elektron technology

Improving productivity. Providing insight.

Elektron Technology plc
Annual Report and Accounts 2018

checkit

Checkit transforms how businesses manage key aspects of operational and business performance that depend on routine but critical employee activities and are usually hidden from management.

Checkit is uniquely able to do this through its combination of simple yet powerful checklist application building, real-time alerts and seamless integration of smart sensors and cloud analytics.

Read more on page 12

Elektron Technology is a global technology group that conceives, designs and markets products and services that connect, monitor and control.

Find out more online at
www.bulgin.com
www.checkit.com
www.elektron-eye-technology.com

> Compared to paper records, Checkit is a real timesaver. Staff don't need to spend time filling in paperwork, they have more time to focus on their core duties."
>
> Christopher Moore,
> HSE Director for B&I,
> Compass Group UK and Ireland

> We quickly found out how much more you can do with Checkit, and we now use it to manage all our health and safety procedures and cleaning schedules, as well as temperature checks for cooked meat and hot water."
>
> Dominic Teague,
> Executive Chef, One Aldwych

Contents

2018 HIGHLIGHTS

Net cash (£m)

£5.2m

2017: £1.0m

Group revenue from continuing operations (£m)

£29.8m

2017: £26.8m

Operating profit from continuing operations (£m)

£2.6m

2017: £(0.6)m

Depreciation and amortisation on continuing operations (£m)

£2.5m

2017: £1.9m

Group highlights

- Five-year streamlining programme completed shortly after year end allowing management to focus on the three remaining businesses offering growth potential: Bulgin, Checkit and Elektron Eye Technology (EET).
- Three disposals completed in the year generating £1.9m in cash, with the disposal of Queensgate Nano generating an additional £0.8m in cash proceeds shortly after the year end.
- Net cash at year end of £5.2m (2017: £1.0m).
- Group revenues from continuing operations £29.8m (2017: £26.8m), an increase of 11.2%.
- Operating profit from continuing operations £2.6m (2017: loss £0.6m).
- Strengthened balance sheet. The Board's policy is to amortise Checkit intangibles over a short period. Depreciation and amortisation on continuing operations in the year was £2.5m (2017: £1.9m).
- The Group continues to invest a substantial proportion of Bulgin operating cash flow into Checkit in view of the outstanding opportunities that business offers. EET is a smaller scale business with growth potential and a limited need for investment. Bulgin's strategy ensures minimal capital requirement with high return on capital employed (ROCE).

Individual business highlights

Bulgin

Sales (£m)

£27.3m

2017: £24.1m

Operating profits (£m)

£7.2m

2017: £3.3m

- Management focus is on growing sales in this historically low growth business whilst maintaining class-leading margins.
- Revenues increased by 13.3%.
- Operating margins increased to 26.4% (2017: 13.7%).
- Increased revenue being generated through distribution further enhanced with the agreement with Arrow Electronics Inc, signed post year end in March 2018.
- Despite record H2 FY18 sales, Bulgin currently has a record order book which is expected to translate into a strong first half sales performance.
- The Board's visibility does not extend beyond the first half and so remains cautious on second half performance due to potential economic uncertainty.

Read more on page 6

Checkit

Sales (£m)

£0.5m

2017: £0.3m

Operating loss (£m)

£(4.4)m

2017: £(3.5)m

- Increase in loss as a result of increased amortisation of capitalised development expenditure.
- Annual cash burn reduced by £0.8m to £3.4m (2017: £4.2m).
- Management focus is on converting the significant opportunities that face this business.
- As announced on 10 April 2018, Checkit's contracted annualised recurring revenue (ARR – see page 19) exceeds £1m.
- The Board now considers that Checkit has exited the start-up phase of its development and has entered its scale-up phase.
- USA launch planned for second half of current year.

Read more on page 8

EET

Sales (£m)

£2.0m

2017: £2.4m

Operating loss (£m)

£(0.2)m

2017: £(0.4)m

- Purchase of IP relating to Henson and MPS II devices for £0.4m.
- Management focus is on increasing the number of distributors globally from a current low base.
- Strong start to new financial year with much improved distribution strategy delivering record current order book.

Read more on page 9

AT A GLANCE

Business segments

Bulgin

Key products

- Bulgin is widely recognised as a leading provider of environmentally sealed connectors and critical components, with over 95 years of experience in the industry.
- Comprehensive provider of engineered solutions to meet the needs of industry.

