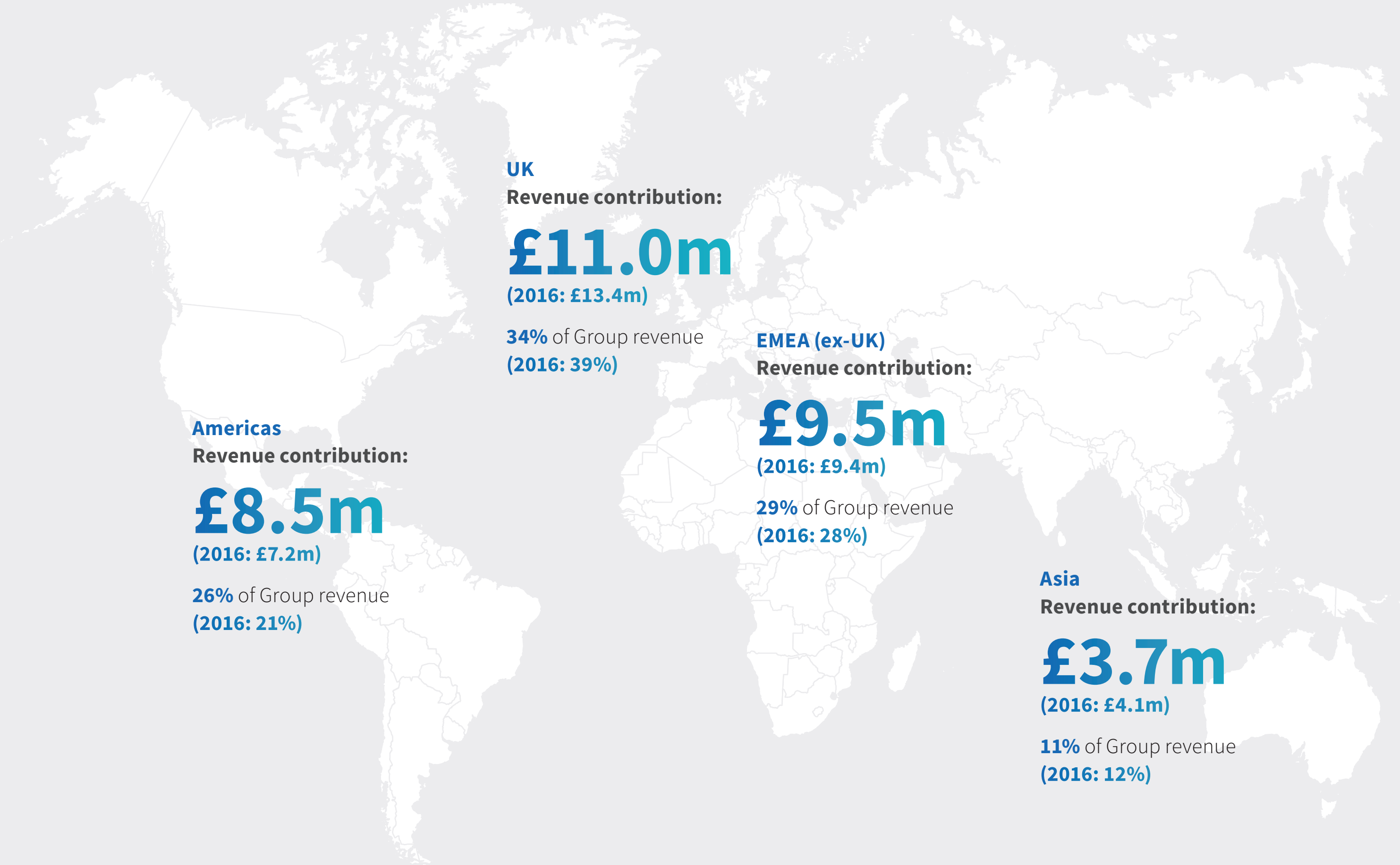
Operating loss

'17	£(3.5)m
'16	£(2.2)m

1 Before non-recurring or special items. Further details in Note 1 and Note 28.

15 Read more in our Financial review **on page 15**

Global sales



Key figures

- Over 3,500 customers
- Approximately 75,000 end users
- Network spanning over 125 countries

2017 review

with Keith Daley and John Wilson

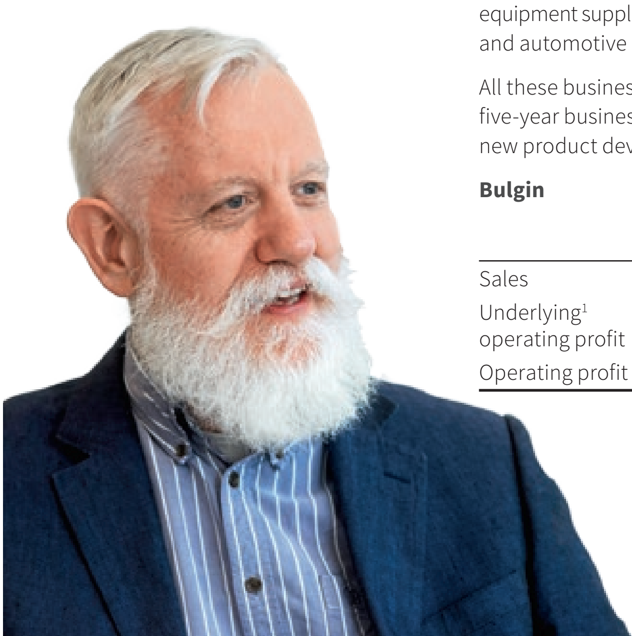
Overview

Group revenue from continuing operations was approximately £32.7m compared with £34.1m for the previous year. Trading in the second half of the year on continuing operations showed some recovery from the slowdown in the first half driven by difficult trading conditions as a result of the Brexit vote, with a marginal increase over the second half of the prior year. Underlying trading performance from continuing operations benefited from the improved mix of sales and further cost savings to offset the impact on gross profit of the overall fall of £1.4m in sales when compared to the previous financial year. Overall underlying[1] operating performance showed a loss of £0.8m (2016: profit of £0.2m) principally due to planned increase in investment in Checkit sales and marketing over the prior year.

As announced on 8 December 2016, the Group will close the majority of its Torquay operations in August 2017 at a cost of approximately £0.8m for which the Group has made provision at 31 January 2017, resulting in operating loss of £1.6m (2016: £0.2m).

The result for the period included £0.8m from discontinued operations (Qados, Agar, Carnation Designs, Wallace Instruments and Digitron) (2016: £0.7m) giving a loss after tax attributable to shareholders of £0.1m (2016: profit of £0.6m).

The balance sheet remains strong with net cash at year end of £1.0m (2016: net debt of £1.6m). Of note were fixed assets (including capitalised new product development) which showed a reduction from £8.8m to £6.3m as a result of reduced capitalised NPD. £3.2m was charged in respect of depreciation and amortisation. In addition the Group recognised deferred tax assets of £0.9m.



Group strategy

The Group is simplifying its operations in order to enable management to focus solely on those businesses which the Board believes offer potential for sales and margin growth. Subsequent to the year end, the sale of Digitron was announced and discussions regarding the disposal of Titman Tip Tools are in progress. The Board is targeting growth in sales across each of the remaining businesses. The Group plans to continue its new product development programme and will invest in excess of the cash generated from its operations in FY18 in order to grow and maintain the momentum in Bulgin, Checkit and smaller businesses and in completing the site consolidation. Expenditure on new product development and streamlining is expected to peak in the current year.

Five businesses have been prioritised for investment, namely:

Bulgin – a designer and manufacturer of connectors, switches and bespoke applications that is currently the major profit and cash generator within the Group.

Checkit – a potentially high growth recurring revenue business that transforms operational processes for companies, moving them from pen and paper to the cloud. This business is currently the major focus for investment.

Plus three niche businesses forming the IMC segment:

Elektron Eye Technology – a designer of instrumentation for visual field and macular pigment screening to the ophthalmological, optometry and associated industry sectors.

Queensgate – a designer of nanopositioning systems used in microscopy, metrology, semiconductor and hard disc manufacturing as well as "Big Science" and space applications.

Sheen – a well established materials testing equipment supplier primarily in the paint, coating and automotive markets.

All these businesses have developed five-year business plans including new product development roadmaps.

Bulgin

	2017 £m	2016 £m
Sales	**24.1**	25.8
Underlying[1] operating profit	**3.7**	3.8
Operating profit	**3.3**	3.8

Bulgin's product range includes ruggedised products used in harsh environments where a high level of ingress protection is required. Market launches of substantial newly developed products, combined with iterative product development and bespoke solutions are key to Bulgin's strategic offering. This focus has resulted in the high margin circular connector ranges now generating approximately 50% of Bulgin revenues. Conversely, the commoditised, low margin switch business has declined to approximately 35% of Bulgin turnover. Five years ago this was in excess of 50%. This has been driven through Bulgin's continuous simplification programme. It has dramatically reduced the number of switch product variants on offer and price increases have been implemented to protect margins where possible.

Having identified future growth potential in the data and telecoms market, Bulgin has begun to develop optical fibre connector technology. When coupled with Bulgin's speciality of harsh environment connectivity, this product area is well aligned for high margin growth. Bulgin's product roadmap will address markets for other growth areas and differentiate its offering.

Alongside a broad product offering sold predominantly through distribution, Bulgin seeks to offer bespoke solutions to OEM customers. Bulgin's value proposition is to understand the customer's connection needs and develop a solution that meets performance and cost objectives. By doing this, Bulgin can become further integrated with customers, which in turn lays the foundation for solid, long-term relationships. The benefit to Bulgin through adopting this strategy is "print position", in which the customer has a sole source supplier, as the IP is owned by Bulgin.

During the year the Connectivity business adopted the name "Bulgin" for all of its portfolio of products, including Arcolectric switches. This strategic "merger" will further broaden the range of components and value-added solutions available to customers, as well as increase customer recognition.

Bulgin experienced a weakness in demand at the end of H1 as its channel partners responded to the economic conditions following the Brexit vote. This weakness continued in early Q3 but demand returned to normal levels thereafter. As a result of the significant depreciation of GBP, following the Brexit vote, Bulgin immediately increased prices, on average 5%, to offset the significantly higher input prices denominated in USD.

1 Before non-recurring or special items. Further details in Note 1 and Note 28.

Investment in marketing and data analysis tools has provided Bulgin with comprehensive insight into the end users of its products through advanced point-of-sale ("POS") information provided by the distribution channel. During the year, whilst turnover declined 7% over prior year due to uncertainty leading to distributor destocking, the number of end users increased from c.70,000 to c.75,000, with a corresponding increase in the value of product sold by its distribution partners.

The Buccaneer® 4000 series range was successfully rolled out during the year, with all major global distribution partners purchasing stocking packages to satisfy regional demand. The 4000 series provides the same twist lock coupling and "fit and forget" connectivity as the successful 6000 and 7000 series, in a more compact format, making it easier for product engineers to integrate into their system designs.

In the early part of the current financial year, Bulgin launched its new M-Series connector range. In the US a six-month exclusivity agreement was signed with a major distributor upon placement of a stocking order in excess of $250k. Bulgin will be launching further new products throughout the course of the year.