Group sales (%)

91% 2017: 90%

Sales (£m)

£27.3m 2017: £24.1m

Operating profit (£m)

£7.2m 2017: £3.3m

EBITDA[1] (£m)

£7.9m 2017: £4.3m

Checkit

Key service

- Real-time operations management platform to ensure the efficient execution of routine activities, providing top-to-bottom visibility.

Group sales (%)

2% 2017: 1%

Sales (£m)

£0.5m 2017: £0.3m

Operating loss (£m)

£(4.4)m 2017: £(3.5)m

LBITDA[1] (£m)

£(2.7)m 2017: £(2.8)m

Elektron Eye Technology (EET)

Key products

- Henson 9000/7000 visual field screeners for glaucoma screening and management.
- MPSII macular pigment screener for early detection and ongoing monitoring of age-related macular degeneration.

Group sales (%)

7% 2017: 9%

Sales (£m)

£2.0m 2017: £2.4m

Operating loss (£m)

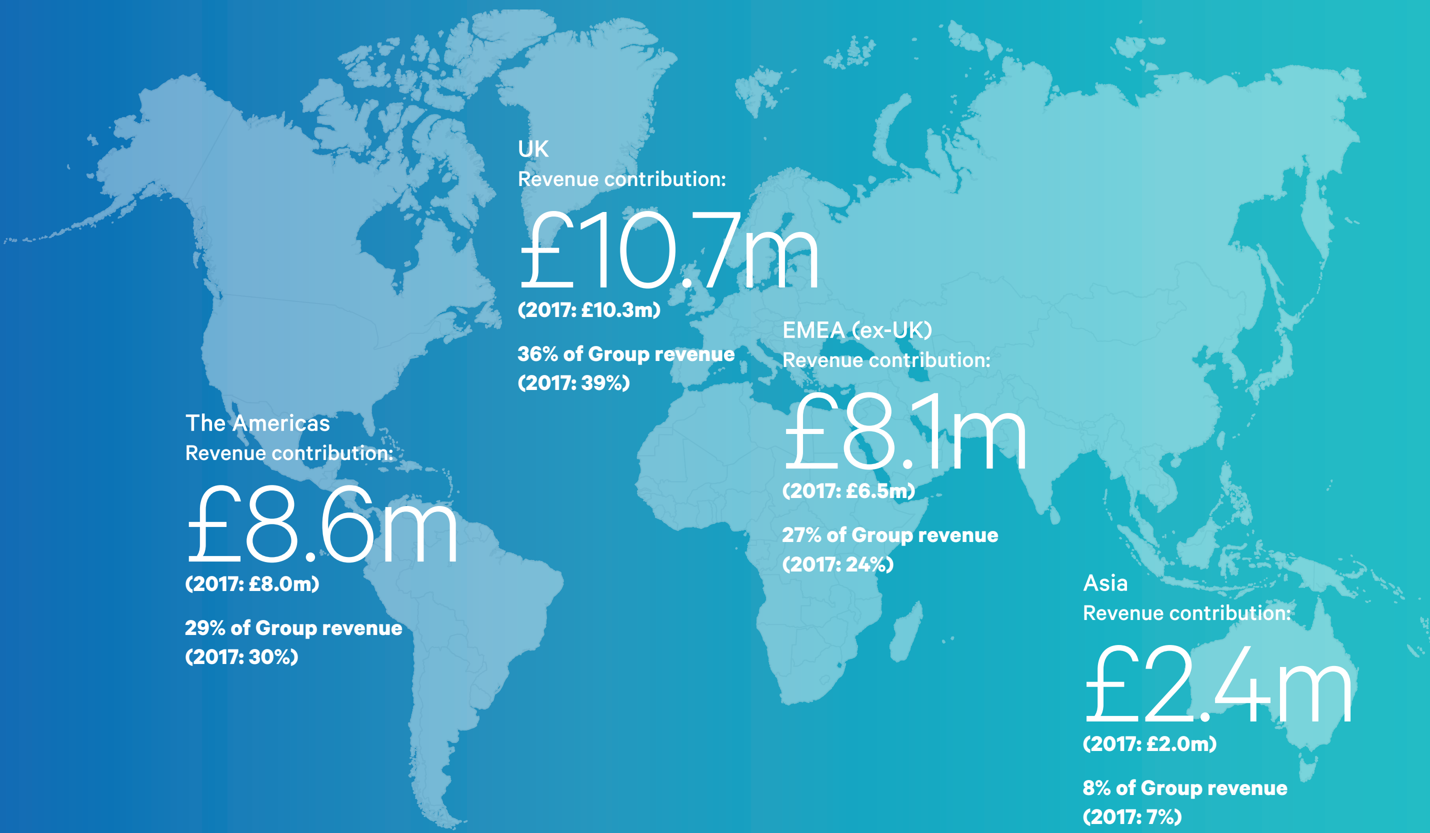
£(0.2)m 2017: £(0.4)m

LBITDA[1] (£m)

£(0.1)m 2017: £(0.2)m

1 See Note 28 for further details.

Global sales



Key figures

Over 3,500 customers

Approximately 80,000 end users

Network spanning over 125 countries

Checkit installed at over 350 sites

2018 REVIEW
with Keith Daley and John Wilson

"

In April 2018 Checkit passed its own important milestone of £1m contracted annualised recurring revenue. As a result the Board considers that Checkit has exited its start-up phase and has entered its scale-up phase."

Overview

During the year the Group finalised its "shrink to grow" streamlining programme, which was completed a few weeks after year end with the disposal of Queensgate Nano. This was a hugely important milestone.

This programme has lasted five years starting with the sale of ASL and ending with the sale of Queensgate Nano. The period saw the disposal or closure of twelve businesses and the reduction in the number of sites in the UK and overseas from twelve to four. During that time low margin business was rationalised and the turnover of the Group reduced from £63m in 2011/12 to around £30m in 2017/18. Following the simplification of the Group, management is able to concentrate on scaling the three remaining businesses, namely Bulgin, Checkit and EET.

The Board is most grateful for the support of our employees and our major shareholders throughout this period. This has allowed it to take a longer-term strategic approach in sometimes difficult circumstances.

In April 2018 Checkit passed its own important milestone of £1m contracted annualised recurring revenue. As a result, the Board considers that Checkit has exited its start-up phase and has entered its scale-up phase. The organisation has been restructured, with the executive team spending an increasing amount of time on the detailed management of this business. This is reflected in the Board bio section of the Annual Report.

The Group continues to invest a substantial proportion of Bulgin operating cash flow into Checkit in view of the outstanding opportunities it offers. EET's growth potential is smaller scale and it has a limited need for further investment.

Individual commentary on the three businesses follows:

Bulgin

	2018 £m	2017 £m
Sales	**27.3**	24.1
Operating profit	**7.2**	3.3

Historically, Bulgin has been described as a "designer and manufacturer" of products. Whilst this holds true to an extent, its value proposition to its customers and end users reaches significantly beyond this, which is strikingly encapsulated by its financial performance – a net operating margin of over 26% and a ROCE significantly in excess of 100% with a gross margin for the year of 50%, 7% higher than prior year.

This transformation has been generated from a five year multi-pronged strategy to simplify and optimise the business whilst increasing margins and, ultimately, generating organic growth. With the former substantively complete, the focus of the management team is on sales growth whilst maintaining class-leading margins and unparalleled ROCE for a manufacturing business.

Record demand (£29.3m orders in the year) was driven by significant distributor initiatives and the launch of new products. This demand has continued through Q1 of the current financial year.

The simplification and optimisation of strategic elements have contributed to a more than five-fold percentage increase in underlying net margin since 2013, whilst broadly holding a flat revenue line. This included the adoption and implementation of innovative and counterintuitive strategies, to position the business for growth and increase margins and ROCE, as follows:

(a) Rationalisation of thousands of low margin stock-keeping units (SKUs).

Benefits: Simplification of business and reduced capital requirements.

(b) Transition of high proportion of direct accounts to distributor management.

Benefits: Lower number of transactions, increased order value, reduced requirement for customer service contact, inventory holding in the channel and customer access to product next day.

(c) Reduction in the number of transacting distributors.

Benefits: Greater mindshare from fewer distributors, elimination of "back-to-back" distributor order entries and increased order values.

(d) Requirement for distributors to report point-of-sale (POS) data and inventory levels.