Checkit

	2017 £m	2016 £m
Sales	**0.3**	0.2
Underlying[1] operating loss	**(3.5)**	(2.2)

Checkit is building a new, recurring revenue-based business within Elektron that offers the potential for significant growth in coming years. Checkit's services transform the performance of common operational processes in global industries, moving them from pen and paper to the cloud.

It helps businesses where critical, laborious tasks and measurements are essential for managing safety and quality, but are performed and recorded manually in almost all cases – wasting cost, placing revenues and growth at risk and denying managers visibility.

Its initial focus is on food service and related businesses (facilities management, healthcare, biotech and food manufacture).

This transformation is brought within reach by innovating and using Internet of Things and mobile technologies. Previous generations of solutions have suffered from excessive costs and complexity of implementation. Checkit's market-leading product set changes this, using wireless sensors to track storage and environmental conditions, smart handheld checklists to guide and control human checks and a cloud platform to provide management, storage and control. Hardware and software are delivered seamlessly as a service on a subscription basis.

The impact of Checkit on customer businesses is compelling. Its product architecture and pricing make adoption affordable and low risk, and projects deliver rapid, low risk payback from increased operating efficiency, plus improved compliance and protection of revenues.

Checkit estimates that in the UK and USA alone there are 3.5 million operating sites that are candidates for its solutions, and that the market is potentially worth £1.2 billion per annum as adoption takes off. Checkit is ideally placed to take advantage of this major move from paper to automation and IT support for workers.

During 2016 Checkit completed the launch of its next generation platform with the launch of Automated Monitoring. This provides wireless monitoring of temperature and humidity as well as monitoring door status, providing customers with the confidence that goods are being stored in compliant, safe conditions and that plants are operating correctly. It also saves considerable time every day when compared to performing and recording manual checks.

Checkit leads its competitors because of its combination of:

» Seamless integration of Work Management (checklist execution using apps and robust handhelds – launched in 2015) and the new Automated Monitoring in a single product set.

» A completely cloud-based architecture, meaning no server or software to install or manage and providing instant linkage across sites and accessibility from any browser.

» As a connected service this also means that Checkit can be managed and supported remotely and is continually updated and upgraded with no effort from customers.

» A simple and powerful checklist-building engine providing a powerful point-and-click environment to build almost any checklist workflow in your browser that can be deployed to any site or region.

» Approved checklist content for food businesses – Checkit has led the way by working with local government and the Food Standards Agency to develop off the shelf, approved checks for smaller food businesses backed up by approved advice services.

» Ease of use for operators – Checkit's simple, intuitive user interface means our customers' staff need almost no training to get up and running.

All these capabilities are delivered as a service that encompasses hardware, software, calibration, maintenance and customer care with a simple, affordable pricing approach. A typical small restaurant solution would pay for itself if 20 minutes' work per day were saved. This could be easily achieved in terms of fridge checks alone.

During financial year 2018 ('FY18') Checkit will increase the range of sensors it provides and release features that allow customers to perform more sophisticated checks and realise the potential of the data they are gathering to deliver insights and better decision making in their businesses.

Entering the new financial year, Checkit has passed 100 customers, with its sensors now collecting 1.5 million readings a week. Checkit revenues showed an increase from £0.2m to £0.3m during this year.

In terms of enterprise customers, Checkit is working with a number of potentially large users of the service. It recently obtained favoured supplier status with a multinational facilities management company that views the system as giving it a competitive advantage when pitching to new clients as well as delivering increased value and better managing compliance. Additionally Checkit is working actively on trials and evaluations with quick service and catering businesses of significant scale.

In parallel with developing major, long sales cycle accounts, Checkit is also focused on small chains and large single-site opportunities.

1 Before non-recurring or special items. Further details in Note 1 and Note 28.

2017 review *continued*
with Keith Daley and John Wilson

Group strategy *continued*

Checkit *continued*

The loss represents continuing investment in sales and marketing of the product as well as in customer service and support. A further £1.4m of investment in product development was capitalised. The key launches to the market as a result were:

» Checkit Automated Monitoring – a fully cloud-based wireless sensing solution.

» Checkit Solo – a market first small business offering that provides pre-built food safety checks that can be sold online using remote demonstration techniques.

The focus for 2017/18 is the expansion of the customer base through:

» continuing direct sales to enterprise and mid-market businesses, building on the momentum built with these businesses in the prior year;

» expanding the sales of the Solo product for SMEs through increased web, email and advertising-based marketing; and

» leveraging the networks of consulting partners who can use Checkit to provide new levels of service to their clients.

Looking further ahead, Checkit has noted the commitment of the Food Standards Agency to pilot new, more efficient inspection regimes and its recognition that there is a "major opportunity to use technology to fundamentally change the way we regulate the food industry". Checkit is ideally placed to capitalise on this major shift.

IMC

	2017 £m	2016 £m
Sales	**8.3**	8.1
Underlying[1] operating loss	**(1.0)**	(1.4)
Operating loss	**(1.4)**	(1.4)

The following four businesses are aggregated within the IMC segment. Data relating to individual businesses is not disclosed separately.

Elektron Eye Technology

Elektron Eye Technology (EET) designs instrumentation for visual field and macular pigment screening, marketing to the ophthalmological, optometry and associated industry sectors.

EET revenue increased by 10% over the prior year as a result of increased sales of Henson 9000 Perimeters. Growth was further realised via the strategy of selling macular pigment screeners as an enabler for eye health products, which gained traction during the year.

1 Before non-recurring or special items. Further details in Note 1 and Note 28.

EET will continue to increase sales of perimeters via channel partners globally, with a programme of hardware and software upgrades that will increase the functionality of the device and improve user experience. EET will also increase sales of macular pigment screeners by using close ties with eye health supplement manufacturers. EET will be evaluating products to complement its range of devices to screen for diseases of the posterior segment of the eye.

The Americas represent the largest global market for visual field analysers, with a 29% share; hence Elektron Eye Technology is targeting this area and working to develop relationships with medical equipment distributors in Central and Southern America. In these regions, channel partners have created demand for the EET Henson 9000 Perimeter by promoting test speed and ease of use of the instrument, which has resulted in patients requesting that ophthalmologists carry out their visual field screenings using the EET device rather than that of its competitors.

The patients are thus able to take their tests comfortably and quickly and the doctors can assess more patients in their busy clinics.

EET's MPS II (MPS) Macular Pigment Screener measures macular pigment optical density or MPOD. As low MPOD is a significant risk factor for age-related macular degeneration (AMD), which is the leading cause of vision loss in people over 50, and as high energy blue light and harmful UV light damages macular pigment, EET has worked with manufacturers of lens coatings that filter the harmful UV rays and blue light and, in doing so, protect the macula. The lens manufacturers have used the MPS to measure the efficacy of their lenses in reducing damage to the macula and loss of MPOD and therefore as an enabler to promote sales of their lenses in optical stores.

Queensgate

Products are used in microscopy, metrology, semiconductor and hard disc manufacturing as well as "Big Science" and space applications. It has a range of "off the shelf" products covering a range of applications but specialises in creating tailored offerings for OEMs where positioning performance is critical, such as hard disc testing, semiconductor instrumentation and atomic force microscopy.

Whilst revenues in the year were flat compared to the prior year this does not reflect the progress made by the business with new product development and distribution. Over 60% of the previous year's turnover was represented by one customer whilst this year saw an increased spread of customers.

Development of a multichannel controller for release in the first half of FY18 provides a solution for multi-axis applications such as atomic force microscopy (a very high resolution form of scanning probe microscopy) and laser beam steering applications of interest in aerospace and photonics.

There is already interest in this system which provides a cost-effective solution for applications needing the highest precision while maintaining good dynamic performance.

As Queensgate builds stronger relationships with distribution partners, FY18 is seeing increased business from the Far East, in particular Japan. Over the decades, Queensgate has undertaken various space-borne projects in collaboration with companies working for NASA, JAXA and ESA. These projects included precision capacitance micrometres and this year saw development and delivery of such a prototype sensor system.

Development continued on the next generation positioning systems for incorporation into hard disc testers. The new stage, which will be launched in the current year, can achieve resolutions of half the diameter of a hydrogen atom and speeds of 1,000 cycles per second. This development will reduce the cost of testing and help Queensgate maintain its position as a technology leader.

Queensgate accounted for the majority of losses in the IMC segment for the year in view of its status as a quasi start-up business as the Group invests to re-establish the brand, with sales progress expected in the current financial year.

Sheen

Sheen Instruments celebrates 70 years as a leading manufacturer of quality appearance, physical and viscosity testing products, used in QA laboratories around the world including the coatings, automotive and packaging industries.

FY18 will see Sheen embark on a three-year new product development programme, which will encompass modernising Sheen's product range. The first of these instruments to be released this year is the new SH9003 colour touch screen, a fully custom programmable abrasion tester.

Also currently under development is the new series of viscometer instruments. Sheen viscometer sales are predominantly to the coatings and paint manufacturing industry. However, the new technology will also enable Sheen in the future to gain growth in other markets like pharmaceutical, food and cosmetics manufacturing.

Sheen produced a small loss in the year.

Titman
The Group also owns a small router cutter business, Titman Tip Tools, which is subject to potential sale discussions.

Subsequent to year end the Group has disposed of its Digitron business for £0.3m, which was announced on 27 March 2017.

People
The Group continued to hire experienced professionals, particularly for its growth businesses, during the year. The commitment of Elektron's people in what remains a challenging environment has yet again been remarkable.

An Equality and Diversity Committee is now in place to build and form a culture within Elektron Technology that values difference in the workplace. The Committee will review, develop and provide feedback on policies and help communicate them more effectively across the Company.

A number of actions have been identified, starting with a UK employee survey. Benchmarking the Company against best practice will allow year-on-year improvement. Communicating and recognising where the Company excels will create a more positive and inclusive working environment.

Outlook
The Group has made an encouraging start to the new financial year and is seeing increased orders, over the prior year, at Bulgin, which is currently the main profit and cash generator. Checkit continues its discussions with a number of large users of its services, although the build-up of substantial revenue from this multi-year project is likely to take some time in view of its subscription model and the phasing of the customer adoption process. The three small businesses within IMC are progressing in line with management's expectations.

Keith Daley
Executive Chairman

John Wilson
Chief Executive Officer
17 May 2017

Addressing the future with industry-leading technology

Bulgin – ubiquitous data

The industry/background
The demand for ubiquitous data is ever increasing with mobile data requirements set to grow by more than 50% by 2021.

Small-cell networks are currently viewed as one of the only feasible solutions capable of solving the pressing data capacity problem in mobile communications. This is largely due to the fact that no credible solution for "backhaul" – the transfer of data between small-cell networks and the core infrastructure – has been developed as of yet.

A self-organising small-cell microwave backhaul system is specifically designed for the very different challenge that small-cell deployment brings, particularly in an outdoor environment. It enables quick, low cost installation by non-specialists, with a small, discreet form factor that is sensitive to the needs of local planning departments. It automatically adapts as new nodes are added, providing the requisite flexibility as the small-cell network grows.

Our customer's technology is a unique self-organising, self-optimising multipoint-to-multipoint microwave communications system which operates in cheap and plentiful licensed spectrum. It is easy to deploy and maintain, has a small physical footprint and can be rapidly scaled.

The challenge
Our customer's systems needed to be set up and installed in the field within 15 minutes to be industry leading. On top of this, the systems are being assembled in temperature ranges down to -20°C and up to 40°C. Static use at these temperatures is an everyday normality for harsh environment connectors. However, dynamic use at the extreme point of such temperatures can test material specifications.

Our solution
Bulgin was able to provide a cost-efficient connectivity solution for data (RJ45) and power (three pin) transmission that was capable of assembly and use down to the extremity of these temperature ranges.

The product now carries UL approval and has been in use on field trials since 2015. Using these connectors instead of hardwiring the systems allows them to be installed and set up for use within the allotted 15-minute requirement.

The result
Our customer is leading the way in this technology, with the complete system in field trials around the world. Small and discreet, nodes are quick and easy to deploy with the additional benefit of being straightforward and practical to grow wireless networks as needs evolve.

The nodes can also backhaul other applications such as CCTV cameras at the same locations as Wi-Fi hotspots. Smart City networks and the IoT devices would be autonomously connected over a dense urban microwave network.

Our business model and strategy

Creating sustainable long-term value

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.

1

Innovate for growth

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

Key activities

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

Our 2017 progress

- » Invested £3.2m in product development.
- » Launch of Buccaneer 4000 series connector range.
- » Checkit automated monitoring launched.
- » New Queensgate prototype product range launches.

Our future priorities

- » Regular releases of upgrades for Checkit.
- » Upgrades to EET product range.
- » Launch of Bulgin's M-Series industrial automation connectors.
- » Launch of Queensgate's multichannel controller.
- » Upgrades to Sheen Instruments' product range.

2

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 2017 progress

- » Underlying operating losses reduced in IMC.
- » Bulgin operating net margin maintained at 15% despite £1.7m fall in sales.
- » New product launches made as planned.
- » Existing portfolio rationalisation resulting in the sale of three brands within the year and a brand post-year end.

Our future priorities

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

3

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 2017 progress

- » Further expansion of software engineering team.
- » 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.

Driving change

Food safety is critical to the success of every food business. Conversely, food safety failings bring significant costs. Damage to reputation, lost business and legal fines can be potentially crippling – ranging from thousands to millions of pounds in some cases.

Today, Checkit's technology is driving a much needed tide of change, helping food businesses to protect their operations and brand through greater control and visibility across one of the most critical operations in their restaurants – food safety.

Leading London restaurant group Inamo chooses Checkit's technology for food safety

Lee Skinner, Chief Executive of Inamo, talks about why they are using Checkit in their restaurants.

More visibility and control for management teams

"Bringing Checkit's technology into the business was all about making food safety easier and giving the management teams more visibility and control over the routine activities that are happening on a daily basis. This improves confidence at all levels and ensures that we can maintain the reputation we've worked hard to build as a restaurant group."

Best-in-class food hygiene practice

"Having come from a role where I was responsible for 200 sites across the country, compliance and consistency are in my DNA. Our food safety procedures have always been fully documented but that was time-consuming, and there was the constant danger that paperwork could be lost or spoiled. What's more, we had to use an external storage company to archive all of this paperwork, which was not only costly but inconvenient when we needed to retrieve information."

Real-time visibility and alerts

"At Inamo, we can now see whether each of our restaurants has carried out the required number of checks. We also receive real-time notifications when a task has been missed, which enables us to respond immediately and find out why it was not carried out.

The introduction of Checkit has had a hugely positive impact on daily operations at Inamo, making staff more efficient and giving managers the visibility they need whether they are on site or not. It's something that will save restaurants a lot of time and effort. I recommend it highly."

"The introduction of Checkit has had a hugely positive impact on daily operations at Inamo."

Lee Skinner,
Chief Executive of Inamo

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.

Key performance indicators are shown below:

Gross profit margin

39%

’17	39%
’16	37%

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

EBITDA – Group

£2.2m

’17	£2.2m
’16	£2.7m

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

EBITDA – Ex-Checkit

£5.0m

’17	£5.0m
’16	£4.6m

Earnings before interest, tax, depreciation, amortisation and non-recurring and special items from businesses excluding Checkit.

Total NPD spend as a percentage of sales

8.2%

’17	8.2%
’16	8.5%

Ratio of the investment in new products to sales in the year (capitalised and expensed) expressed as a percentage.

Net operating (loss)/profit % of revenue

(4.9)%

’17	(4.9)%
’16	1%

The ratio of net operating profit to revenue expressed as a percentage.

Net gearing

Nil

’17	Nil
’16	14%

The ratio of total borrowings less cash to shareholders’ funds 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.

12 Read more about our risks **on pages 12 to 14**

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 2017

- 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 continue to be, principally from sales of its products. There can be no assurance that current product revenues can be maintained or increased in the future. Product sales may be affected by adverse market conditions or other factors, including pricing pressures from governments or other authorities, competition, the withdrawal of a product because of a regulatory or other reason, or the financial or commercial failure of a marketing partner. Some of the markets for 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 3,500 customers (with no one customer amounting to more than 10% of sales) and substantially more end users worldwide. Its portfolio of brands and products to some extent mitigates risk through diversity. The investment in NPD assists in reducing the risk of sales decline by focusing on products that are unique within markets that are growing or are expected to grow. The 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. It seeks to obtain best value for money from its development programmes. The Group is also seeking 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 recent decision taken by the UK to leave the EU poses a potential risk with reduced availability of EU national resources and barriers to entry through implementation of tariffs.	The Group carefully monitors conditions in each country in which it operates and in appropriate cases ensures it has 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. The Board will closely monitor Brexit events.	Increased

Markets *continued*

Risk description and potential 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 continually monitoring competitive activity and by continually investing 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 potential 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 in the early stage of its life cycle 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 and learning from market research. 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 by designing the systems where possible to allow functionality to be moved between providers.	→

Principal risks and uncertainties *continued*

Finance and operations

Risk description and potential 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, nor do we tie ourselves into long-term currency hedging contracts. Where possible we match currency inflows and outflows. Product design is kept under review to 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

Overview
The disposal programme delivered £2.6m (net of deferred consideration) in proceeds resulting in a Group net cash position of £1.0m (2016: £1.6m net borrowings). Group EBITDA (earnings before interest, taxation, depreciation and amortisation) was £2.2m (2016: £2.7m) which reflected the increased investment into marketing and promotion of its fledgling growth businesses.

Group revenue from continuing operations for the year decreased by 4% to £32.7m (2016: £34.1m), principally as a result of reduced demand experienced in Bulgin in the first half of the year due to Brexit. Checkit, as a start-up operation, contributed £0.3m (2016: £0.2m) of Group revenue.

The continued focus on operational margin improvement helped offset the impact of the reduced level of sales on operating profits from businesses, excluding Checkit.

After Checkit's increased start-up losses of £3.5m (2016: £2.2m), underlying[1] Group operating loss was £0.8m (2016: profit of £0.2m).

As part of the Group's brand rationalisation strategy, it has also reviewed the sites from which it operates. The China office was closed during the year and the closure of its Torquay site was also announced. Post-year end the Group has also taken the decision to close its Singapore sales office and also to relocate all of its IT and finance teams from Stansted to Cambridge. The Group has made a restructuring charge of £0.8m in respect of its Torquay site closure, most of which will be spent in the first half of the new financial year. It is expected that savings from this site closure will offset the lost contribution resulting from the brand rationalisation and generate a net £0.3m improvement to underlying operating profits over a full year.

Overall operating losses from continuing operations amounted to £1.6m (2016: profit £0.2m).

Discontinued operations contributed £0.8m (2016: £0.7m), £0.7m of which related to the profits realised from their disposal.

1 Before non-recurring or special items.

New product development (NPD)
Elektron spent £3.2m on NPD and sustaining engineering in the financial year (2016: £2.9m). Of this, £1.6m was capitalised (2016: £1.9m), mainly focused on Checkit and Queensgate. The net book value of capitalised NPD is as follows:

	2017 £m	2016 £m
Bulgin	0.1	0.7
Queensgate	0.4	0.8
EET	0.3	0.4
Subtotal	0.8	1.9
Checkit	3.1	2.4
Total	3.9	4.3

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.

Taxation
Following a restructuring of the legal entities within the Group and a review of future profitability, the Group has recognised deferred taxation assets of £0.9m in respect of timing differences in respect of its largest trading subsidiary. At 31 January 2017 the Group had estimated unused trading losses in excess of £3.0m (2016: £4.5m) to offset against future UK profits. The current tax charge in the year of £0.2m (2016: £0.2m) is in respect of profits earned overseas.

(Loss)/earnings per share
The average number of ordinary shares in issue during the year was 172.2 million (2016: 171.0 million) (excluding shares held by the Employee Benefit Trust). Basic loss per share in respect of continuing operations before non-recurring or special items were 0.1 pence (2016: 0.1 pence).

After taking into account non-recurring or special items to the financial statements (see Note 10) the Group recorded a loss per share on continuing operations of 0.5 pence (2016: 0.1 pence).

Cash flow and net debt
The Group generated cash of £1.6m (2016: £3.8m) from operations. This reduction in cash generated was due mainly to investment in Checkit start-up costs. In addition, working capital of £0.7m was absorbed due to higher sales in the latter part of the year (2016: £0.4m reduction).

Total capital investment in the year was a net £1.9m (2016: £2.7m), representing 59% (2016: 104%) of depreciation and amortisation.

After cash proceeds received from the disposal programme of £2.6m, the overall net debt was reduced by £2.6m resulting in a net cash position of £1.0m (2016: £1.6m net borrowings).

Bank facilities, covenants and going concern
At 31 January 2017 the Group had available facilities of £3.6m which include a revolving credit facility of £1.2m, available invoice finance facilities of £2.2m (which could increase up to £5.0m depending on sales levels) and leasing facilities of £0.1m, together with a bank overdraft of £0.1m. At 31 January 2017 available headroom on these facilities was £2.1m. In addition the Group had £2.5m cash in hand.

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 considers 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 and marketing and to implement its restructuring programme, the Board believes that it is in the Group's best interests not to pay a dividend for the year.

On behalf of the Board

Andy Weatherstone
Chief Financial Officer
17 May 2017

The Strategic report set out on pages 1 to 15 was approved by the Board of Directors on 17 May 2017 and signed on its behalf by:

Keith Daley
Chairman
17 May 2017

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 (41)
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 Bulgin 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 (53)
Chief Financial Officer and Company Secretary

Appointed to the Board in January 2014, Andy is a Chartered Accountant with over 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 Bulgin operations. Andy was appointed as Company Secretary in October 2016.

Peter Welch (54)
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, Peter continues to act as a consultant with N+1 Singer on a part time basis.

Giovanni Ciuccio (36)
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.

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 2017.

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 are set out in the Strategic report on pages 1 to 15. 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 announced disposal of its Digitron business and the proposed sale of its Titman Tip Tools business.

The subsidiaries of the Group as at 31 January 2017 are listed in Note 13.

Results and dividends

There was a loss for the year after taxation of £0.1m (2016: profit of £0.6m).

No interim dividend was paid in the year (2016: nil pence per share). The Directors are not recommending the payment of a final dividend (2016: 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 11 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 16 and details of Directors' beneficial interests in the shares of the Company as at 31 January 2017 are set out in the Remuneration report on pages 20 to 25.

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 (2016: 186,100,851).

During the year, the Company did not issue any ordinary shares of 5 pence each (2016: nil shares).

Details of the share capital are given in Note 20 to the financial statements.