Benefits: Determining and managing distributor stock turns and utilisation of data analytics to maximise global channel inventory levels.

(e) Significant increase in percentage of revenue generated through distribution sales.

Benefits: Greater mindshare and ability to leverage the global reach and salesforce of distribution partners.

(f) Incentivisation of sales and distribution partners to lead with niche, higher margin products.

Benefits: Reduced competition and shortened sales cycle, increased margins and willingness to hold higher inventory levels.

With a culture of continuous improvement, further opportunities for operational efficiencies have been identified with a view to implementing in the current financial year.

As disclosed in the Interim Report, Bulgin now has inventory held through its network of distribution partners, on all six inhabited continents. The recently announced global partnership agreement with Arrow Electronics Inc, the world's largest electronic component distributor, provides deeper coverage across the widest possible range of products.

Bulgin has now begun its final phase of transformation, growth, to which there are three key strands:

(i) Increase number of end users purchasing through distributors (currently c80,000) and average sales value through leveraging the expanded global reach of the distribution network.

(ii) Modular product strategy resulting in low cost development and reduced time to market.

(iii) Ability to differentiate from competitors through utilisation of data analytics to predict technology trends and new product requirements, resulting in large stocking orders.

Bulgin's first rewireable fibre connector was launched on time at the end of April 2018, significantly increasing its accessible market and underpinning its growth opportunity.

> **"Bulgin's value proposition to its customers and end users reaches significantly beyond being a "designer and manufacturer" of products. This is encapsulated in its financial performance – a net operating margin of over 26% and a return on capital employed (ROCE) significantly in excess of 100% with a gross margin for the year of 50%, 7% higher than prior year."**

2018 REVIEW CONTINUED

Checkit

	2018 £m	2017 £m
Sales	**0.5**	0.3
Operating loss	**(4.4)**	(3.5)

Checkit provides a real-time operational management platform for business. It is an Internet of Things (IoT) software application that has benefited from the Group's experience in instrumentation. It has particular application in the service industry, where large numbers of people are employed across several locations. Many participants in this industry struggle with operational improvement at scale and Checkit provides an economical solution that can be easily tailored to individual company needs. There are significant opportunities for Checkit within the service industry, where participants are looking for solutions to industry-wide stresses as a result of weak demand and rising costs. Examples of sectors currently targeted are restaurant chains, food safety regulatory bodies, facilities management, retail and health.

The proposition for clients is that Checkit can improve:

Revenue – by providing the ability to deliver consistent and great service.

Productivity/cost reduction – by providing good quality real-time information and the tools to manage a more efficient workforce.

Risk mitigation – by prompting corrective actions, where processes are not followed, in accordance with company, and any applicable regulatory protocols.

To date sales and marketing effort has been concentrated in the UK but plans to enter the US in 2018 are progressing. However, the Board estimates the global opportunity for Checkit to be in the region of $1.5bn alone for the multi-branch restaurant and facilities management sectors combined.

There are three elements to the Checkit system:

(i) Work management (WM) via handheld devices that guide employees to "do the right thing" and record when tasks are completed.

(ii) Automated monitoring (AM), which takes the human element out of some monitoring tasks altogether.

(iii) Operational insight (OI), which takes the data from WM and AM and allows management to analyse data by using a business intelligence tool such as Microsoft Power BI.

Checkit continues to invest in product development in order to enhance its offering. A particular focus is scalability to ensure the successful extension of locations covered from several hundred to many thousands.

The system is priced on a Software as a Service (SaaS) model and is billed monthly, quarterly or annually. The subscription is designed to include all hardware, software and support. The Board currently regards total contracted annualised recurring revenue (ARR) to be the most important KPI for this business. In April 2018 contracted ARR exceeded £1.0m (April 2017: £0.3m). Following the passing of the £1m milestone, the Board considers that Checkit has moved from start-up to its scale-up phase.

Productivity: serving the customer badly

It is often said that productivity is hard to improve in the service sector.

One argument goes as follows: so much of service is about qualitative aspects of the customer experience. Productivity is about doing more and better in less time. Therefore, whilst it is possible to measure service output in a given period, such measurements do not capture changes in quality of the service provided. Length of time is often equated to the quality of the customer experience, the implication being that if the time spent providing the service is reduced, quality will suffer.

Are such lazy arguments partly responsible for the poor productivity record of the UK and other developed countries? The service sector accounts for over 75% of the UK economy.