Charitable and political donations

The Group made no political contributions (2016: £Nil) and no charitable donations (2016: £Nil) during the year.

Employees

The Group has human resource 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. During the year the Group established an equality and diversity committee to help build and form a culture within the Group which values difference in the workplace. 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	11.67%
Mr and Mrs N Slater	6.72%
Mr A Perloff and Panther Securities Plc	4.97%
Elektron Technology 2012 Employee Benefit Trust	4.45%
Ruffer LLP	3.08%

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

Report of the Directors *continued*

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 16. 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, 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 and Remuneration Committees

Peter Welch chairs the Audit 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 26 and 27.

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 20 to 25.

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 20 to 25.

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. 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 28 and 29.

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.

During the year, the Company conducted an audit tender which resulted in Deloitte resigning as auditor to the Company. KPMG LLP subsequently filled the casual vacancy of auditor to the Company.

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

Annual General Meeting

The Company's AGM will be held on 6 July 2017. 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

Andy Weatherstone
Company Secretary
17 May 2017

Registered number
448274

Remuneration report

Peter Welch
Chairman of the Remuneration Committee

Dear Shareholder

I am pleased to present our 2017 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.

You will see in the following table our approach to the key elements of the remuneration of the Executive Directors. We have agreed to increases to the basic salaries for John Wilson and Andy Weatherstone, whose basic salaries have not been increased since 2010 and 2014 respectively. Exceptional performance will be rewarded through the Long Term Incentive Plan (LTIP) and the annual bonus scheme. 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.

I can be contacted via the Company's registered office: Broers Building, JJ Thomson Avenue, Cambridge CB3 0FA.

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 of the Non-executive Directors only. During the financial year ended 31 January 2017, its members were Peter Welch and Giovanni Ciuccio. None of the Committee has had any personal financial interest (other than as shareholders) or conflicts of interest 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.	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.	Awards are designed to provide a meaningful reward to Executive Directors linked to the long-term success of the business.	A plan was put in place last year with full details of vesting options in the notes following.	The current LTIP relies on multiple performance targets.
Company Share Option Plan (CSOP)			
To drive sustained long-term performance that supports the creation of shareholder value.	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 the 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

Salaries

Subject to the approval of the report at the AGM and effective from 1 August 2017 the basic salary of John Wilson will be increased by £20,000 to £220,000 and Andy Weatherstone by £10,000 to £185,000. John Wilson's salary has not been increased since December 2010 and Andy Weatherstone's since his appointment in January 2014. The Committee recognises the need to keep its overall remuneration package competitive, ensuring staff retention, particularly during this rephasing of the Group's business. Keith Daley has opted to take additional holiday in lieu of an increase in his basic salary.

Annual bonus plan

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

2016/17

The bonus plan for the year to 31 January 2017 (FY2016/17) for Keith Daley, John Wilson and Andy Weatherstone was based on the achievement of certain profit targets. Any bonus would have been 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. These targets were not met and therefore no bonuses are proposed for any of the Executive Directors.

2017/18

The structure of the FY2017/18 bonus plan has been amended from that of FY2016/17 to increase the focus on Checkit.

Subject to the bonus cap and an adjustment for Checkit's performance, as noted in the following paragraph, a bonus will be paid if the Group EBITDA after deducting any impairments, exceptional items and the Executive Directors' annual bonuses (the "Adjusted EBITDA") exceeds £2.5m (the Adjusted EBITDA equivalent amount for 2016/17 is £2.2m). If the Adjusted EBITDA amount is equal to £2.5m an amount of £100,000 will be allocated to the Executive Directors' bonus pool. Where the Adjusted EBITDA amount is in excess of £2.5m then a further amount will be added to the bonus pool equal to 12.5% of that excess up to a maximum total bonus pool amount of £0.405m.

If the Checkit monthly recurring revenue as budgeted for 31 January 2018 is not met then the bonus pool will be reduced by half. John Wilson and Andy Weatherstone will share the bonus pool 54.3% and 45.7% respectively (up to a cap equal to 100% of their basic salaries). The bonus would be paid out in full for an Adjusted EBITDA amount of £5.04m. If the Adjusted EBITDA amount exceeds this level then any further bonus payments would be at the absolute discretion of the Remuneration Committee.

Keith Daley has opted not to participate in the bonus scheme for this year.

Long Term Incentive Plans

(a) Market value options

Following the unwind of the previous LTIP scheme it was decided at the AGM as part of last year's remuneration arrangements that Keith Daley and John Wilson should be permitted to acquire from the Trustee of the Employee Benefit Trust at any time, at the higher of the mid-market price at close of business on the immediately preceding dealing day and 5 pence, a maximum of 3,541,500 shares and 2,941,500 shares respectively.

The Trustee currently holds 8,283,650 shares. During the year, Keith Daley bought 3,000,000 shares at an aggregate price of 6.79 pence and John Wilson bought 1,400,000 shares at an aggregate price of 5.89 pence leaving a total of 2,083,000 shares for Keith Daley and John Wilson to acquire in this way.

(b) New LTIP

The LTIP's focus is on total cash generation and total shareholder return over a three-year period. The LTIP is limited to John Wilson and Andy Weatherstone. Keith Daley does not participate.

John Wilson and Andy Weatherstone each received awards equivalent to 5 million and 2.5 million 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) consolidated cash balances exceed £8m after adding back any cash distributions paid to shareholders and deducting all consolidated Group financial liabilities and any 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 cumulative cash distributions totalling 15 pence 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 awards have been structured under the 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 End Period 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 the 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. An award under the CSOP of 571,425 shares was made to Andy Weatherstone on 28 July 2016. The Directors' interests under the CSOP as at 31 January 2016 and 2017 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 2017**	No. of options at 31 January 2016
Andy Weatherstone	30/07/2019–30/07/2026	5.25	**571,425**	—
Total		5.25	**571,425**	—

Summary of share option awards to Directors in issue at 31 January 2017.

Directors' interests in approved options over ordinary shares of 5 pence each	Market value options	LTIP	CSOP
Keith Daley	541,500	—	—
John Wilson	1,541,500	5,000,000	—
Andy Weatherstone	—	2,500,000	571,425
Total	**2,083,000**	**7,500,000**	**571,425**

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.

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 2017	Basic pay £'000	Fees for additional work[1] £'000	Benefits[2] £'000	Bonuses £'000	Total £'000	Pension contribution[3] £'000	Severance £'000	LTIPs vested/ options exercised in the year[4] £'000	Single figure of total remuneration £'000
Executive Directors									
Keith Daley	200	—	12	—	212	20	—	—	232
John Wilson	200	—	13	—	213	20	—	—	233
Andy Weatherstone	175	—	13	—	188	16	—	—	204
Non-executive Directors									
Giovanni Ciuccio	20	8	—	—	28	—	—	—	28
Peter Welch	36	8	—	—	44	—	—	—	44
Total 2017	**631**	**16**	**38**	**—**	**685**	**56**	**—**	**—**	**741**

1 Fees for additional work relate to work in respect of the Group rationalisation and LTIP implementation.

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

3 Includes payments made in lieu of pension contributions.

4 Messrs Daley and Wilson exercised their rights over 3,000,000 and 1,400,000 market price options in ordinary shares of 5 pence each during the year, which resulted in nil gain/(loss).

Remuneration report *continued*

Audited information *continued*

Year to 31 January 2016	Basic pay £'000	Fees for additional work £'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.

Messrs Daley and Weatherstone elected to take payments in lieu of company pension contributions for the full year. John Wilson elected to take cash in lieu of pension contributions from 1 April 2016. The emoluments of the highest paid Director were £233,000 (2016: £289,000) and, in addition, the Group made pension contributions or payments in lieu of pension contributions of £3,333 (2016: £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:

	Basic pay at date of report £'000	Basic pay proposed from 1 August 2017 £'000	**2017 £'000**	2016 £'000
Keith Daley	200	Unchanged	**200**	200
John Wilson	200	220	**200**	200
Andy Weatherstone	175	185	**175**	175
Giovanni Ciuccio	20	Unchanged	**20**	20
Peter Welch	36	Unchanged	**36**	36

Directors' share ownership

The shares owned by the Directors serving at 31 January 2017, 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 2016	**Shares owned outright at 31 January 2017**	JSOP interests at 31 January 2016	**JSOP interests at 31 January 2017**	Total at 31 January 2016	**Total at 31 January 2017**
Executive Directors						
Keith Daley	17,530,016	**21,710,516**	4,722,000	**—**	22,252,016	**21,710,516**
John Wilson	35,661	**2,461,161**	3,922,000	**—**	3,957,661	**2,416,161**
Andy Weatherstone	50,000	**50,000**	—	**—**	50,000	**50,000**
Non-executive Directors						
Giovanni Ciuccio	13,500	**13,500**	—	**—**	13,500	**13,500**
Peter Welch	150,000	**250,000**	—	**—**	150,000	**250,000**
Total	17,779,177	**24,485,177**	8,644,000	**—**	26,423,177	**24,485,177**

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 2016	**No. of options at 31 January 2017**
Keith Daley	July 2016	8.8p	102,272	—
John Wilson	July 2016	8.8p	102,272	—
Total			204,544	—

Amounts payable to outside advisers in respect of Directors' remuneration

Independent remuneration consultant Mercer was formally engaged by the Committee and provided advice on the LTIP to the Committee in 2016/17. Eversheds LLP provided legal advice to the Company in respect of employee share plans in 2016/17. Total advisers' fees charged during 2016/17 in respect of advice on employee incentive matters and services to the Committee amounted to £81,000.

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
17 May 2017

Audit Committee report

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 2017 its members were Peter Welch and Giovanni Ciuccio.

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, 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 Interim Report;
- overseeing the Board's relationship with the independent auditor, including its 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 two 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 which attended its meetings. The Independent auditor's report is set out on page 29.

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:

- **Revenue recognition**

The Committee reviewed the appropriateness of the Group's revenue recognition policies. In particular the recognition of subscription income in Checkit. It agreed the Group's policies remained appropriate.

- **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 the recognition of deferred taxation. Further details on these are disclosed in Notes 8 and 14 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. During the year the Company undertook a competitive tendering process and KPMG LLP was selected as independent auditor; Deloitte LLP duly tendered its resignation.

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 Mark Prince 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 24% (2016: Deloitte LLP 17%) of the audit fees for the Group, did not have a negative impact on KPMG LLP's independence.

The independent auditor also operates procedures designed to safeguard its 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
17 May 2017

Directors' responsibilities statement

The Directors are responsible for preparing the Strategic report, the Directors' report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, 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 Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK 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
17 May 2017

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 2017 set out on pages 30 to 60. 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 EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK 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 Director and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 28, the Directors are responsible for the preparation of 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 and 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
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2017 and of the Group's loss for the year then ended;

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

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

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

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 is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and Directors' report:

» we have not identified material misstatements in those reports; and

» in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in out 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.

Mark Prince (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
98–100 Hills Road
Cambridge
CB2 1AR
17 May 2017

Consolidated statement of comprehensive income
year ended 31 January 2017

	Notes	2017 £m	Restated[3] 2016 £m
Revenue	2	**32.7**	34.1
Cost of sales		**(19.9)**	(21.6)
Gross profit		**12.8**	12.5
Operating expenses			
Operating expenses (excluding non-recurring or special items[1])	3	**(13.6)**	(12.3)
Operating (loss)/profit before non-recurring or special items		**(0.8)**	0.2
Non-recurring or special items	4	**(0.8)**	—
Total operating expenses	3	**(14.4)**	(12.3)
Operating (loss)/profit	4	**(1.6)**	0.2
Finance costs	5	**—**	(0.1)
(Loss)/profit before taxation		**(1.6)**	0.1
Taxation	8	**0.7**	(0.2)
Loss from continuing operations		**(0.9)**	(0.1)
Profit from discontinued operations	26	**0.8**	0.7
(Loss)/profit for the period attributable to equity shareholders		**(0.1)**	0.6
Other comprehensive expense			
Items that may be classified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**0.4**	—
Total comprehensive income for the financial year attributable to equity shareholders		**0.3**	0.6
EPS measures – from continuing operations			
Basic and diluted EPS	10	**(0.5p)**	(0.1p)
Adjusted EPS measures – from adjusted profits from continuing operations[2]			
Basic and diluted EPS	10	**(0.1p)**	(0.1p)

The notes form an integral part of the financial statements

1 See Note 1 to financial statements for definition.

2 Before non-recurring and special items.

3 See note 26.

Consolidated balance sheet
as at 31 January 2017

	Notes	2017 £m	2016 £m
Assets			
Non-current assets			
Capitalised development costs	11	**3.9**	4.3
Other intangible assets	11	**0.4**	1.8
Property, plant and equipment	12	**2.0**	2.7
Total non-current assets		**6.3**	8.8
Current assets			
Inventories	15	**4.8**	5.7
Trade and other receivables	16	**7.6**	6.9
Deferred tax asset	14	**0.9**	—
Assets held for resale	27	**0.3**	—
Cash and cash equivalents		**2.5**	0.6
Total current assets		**16.1**	13.2
Total assets		**22.4**	22.0
Current liabilities			
Trade and other payables	17	**7.0**	7.2
Borrowings	18	**1.5**	2.2
Current tax payable		**0.2**	0.2
Provisions	19	**1.0**	0.5
Total current liabilities		**9.7**	10.1
Non-current liabilities			
Long-term provisions	19	**0.5**	0.3
Total non-current liabilities		**0.5**	0.3
Total liabilities		**10.2**	10.4
Net assets		**12.2**	11.6
Equity attributable to the owners of the Company			
Called up share capital	20	**9.3**	9.3
Share premium	20	**5.4**	5.4
Merger reserve	20	**1.1**	1.1
Capital redemption reserve	20	**0.2**	0.2
Own shares	20	**(1.9)**	(3.5)
Other reserves	20	**0.8**	0.8
Translation reserve	20	**(0.4)**	(0.8)
Retained earnings	20	**(2.3)**	(0.9)
Total equity		**12.2**	11.6

The notes form an integral part of the financial statements

The financial statements of Elektron Technology plc (registered no. 448274) were approved by the Board of Directors on 17 May 2017 and were signed on its behalf by:

Keith Daley
Director

Andy Weatherstone
Director

Consolidated statement of changes in equity
year ended 31 January 2017

	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 2015	9.3	5.4	1.1	0.2	(3.5)	0.7	(0.8)	(1.5)	10.9
Profit for the year	—	—	—	—	—	—	—	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
Loss for the year	—	—	—	—	—	—	—	(0.1)	(0.1)
Currency translation differences on foreign currency net investments	—	—	—	—	—	—	0.4	—	0.4
Total comprehensive income for the year	—	—	—	—	—	—	0.4	(0.1)	0.3
Sale/release of own shares	—	—	—	—	1.6	—	—	(1.3)	0.3
At 31 January 2017	**9.3**	**5.4**	**1.1**	**0.2**	**(1.9)**	**0.8**	**(0.4)**	**(2.3)**	**12.2**

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

Consolidated statement of cash flows
year ended 31 January 2017

	Notes	2017 £m	2016 £m
Net cash inflow from operating activities	6	**1.6**	3.8
Investing activities			
Purchase of property, plant and equipment	12	**(0.3)**	(0.8)
Purchase of other intangible assets	11	**(1.6)**	(2.1)
Proceeds from the sale of property, plant and equipment		**—**	0.2
Proceeds from the sale of businesses	26	**2.6**	—
Net cash used in investing activities		**0.7**	(2.7)
Financing activities			
Sale of own shares		**0.3**	—
Repayment of bank loans		**(0.7)**	(0.9)
Payment of hire purchase and finance liabilities		**—**	(0.2)
Net cash used in financing activities		**(0.4)**	(1.1)
Net increase in cash and cash equivalents		**1.9**	—
Cash and cash equivalents at the beginning of the year		**0.6**	0.6
Cash and cash equivalents at the end of the year		**2.5**	0.6

The notes form an integral part of the financial statements

Notes to the consolidated financial statements
year ended 31 January 2017

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 17 to 19.

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.

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.

Recent accounting developments
1. Standards, amendments and interpretations effective in 2016 adopted by the Company
The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 February 2016:

» Amendment to IAS 1 "Presentation of Financial Statements"

» Amendment to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"

» Amendment to IFRS 5 "Non-current Assets"

» Amendment to IFRS 7 "Financial Instruments"

2. Interpretations early adopted by the Company
There were no standards or interpretations early adopted by the Company in the financial year.

3. Standards, amendments and interpretations effective in 2016 but not relevant to the Company's operations:
» Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"

» Amendment to IAS 28 (revised) "Associates and Joint Ventures"

» Amendment to IAS 34 "Interim Financial Reporting"

» Amendment to IFRS 10 "Consolidated Financial Statements"

» Amendment to IFRS 12 "Disclosure of Interests in Other Entities"

» Amendment to IAS 19 "Defined Benefit Plans: Employer Contributions"

» Amendment to IAS 27 "Equity Method in Separate Financial Statements"

» Amendment to IFRS 11 "Interests in Joint Operations"

4. Interpretations to existing standards that are not yet effective and have not been early adopted by the Company:
» Amendment to IAS 12 "Deferred Tax Assets for Unrealised Losses"

» Amendment to IAS 7 "Disclosure Initiative"

» Amendment to IFRS 2 "Share-based Payments"

» IFRS 9 "Financial Instruments"

» IFRS 15 "Revenue from Contracts with Customers"

» IFRS 16 "Leases"

5. Interpretations to existing standards that are not yet effective and are not relevant to the Company's operations:
» Amendment to IFRS 4 "Insurance Contracts"

» IFRS 14 "Regulatory Deferral Accounts"

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 review 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, and other non-recurring and non-operating items; and

» the capitalisation of development costs (Note 11): 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. Specifically, management has to assess the feasibility of the project and assess the future economic benefits from such a project prior to capitalisation of any development expenditure.

Sources of estimation uncertainty:

» the recoverability of internally generated intangible assets (Note 11): 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 14): 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 15): 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 19).

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 2017 review on pages 4 to 7. The principal risks and uncertainties facing the business are described on pages 12 to 14. The Financial review on page 15 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 2017

1. Summary of significant accounting policies *continued*
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	3–4 years

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.

Impairment of tangible and intangible assets
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.

1. Summary of significant accounting policies *continued*

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 Long Term Incentive Plan (LTIP).

In accordance with IFRS 2 "Share-based Payments", 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 20. 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 new LTIP. All shares acquired by EBT are purchased on the open market or 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.

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" 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 costs" 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.

Notes to the consolidated financial statements *continued*

year ended 31 January 2017

1. Summary of significant accounting policies *continued*

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 dispatched 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.

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. Revenue is recognised when the relevant goods or service are provided.

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.

1. Summary of significant accounting policies *continued*

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 2017 are set out in Note 24.

(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 20.

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.

Notes to the consolidated financial statements *continued*
year ended 31 January 2017

1. Summary of significant accounting policies *continued*
Discontinued operations
A discontinued operation is a component of the Group's business that represents a separate line of business or geographical area of operations that has been disposed of, has been abandoned or meets the criteria to be classified as held for sale.

Discontinued operations are presented on the income statement as a separate line and are shown net of tax.

Assets and businesses held for sale
Assets and businesses classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and gains or losses on subsequent re-measurements are included in the income statement. No depreciation is charged on assets and businesses classified as held for sale.

Assets and businesses are classified as held for sale if their carrying amount will be recovered or settled principally through a sale transaction rather than through continuing use. The asset or business must be available for immediate sale and the sale must be highly probable within one year.

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.

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 2017 review.

	Segment revenue		Operating profit/(loss) before non-recurring or special items		Operating profit/(loss)	
Segment revenues and results of continuing operations	**2017 £m**	2016 £m	**2017 £m**	2016 £m	**2017 £m**	2016 £m
Bulgin	**24.1**	25.8	**3.7**	3.8	**3.3**	3.8
Checkit	**0.3**	0.2	**(3.5)**	(2.2)	**(3.5)**	(2.2)
Instrumentation, Monitoring and Control (IMC)	**8.3**	8.1	**(1.0)**	(1.4)	**(1.4)**	(1.4)
Total	**32.7**	34.1	**(0.8)**	0.2	**(1.6)**	0.2
Finance costs (net)					**—**	(0.1)
(Loss)/profit before tax					**(1.6)**	0.1

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.

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	**2017 £m**	2016 £m
Bulgin	**12.5**	10.2
Checkit	**4.1**	2.8
IMC	**5.8**	9.0
Consolidated assets	**22.4**	22.0

2. Segmental reporting *continued*

Segment liabilities	2017 £m	2016 £m
Bulgin	**6.5**	5.8
Checkit	**0.4**	0.2
IMC	**3.3**	4.4
Consolidated liabilities	**10.2**	10.4

	Depreciation and amortisation[1]		Additions to non-current assets	
Other segment information	2017 £m	2016 £m	2017 £m	2016 £m
Bulgin	**1.0**	1.0	**0.3**	0.6
Checkit	**0.7**	0.3	**1.4**	1.8
IMC	**1.3**	1.2	**0.2**	0.5
Total	**3.0**	2.5	**1.9**	2.9

1 Depreciation and amortisation on continuing operations only.

Geographical information

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

	Revenue from external customers		Non-current assets	
	2017 £m	2016 £m	2017 £m	2016 £m
United Kingdom	**11.0**	13.4	**5.4**	8.0
Rest of Europe, the Middle East and Africa	**9.5**	9.4	**0.9**	0.8
Asia Pacific and China	**3.7**	4.1	**—**	—
Americas	**8.5**	7.2	**—**	—
Total	**32.7**	34.1	**6.3**	8.8

3. Net operating expenses

	2017 £m	2016 £m
Net operating expenses		
Selling and distribution costs	**5.1**	4.2
Administrative expenses	**8.5**	8.1
Operating expenses excluding non-recurring or special items	**13.6**	12.3
Non-recurring or special items (see Note 4)	**0.8**	—
Total operating expenses	**14.4**	12.3

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 and other non-recurring items incurred outside the normal course of business. In the current year, share-based payment charges and amortisation of acquired intangible assets have been removed from this definition.

Notes to the consolidated financial statements *continued*

year ended 31 January 2017

4. Operating (loss)/profit – continuing operations

	2017 £m	Restated 2016 £m
Operating profit is after charging:		
Depreciation on owned property, plant and equipment	**0.6**	0.6
Depreciation on property, plant and equipment held under finance leases	**—**	0.1
Amortisation of intangible assets	**2.4**	1.8
Research and development expenditure	**1.1**	1.0
Loss on foreign currency translation	**0.3**	0.1
Operating lease rentals:		
– land and buildings	**0.5**	0.9
– 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	**0.1**	0.2
Total audit fees for audit services	**0.1**	0.2
– tax services	**—**	—
Total auditor's remuneration	**0.1**	0.2
Non-recurring or special items:		
– restructuring charge	**0.8**	—
– IFRS 2 charge	**—**	—
– amortisation of acquired intangible assets	**—**	—
Total non-recurring or special items	**0.8**	—

Included within auditor's remuneration for audit services is less than £0.1m (2016: less than £0.1m) for the audit of overseas subsidiaries carried out by an auditor other than KPMG LLP and less than £0.1m (2016: less than £0.1m) payable to KPMG LLP for the audit of the Company's annual accounts.

From 2017, management has taken the view that IFRS2 charges and amortisation of acquired intangible assets are not non-recurring or special items, therefore they have been excluded from both periods in the above table.

The restructuring costs relate to the closure of the Group's facility in Torquay, which was announced in December 2016.

The charge comprises:

	2017 £m
Onerous lease costs	**0.2**
Redundancy costs	**0.3**
Other costs of closure	**0.3**
	0.8

5. Finance costs

	2017 £m	2016 £m
Bank overdrafts and loans wholly repayable within five years	**—**	(0.1)

6. Net cash flows from operating activities

	2017 £m	2016 £m
(Loss)/profit before taxation		
– from continuing operations	**(1.6)**	0.1
– from discontinued operations	**0.8**	0.7
Adjustments for:		
Depreciation	**0.6**	0.7
Non-recurring or other special items – continuing	**0.8**	—
Amortisation of development costs and computer software	**2.6**	1.8
Gain on the sale of discontinued businesses	**(0.7)**	—
IFRS2 charges	**—**	0.1
Interest payable	**—**	0.1
Operating cash flow before working capital changes and non-recurring or special items	**2.5**	3.5
(Increase)/decrease in trade and other receivables	**(0.7)**	0.2
Increase in inventories	**(0.1)**	(0.3)
Increase in trade and other payables	**0.1**	0.6
Payments for non-recurring or special items	**—**	(0.1)
Cash generated by operations	**1.8**	3.9
Tax paid	**(0.2)**	—
Interest paid	**—**	(0.1)
Net cash inflow from operating activities	**1.6**	3.8

7. Staff information (including Directors)

Employee costs were:

	Note	2017 £m	2016 £m
Wages and salaries		**14.6**	13.2
Social security costs		**1.3**	1.6
Other pension costs	24	**0.4**	0.3
		16.3	15.1

Redundancy costs of £0.3m (2016: £0.1m) were incurred in the year and were included within operating costs.

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

	2017 Number	2016 Number
Administration and sales	**128**	167
Production	**846**	853
	974	1,020

Details of Directors' remuneration are included in the Remuneration report on pages 20 to 25.

8. Taxation

(a) Analysis of tax (credit)/charge for the year

	2017 £m	2016 £m
Current taxation:		
Overseas corporation tax charge on profit for the year	**0.2**	0.1
Underprovision in respect of prior years	**—**	0.1
Total current taxation	**0.2**	0.2
Deferred tax:		
Origination and reversal of timing differences	**(1.2)**	—
Underprovision in respect of prior years	**0.3**	—
Total deferred taxation	**(0.9)**	—
Tax (credit)/charge on continuing and discontinued operations	**(0.7)**	0.2

Notes to the consolidated financial statements *continued*
year ended 31 January 2017

8. Taxation *continued*
(b) Factors affecting taxation charge for the year
The effective tax rate for the year was 20% following a reduction to the rate on 1 April 2015. A further reduction to 19% from 1 April 2017 and 17% from 1 April 2020 have been substantively enacted. UK temporary differences are measured at the rate at which they are expected to reverse. New legislation will become effective in April 2017 which will restrict the use of brought forward losses in the UK. This legislation is not substantively enacted. It is anticipated this will not affect the ability to use recognised deferred tax assets but may affect the period over which the losses can be utilised.

	2017		2016	
	Tax rate	£m	Tax rate	£m
(Loss)/profit on ordinary activities before taxation		(1.6)		0.1
Loss on ordinary activities multiplied by weighted average standard rate of corporation tax in the UK of 20%	20%	(0.3)	20.2%	—
Effects of:				
Expenses not deductible for tax purposes	6.25%	0.1	300%	0.3
Overseas tax rates	—	—	(200%)	(0.2)
Profits not subject to tax	(12.5%)	(0.2)	—	—
Timing differences not recognised	(25%)	(0.4)	100%	0.1
Utilisation of tax losses brought forward	(37.5%)	(0.6)	(100%)	(0.1)
Change in rates	6.25%	0.1	—	—
Adjustments in respect of prior years	18.75%	0.3	—	—
Non-recognition of tax losses	18.75%	0.3	100%	0.1
Tax (credit)/charge	(43.75%)	(0.7)	20.2%	0.2

Included in the tax charge above is £0.1m arising on the non-recurring or special items (2016: £nil). Group tax losses have been utilised against the charge.

(c) Factors that may affect future taxation charges
Deferred taxation assets amounting to £0.5m (2016: £0.9m) 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.

9. Dividends paid
No interim or final dividend was paid for year ended 31 January 2017 (2016: £Nil).

10. Earnings per ordinary share
Earnings per share (EPS) is the amount of post-tax profit attributable to each share (excluding those held in the Employee Benefit Trust or by the Company). Basic EPS measures are calculated as the Group profit for the year attributable to equity shareholders divided by the weighted average number of shares in issue during the year. Diluted EPS takes into account the dilutive effect of all outstanding share options priced below the market price, in arriving at the number of shares used in its calculation.

Both of these measures are also presented on an adjusted basis, to remove the effects of non-recurring or special items, being items of both income and expense which are sufficiently large, volatile or one-off in nature to assist the reader of the financial statements to get better understanding of the underlying performance of the Group. The note below demonstrates how this calculation has been performed.

	Key	2017 million	2016 million
Weighted average number of shares for the purpose of basic earnings per share	A	172.2	171.0
Dilutive effect of employee share options		0.6	—
Weighted average number of shares for the purpose of diluted earnings per share	B	172.8	171.0

	Key	£m	£m
Loss for the year		(0.1)	0.6
Profits from discontinued operations, net of tax		(0.8)	(0.7)
Continuing loss for the year attributable to equilty shareholders	C	(0.9)	(0.1)
Total non-recurring or special items included in profit before tax		0.8	—
Total non-recurring or special items included in taxation		(0.1)	—
Earnings for adjusted EPS	D	(0.2)	(0.1)

10. Earnings per ordinary share *continued*

	Key	2017	2016
EPS measures			
Basic continuing EPS	C/A	**(0.5p)**	(0.1p)
Diluted continuing EPS	C/B	**(0.5p)**	(0.1p)
Adjusted EPS measures			
Adjusted basic continuing EPS	D/A	**(0.1p)**	(0.1p)
Adjusted diluted continuing EPS	D/B	**(0.1p)**	(0.1p)

Discontinued earnings per share

Basic and diluted discontinued earnings per share were 0.5p (2016: 0.4p).

11. Other intangible assets

	Development costs £m	Computer software £m	Acquired intangible assets £m	Total £m
Cost				
At 1 February 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
Additions	1.6	—	—	1.6
Disposals	(0.1)	(0.1)	(2.5)	(2.7)
At 31 January 2017	**8.0**	**1.9**	**—**	**9.9**
Amortisation				
At 1 February 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
Charge for the year	2.0	0.4	0.2	2.6
Disposals	(0.1)	(0.1)	(1.7)	(1.9)
At 31 January 2017	**4.1**	**1.5**	**—**	**5.6**
Carrying amount				
At 1 February 2015	3.5	1.1	1.2	5.8
At 31 January 2016	4.3	0.8	1.0	6.1
At 31 January 2017	**3.9**	**0.4**	**—**	**4.3**

Development cost additions by project	2017 £m	2016 £m
Bulgin	**—**	0.1
IMC	**0.2**	0.3
Checkit	**1.4**	1.5
Total development cost additions	**1.6**	1.9

	Cost value		Net book value	
Total amounts by project	2017 £m	2016 £m	2017 £m	2016 £m
Bulgin	**1.0**	1.1	**0.1**	0.7
IMC	**2.8**	2.6	**0.7**	1.2
Checkit	**4.2**	2.8	**3.1**	2.4
Total development costs	**8.0**	6.5	**3.9**	4.3

Notes to the consolidated financial statements *continued*

year ended 31 January 2017

11. Other intangible assets *continued*

Acquired intangible assets previously included marketing (£0.9m), customer (£1.3m) and technology (£0.3m) related assets arising from the acquisition of Hartest Holdings plc, which were being amortised over their estimated useful lives, which are estimated to be between 10 and 20 years. The current year amortisation charge of £0.2m is classified as part of results from discontinued operations. The resulting net balance of the acquired intangible of £0.8m was disposed of as part of the 2017 disposal programme.

The Group has tested the development costs and computer software 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 2023, assuming no growth in cash flows thereafter in respect of Bulgin and IMC business segments. 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.

As Checkit is a start-up business cash flow forecasts have been extended out a further three years to 2026.

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.

Checkit is a start up business in the early stage of its life cycle, therefore revenue growth is a key factor and the timing of that revenue growth is uncertain at this point in time, as would be the case of any business at this point in its development. However, based on the forecast business plans it is deemed that the risk is mitigated to a sufficient degree but there is still an order pipeline conversion risk that remains. This is considered a key risk in determining value in use.

The pre-tax rate used to discount forecast cash flows is 11.5% (2016: 11.5%), which is deemed to be the Group's weighted average cost of capital.

12. Property, plant and equipment

	Leasehold improvements £m	Plant and machinery £m	Equipment, fixtures, fittings and vehicles £m	Total £m
Cost				
At 1 February 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
Additions	0.1	0.2	—	0.3
Disposals	(0.6)	(0.3)	(0.2)	(1.1)
At 31 January 2017	**0.8**	**8.8**	**2.4**	**12.0**
Depreciation				
At 1 February 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
Charge for the year	0.1	0.3	0.2	0.6
Disposals	(0.2)	(0.3)	(0.2)	(0.7)
At 31 January 2017	**0.4**	**7.6**	**2.0**	**10.0**
Net book value				
At 1 February 2015	0.8	1.2	0.8	2.8
At 31 January 2016	0.8	1.3	0.6	2.7
At 31 January 2017	**0.4**	**1.2**	**0.4**	**2.0**

The net book value of tangible fixed assets held under finance leases and hire purchase contracts was £0.1m (2016: £0.2m).

13. Investment in subsidiary undertakings

The subsidiary undertakings at 31 January 2017 were:

Name	Registered office	Nature of business	Shares held by parent	Shares held by Group
Elektron Technology Corporation	11849 Telegraph Road, Santa Fe Springs, California 90670, USA	Sale of electromechanical components and instrumentation products	100%	100%
Elektron Technology PTE Limited	Room 2124 Centennial Tower, 3 Temasek Avenue, Singapore 039190	Sale of electromechanical components and instrumentation products	100%	100%
Elektron Technology UK Limited	Broers Building, JJ Thomson Avenue, Cambridge, UK	Design, manufacture and sale of electromechanical components and instrumentation products	100%	100%
Elektron Technology (Shanghai) Trading Limited	Suite 802, 568 Hengfeng Road, Jin An Dist, Shanghai, China	Dormant company	100%	100%
Elektron Tunisie Sarl	16 Rue 62127 Industrial Zone Ibn Khaldoun, Cite Ettahrir, Tunisia	Manufacture of electromechanical components	100%	100%
Hartest Precision Instruments India Private Limited	304, Plot No.7, Mahajan Tower LSC, Shreshtha, Vihar, Delhi-110092	Dormant company	100%	100%
Sheen Instruments Limited	Broers Building, JJ Thomson Avenue, Cambridge, UK	Design, manufacture and sale of inspection and testing instruments	0%	100%
Wallace Instruments Limited	Broers Building, JJ Thomson Avenue, Cambridge, UK	Dormant company	0%	100%
Bulgin PLC	Broers Building, JJ Thomson Avenue, Cambridge, UK	Dormant company	0%	100%
Checkit Limited	Broers Building, JJ Thomson Avenue, Cambridge, UK	Web-based service for work management and automated monitoring	0%	100%
Checkit Technology Limited	Broers Building, JJ Thomson Avenue, Cambridge, UK	Dormant company	0%	100%
Elektron Enterprises 1 Limited	Broers Building, JJ Thomson Avenue, Cambridge, UK	Dormant company	0%	100%
Hartest Precision Instruments Limited	Broers Building, JJ Thomson Avenue, Cambridge, UK	Dormant company	0%	100%
Titman Tip Tools GmbH	Egbert-Snoek-Strabe 1, 48155 Munster, Germany	Manufacture and sale of drilling and boring tooling	0%	100%
Titman Tip Tools Limited	Broers Building, JJ Thomson Avenue, Cambridge, UK	Manufacture and sale of drilling and boring tooling	0%	100%

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

14. Deferred tax

	2017 £m	2016 £m
Deferred tax assets recoverable after more than one year	**—**	—

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

	Notes	2017 £m	2016 £m
At 1 February 2016		**—**	—
Deferred tax on separately identifiable intangible assets	8a	**0.5**	0.1
Deferred tax on capitalised development costs		**(0.5)**	(0.1)
Origination and reversal of other timing differences	8a	**0.9**	—
At 31 January 2017		**0.9**	—
This is made up of the following:			
Depreciation in excess of capital allowances		**0.5**	0.4
Deferred tax on capitalised development costs		**(0.5)**	(0.5)
Other short-term timing differences		**0.5**	0.3
Deferred tax losses recognised		**0.4**	(0.2)
		0.9	—

Notes to the consolidated financial statements *continued*
year ended 31 January 2017

14. Deferred tax *continued*
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 £6.5m (2016: £5.4m).

During the year the Group undertook a restructuring of the legal entity structure which has resulted in deferred tax assets being recognised for previously unrecognised losses based on future forecasted profitability under the new structure.

15. Inventories

	2017 £m	2016 £m
Raw materials	3.3	3.9
Work in progress	0.3	0.3
Finished goods and goods for resale	1.2	1.5
	4.8	5.7

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 (2016: 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 £8.5m (2016: £9.0m).

16. Trade and other receivables

	2017 £m	2016 £m
Trade receivables	5.6	6.6
Less: provision for impairment	(0.6)	(0.7)
Trade receivables – net	5.0	5.9
Other receivables	1.5	0.4
Prepayments	1.1	0.6
	7.6	6.9

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

Trade receivables can be analysed as follows:

	2017 £m	2016 £m
Not past due	5.4	6.0
Past due but not impaired	0.1	0.2
Past due and impaired	0.1	0.4
	5.6	6.6

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

	2017 £m	2016 £m
Up to one month past due	0.1	0.1
Over one month past due	—	0.1
	0.1	0.2

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 56 days (2016: 63 days).

Trade receivables of £0.6m (2016: £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.

16. Trade and other receivables *continued*

Ageing of impaired receivables:

	2017 £m	2016 £m
Not past due	**0.6**	0.3
Between one month and two months past due	**—**	—
Over two months past due	**—**	0.4
	0.6	0.7

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

	2017 £m	2016 £m
At 1 February 2016	**0.7**	0.7
Decrease in provision for receivables impairment	**(0.1)**	—
At 31 January 2017	**0.6**	0.7

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

	2017 £m	2016 £m
Sterling	**5.5**	4.7
US Dollar	**1.2**	1.4
Euro	**1.0**	0.5
Other	**0.2**	0.3
	7.9	6.9

17. Trade and other payables

	2017 £m	2016 £m
Trade payables	**2.8**	3.6
Other payables	**2.0**	1.1
Accruals and deferred income	**2.2**	2.5
	7.0	7.2

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 51 days (2016: 66 days).

Notes to the consolidated financial statements *continued*

year ended 31 January 2017

18. Borrowings

	2017 £m	2016 £m
Bank overdrafts and invoice discounting facilities	**1.4**	1.5
Obligations under finance leases and hire purchase contracts	**0.1**	0.3
Bank loans	**—**	0.4
	1.5	2.2
Short-term borrowings	**1.5**	1.9
Current portion of long-term borrowing	**—**	0.3
	1.5	2.2
Analysis of repayments		
Bank overdrafts and invoice discounting facilities:		
Within one year	**1.4**	1.5
Finance leases and hire purchase contracts:		
Within one year	**0.1**	—
	0.1	0.3
Bank loans:		
Within one year	**—**	0.4
	—	0.4
	1.5	2.2

Bank overdrafts and invoice discounting facilities of £1.4m (2016: £1.5m) and bank loans of £Nil (2016: £0.4m) are secured by debentures and fixed charges over certain Group assets. Balances have been offset where appropriate.

Bank overdrafts and invoice discounting facilities of £1.4m (2016: £1.9m) attract interest at 3.25% above the currency base rate.

Bank loans comprise a revolving credit facility which attracts interest at 4.35% over LIBOR.

Finance leases and hire purchase contracts of £0.1m attract interest at 2.2% to 3.65% over base rates.

The Group's revolving credit facility of £2.1m renewed in April 2016 expires in March 2018 and amortises on a quarterly basis of £285k per quarter with the remaining amount expiring at the end of the facility.

19. Provisions

	2017 £m	2016 £m
Non-current	**0.5**	0.3
Current	**1.0**	0.5
	1.5	0.8

	Product rectification £m	Dilapidation costs £m	Restructuring costs £m	Total £m
At 1 February 2016	0.3	0.3	0.2	0.8
Utilised	—	—	(0.2)	(0.2)
Provided for in the year	—	0.2	0.7	0.9
At 31 January 2017	**0.3**	**0.5**	**0.7**	**1.5**
Anticipated utilisation				
Within one year	0.3	—	0.7	1.0
Beyond one year	—	0.5	—	0.5

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.

20. Share capital and reserves

Share capital

	2017 £m	2016 £m
Authorised		
200,000,000 (2016: 200,000,000) ordinary shares of 5 pence each	**10.0**	10.0
Allotted, called up and fully paid		
186,100,851 (2016: 186,100,851) ordinary shares of 5 pence each	**9.3**	9.3

Of the allotted, called up and fully paid share capital, 8,283,650 shares (2016: 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 2017 was 177,817,201 (2016: 171,025,201).

Shares held by the EBT include nil shares (2016: 9,568,000) jointly owned with employees participating in the JSOP.

The middle-market price of the ordinary shares at 31 January 2017 was 7.625 pence per share and the range during the year was 5.25 pence per share to 8.5 pence per share.

JSOP and market value options

During the year, the JSOP awards were unwound, which resulted in the Trustee of the Employment Benefit Trust (EBT) purchasing all of the joint ownership interests in the Company for a consideration of one ordinary share in the Company for every four jointly held shares held by the participant. The linked stock appreciation rights also lapsed.

As a result the EBT held 12,683,650 shares. On 28 July 2017 Messrs Daley and Wilson were awarded market value options (mid-market price at close of business on immediately preceding dealing day) of 3,541,500 shares and 2,941,500 shares respectively which can be bought from the EBT at any time. During the year Messrs Daley and Wilson exercised options of amounting to 3,000,000 and 1,400,000 respectively at a price of 6.79 pence and 5.89 pence.

At 31 January remaining options amounted to 2,083,000 outstanding for Messrs Daley and Wilson. As at 31 January 2017 the EBT held 8,283,650 shares in the Company.

Share options

Elektron Technology plc Savings-related Share Option Scheme: as at 31 January 2017, there was a total of nil options outstanding as these options lapsed in July 2016.

Elektron Technology plc Company Share Option Plan (CSOP)

			Number of options	
Year of grant	Exercise period	Option price	2017 ’000	2016 ’000
2014	2015–2022	17.00p	**—**	150
2014	2016–2023	10.625p	**220**	220
2015	2017–2023	8.00p	**1,970**	2,430
2016	2019–2026	5.25p	**571**	—

The weighted average exercise price of all options under the CSOP is 7.6 pence (2016: 8.68 pence).

Movement in share options during the year:

	2017		2016	
	No. of shares 000s	Weighted average	No. of shares 000s	Weighted average
Outstanding at beginning of year	**2,800**	**8.68p**	1,540	10.52p
Granted during the year	**571**	**5.25p**	2,430	8.00p
Forfeited/lapsed during the year	**(610)**	**(10.2)p**	(1,170)	(22.77)p
Outstanding at year end	**2,761**	**7.6p**	2,800	8.68p
Exercisable at the end of the period	**220**	**10.625p**	—	—

During the year, 610,000 share options lapsed as a result of employees leaving the Group.

Elektron stock appreciation options

Options in the form of stock appreciation rights not included in the above table over 230,000 shares were granted in October 2015 for employees outside the UK. The exercise period for these options granted during the year is 2018–2025 and the exercise price is 8.00 pence.

Notes to the consolidated financial statements *continued*

year ended 31 January 2017

20. Share capital and reserves *continued*

Share options *continued*

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	1.25%
Weighted average contractual life	3 years
Weighted average share price	5.25p
Strike price	5.25p to 10p
Volatility of share price	56%
Forfeiture rate	Nil

The Group recognised a charge of less than £0.1m in the year (2016: £0.1m).

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.

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 £0.4m (2016: £0.8m).

Other reserves

A reserve arising from the application of IFRS 2 "Share-based Payments" of £0.8m (2016: £0.8m).

Retained earnings

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

21. Capital commitments

Expenditure sanctioned but not contracted for amounted to less than £0.1m (2016: less than £0.1m), and expenditure contracted but not provided for in the financial statements amounted to £Nil (2016: £Nil).

22. Operating lease commitments

At 31 January 2017 the Group had total commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2017 £m	2016 £m	**2017 £m**	2016 £m
Minimum lease payments:				
Expiring within one year	**0.2**	0.1	**—**	0.1
Expiring between two and five years	**0.4**	0.4	**—**	0.1
Expiring after five years	**1.4**	2.1	**—**	—
	2.0	2.6	**—**	0.2

23. 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 £0.4m (2016: £0.3m) and outstanding contributions at the year end amounted to less than £0.1m (2016: less than £0.1m).

24. 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 2017 gross gearing on net assets was 12.2% (2016: 18.8%).

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

Details of trade and other receivables are provided in Note 16. The only other current financial asset held is cash and cash equivalents. The balances as at 31 January are detailed below:

	2017 £m	2016 £m
US Dollar accounts	**0.2**	0.2
Indian Rupee	**0.2**	0.1
Euro accounts	**0.2**	0.1
Pound Sterling	**1.9**	0.2
	2.5	0.6

(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:

	2017 £m	2016 £m
Floating rate financial liabilities	**1.5**	2.2

(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).

The only applicable financial asset relates to deferred consideration (see Note 24). This deferred consideration amounts to £0.4m and is considered to be a Level 3 financial asset measured at fair value.

(a) The following table shows the valuation techniques used in measuring this Level 3 fair value as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurements
Agar deferred consideration	Discounted cash flows	Cash receipts for deferred consideration receivable on a monthly basis; therefore, as the only potential variable is the timing of revenue received no other significant unobservable inputs exist	Not applicable

Notes to the consolidated financial statements *continued*

year ended 31 January 2017

24. Financial assets and liabilities *continued*

(v) Fair value of financial assets and liabilities *continued*

(b) The following table shows reconciliation from the opening balance to closing balance for the Level 3 fair value:

	Deferred consideration £m
Balance at 1 February 2015	—
Balance at 31 January 2016	—
Balance at 1 February 2016	—
Arising on disposal of operation	0.4
Received during the year	(0.1)
Balance at 31 January 2017	0.3

(c) Sensitivity analysis

There is no reasonably possible change that would cause a significant difference in the value of consideration receivable as the only variable is the timing of revenue received.

(vi) Committed undrawn borrowing facilities

At the year end the Group had committed undrawn facilities of £2.8m (2016: £2.6m) 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 2017 the Group had no commitments under non-cancellable forward contracts (2016: £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	
	2017 £m	2016 £m	**2017 £m**	2016 £m
US Dollar	**1.5**	1.6	**(0.1)**	(0.3)
Euro	**1.2**	0.6	**(0.1)**	(0.2)
Indian Rupee	**0.2**	0.1	**—**	—
	2.9	2.3	**(0.2)**	(0.5)

(viii) Sensitivity analysis

For the year ended 31 January 2017 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 (2016: £0.1m) for the US Dollar;

» £0.1m (2016: less than £0.1m) for the Euro; and

» less than £0.1m (2016: 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 2017 results.

(ix) Categories of financial instruments

Financial assets	**2017 £m**	2016 £m
Cash and bank balances	**2.5**	0.6
Loans and receivables (Note 16)	**5.6**	6.6
	8.1	7.2

Financial liabilities	**2017 £m**	2016 £m
Other financial liabilities at amortised cost		
Trade and other payables (Note 17)	**4.8**	4.7

25. 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 (2016: £0.4m), 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 8 to the parent company financial statements.

26. Discontinued operations

Discontinued operations in the current year comprise: the Qados brand (closed at the end of the previous financial year), the Agar brand sold on 20 May 2016, the Carnation brand sold on 30 September 2016, the Wallace brand sold on 5 December 2016 and the Digitron brand sold on 27 March 2017.

The prior year balances have been restated in respect of any operations which became discontinued in the course of the current year as set below:

Qados

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

	2017 £m	2016 £m
Revenue	**—**	1.6
Expenses	**—**	(1.3)
Profit before tax	**—**	0.3
Attributable tax expense	**—**	—
Gain from discontinued operations attributable to equity shareholders	**—**	0.3

During the year, Qados contributed £Nil (2016: £0.3m) to the Group's net operating cash flows, paid less than £0.1m (2016: less than £0.1m) in respect of investing and paid less than £0.1m (2016: less than £0.1m) in respect of financing activities.

Agar

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

	2017 £m	2016 £m
Revenue	**1.1**	3.4
Expenses (including £0.2m charge in respect of amortisation of acquired intangible)	**(1.1)**	(3.3)
Profit before tax	**—**	0.1
Gain on disposal of discontinued operations	**0.7**	—
Gain from discontinued operations attributable to equity shareholders	**0.7**	0.1

During the year, Agar contributed £0.2m (2016: £0.3m) to the Group's net operating cash flows, paid less than £0.1m (2016: less than £0.1m) in respect of investing and paid less than £0.1m (2016: less than £0.1m) in respect of financing activities.

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

Details of the disposal of Agar are set out below:

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

£0.1m of deferred consideration has been received during the year.

Notes to the consolidated financial statements *continued*

year ended 31 January 2017

26. Discontinued operations *continued*

Carnation

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

	2017 £m	2016 £m
Revenue	**0.8**	1.8
Expenses	**(0.9)**	(1.6)
Profit before tax	**(0.1)**	0.2
(Loss)/gain from discontinued operations attributable to equity shareholders	**(0.1)**	0.2

During the year, Carnation contributed £0.1m (2016: £0.4m) to the Group's net operating cash flows, paid less than £0.1m (2016: less than £0.1m) in respect of investing and paid less than £0.1m (2016: less than £0.1m) in respect of financing activities.

Expenses of discontinued operations in the year to 31 January 2017 included £Nil classified as non-recurring or special items (2016: £Nil).

Details of the disposal of Carnation are set out below:

	£m
Inventories	0.2
Net gain on disposal	—
Total consideration	0.2
Satisfied by:	
Cash and cash equivalents	0.2
Deferred consideration	—
Total consideration	0.2

Wallace

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

	2017 £m	2016 £m
Revenue	**1.2**	1.0
Expenses	**(1.1)**	(1.0)
Profit before tax	**0.1**	—
Gain from discontinued operations attributable to equity shareholders	**0.1**	—

During the year, Wallace contributed £0.1m (2016: £Nil) to the Group's net operating cash flows, paid less than £0.1m (2016: less than £0.1m) in respect of investing and paid less than £0.1m (2016: less than £0.1m) in respect of financing activities.

Expenses of discontinued operations in the year to 31 January 2017 included £Nil classified as non-recurring or special items (2016: £Nil).

Details of the disposal of Wallace are set out below:

	£m
Inventories	0.3
Net gain on disposal	—
Total consideration	0.3
Satisfied by:	
Cash and cash equivalents	0.3
Total consideration	0.3

26. Discontinued operations *continued*

Digitron

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

	2017 £m	2016 £m
Revenue	**1.4**	1.3
Expenses	**(1.3)**	(1.2)
Profit before tax	**0.1**	0.1
Gain from discontinued operations attributable to equity shareholders	**0.1**	0.1

During the year, Digitron contributed £0.1m (2016: £0.1m) to the Group's net operating cash flows, paid less than £0.1m (2016: less than £0.1m) in respect of investing and paid less than £0.1m (2016: less than £0.1m) in respect of financing activities.

Expenses of discontinued operations in the year to 31 January 2017 included £Nil classified as non-recurring or special items (2016: £Nil).

In March 2017, the Group completed the disposal of business and certain assets of the Digitron brand for proceeds of £0.3m at nil profit.

27. Post balance sheet events and assets held for resale

Subsequent to year end the Group completed the disposal of business and certain assets of the Digitron brand within the IMC segment of the Group for proceeds of £0.3m at nil profit. These assets were reclassified as assets held for resale at 31 January 2017 and amounted to £0.3m.

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.

28. Non-GAAP performance measures

A reconciliation of non-GAAP performance measures to reported results is set out below:

	2017 Business Ex. Checkit £m	2017 Checkit £m	2017 Total £m	2016 Business Ex. Checkit £m	2016 Checkit £m	2016 Total £m
Earnings before interest, taxation, depreciation and amortisation ('EBITDA')	**5.0**	**(2.8)**	**2.2**	4.6	(1.9)	2.7
Depreciation and amortisation	**(2.3)**	**(0.7)**	**(3.0)**	(2.2)	(0.3)	(2.5)
Underlying operating profit	**2.7**	**(3.5)**	**(0.8)**	2.4	(2.2)	0.2
Non-recurring or special items (note 4)	**(0.8)**	**—**	**(0.8)**	—	—	—
Reported operating profit/(loss) for the year	**1.9**	**(3.5)**	**(1.6)**	2.4	(2.2)	0.2

Parent company balance sheet
as at 31 January 2017

	Notes	2017 £m	2016 £m
Fixed assets			
Investments in subsidiary undertakings	3	**0.3**	0.3
		0.3	0.3
Current assets			
Debtors	4	**14.0**	17.2
Cash in hand and at bank		**—**	0.1
		14.0	17.3
Creditors: amounts falling due within one year	5	**(1.3)**	(1.5)
Net current assets		**12.7**	15.8
Total assets less current liabilities		**13.0**	16.1
Net assets		**13.0**	16.1
Capital and reserves			
Called up share capital	6	**9.3**	9.3
Share premium	6	**5.4**	5.4
Merger reserve	6	**1.1**	1.1
Capital redemption reserve	6	**0.2**	0.2
Other reserves	6	**2.0**	0.4
Profit and loss account	6	**(5.0)**	(0.3)
Shareholders' funds		**13.0**	16.1

The notes form an integral part of the financial statements

The financial statements were approved by the Board of Directors on 17 May 2017 and were signed on its behalf by:

Keith Daley
Director

Andy Weatherstone
Director

Parent company statement of changes in equity

year ended 31 January 2017

	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 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
Loss for the year	—	—	—	—	—	(3.4)	(3.4)
Total comprehensive expense for the year	—	—	—	—	—	(3.4)	(3.4)
Sale/release of own shares	—	—	—	—	1.6	(1.3)	0.3
At 31 January 2017	**9.3**	**5.4**	**1.1**	**0.2**	**2.0**	**(5.0)**	**13.0**

Notes to the parent company financial statements
year ended 31 January 2017

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, 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.

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.

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 £0.1m (2016: £0.5m).

3. Investments in subsidiary undertakings

	2017 £m	2016 £m
At 1 February	0.3	0.3
At 31 January	0.3	0.3

4. Debtors: amounts falling due within one year

	2017 £m	2016 £m
Amounts owed by subsidiary undertakings	13.9	17.0
Prepayments	0.1	0.2
	14.0	17.2

5. Creditors: amounts falling due within one year

	2017 £m	2016 £m
Amounts owed to subsidiary undertakings	1.2	1.1
Other creditors	0.1	0.2
Accruals and deferred income	—	0.2
	1.3	1.5

6. Share capital and reserves
Details of the share capital and reserves are given in Note 20 of the notes to the consolidated financial statements.

7. Capital expenditure commitments and operating lease commitments
Capital expenditure contracted but not provided for in the financial statements amounted to £Nil (2016: £Nil). The Company had £1.2m total future minimum lease commitment for land and buildings at 31 January 2017 (2016: £1.2m).

8. 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.

9. Related party transactions
Related party transactions are the same for the Company as for the Group. Details can be found in Note 25 of the notes to the consolidated financial statements.

Web property

Elektron Technology
www.elektron-technology.com

Bulgin
www.bulgin.co.uk

Checkit
www.checkit.net

Elektron Eye Technology
www.elektron-eye-technology.com

Queensgate
www.queensgate.co.uk

Sheen Instruments
www.sheeninstruments.com

Advisers

Company Secretary
Andy Weatherstone

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
KPMG LLP

98–100 Hills Road
Cambridge CB2 1AR

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.

Produced by
designportfolio

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

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