When you were last in a restaurant did you feel that the service would be improved if the waiter had spent more time with you?

When you last moved house did you value the time taken (and amount charged) by your lawyer?

When you were last at the hairdresser did you enjoy answering questions about your holiday or would you have preferred the hairdresser to get on with it?

On a larger scale, in some areas of business, productivity improvement is set up to fail:

Lawyers, accountants and similar professionals continue to base their charges on hourly rates with little thought being given to cost-downs which are common in the manufacturing sector.

In the public sector, such as the NHS, there is a culture of "death by a thousand meetings" with little thought being given to the cost and benefit of decision making in this way.

Some companies are content to outsource some functions on a cost-plus basis which actually incentivises the outsource company to be less productive. If costs are reduced the outsourcee's profits will be reduced.

None of these examples is conducive to an increase in productivity.

Many of the "decisions" taken in organisations are in fact repetitive and can be made by checklist or algorithm. Such decisions are not restricted to employees at the lowest level in an organisation. In his book, "The Checklist Manifesto: How to get things right", and elsewhere Atul Gawande pointed out that mortality rates in surgical operations are reduced if a checklist is followed. Checklists can remove the need for unnecessary "decisions" that can be life threatening.

At Checkit we believe it is possible to become more productive by saving time, reducing risk and improving the customer experience. Using technology it is possible to streamline and even automate many processes and procedures allowing businesses to save costs AND enhance the service they offer. Checkit technology is one answer to the current productivity problem.

Keith Daley

EET

	2018 £m	2017 £m
Sales	**2.0**	2.4
Operating loss	**(0.2)**	(0.4)

Elektron Eye Technology is a designer of ophthalmic screening instrumentation.

During the year EET saw a decline in sales as a result of distributor overstocking. Management changes were made at EET following a poor start to H1 and a review of the business took place. The review led to the business deciding to terminate a significant exclusive US-based distributorship which adversely affected sales in the year. This should lead to greater opportunity in future years. New management is working to professionalise sales and marketing with the aim of expanding the distribution channel globally from its current low base. The early signs are encouraging with a record order book.

During the year EET purchased, for a total £420,000 the intellectual property of both of its main instruments, which in aggregate account for around 90% of its sales: the Henson 9000 visual field screener and the MPS II macular pigment screener. Previously the devices were manufactured under licence arrangements. As a result of the two transactions, EET owns all IP related to its product portfolio.

The two instruments address age-related macular degeneration (AMD) and glaucoma, respectively, two of the most common ocular diseases threatening the eye health of the ageing global populace. It is estimated that by 2020 there will be 196m AMD sufferers and 80m glaucoma sufferers worldwide.

As at the date of issue of this report sales and orders were significantly higher than the prior year which as mentioned above was affected by destocking. If present trends were to continue EET would see an improved performance over last year. However, visibility does not extend beyond eight weeks.

EET is not currently proposing any significant new product development in the current year although product enhancements are planned.

EET continues to focus on increasing its accessible market through achieving registration and approval in new countries, such as China and Brazil.

Outlook

Further distributor programmes in Bulgin have resulted in a record Q1 order intake. Following record sales in the second half of last year, Bulgin's performance is expected to remain resilient as the current order book will translate to a strong first half sales performance. However, the Board's visibility does not extend beyond the first half and it is cautious around the potential global economic uncertainty in the second half.

Both Checkit and EET are currently showing encouraging increases in their business over prior year.

The Board will continue to ensure that a proper balance is struck between the cash generated by Bulgin and that absorbed by the continuing investment in Checkit.

Keith Daley
Executive Chairman

John Wilson
Chief Executive Officer
2 May 2018

Standardisation: a good thing or a denial of individuality?

In a world where individuality is valued, businesses sometimes lose sight of the benefits of standardisation.

However, it is only by standardising mundane processes that businesses can realise their true productive potential. This is particularly true of service businesses. Paradoxically it is only through standardisation of routine activities that service businesses can escape from endlessly reinventing the wheel. As a result they can concentrate on the individual needs of their customers.

At Checkit we find that there are a number of reasons why a client will want to standardise by using its real-time operations management system. These fall under the following headings:

Operational efficiency

Consistency of product offering

Scalability

Reduction of training time/costs

Dissemination of brand values

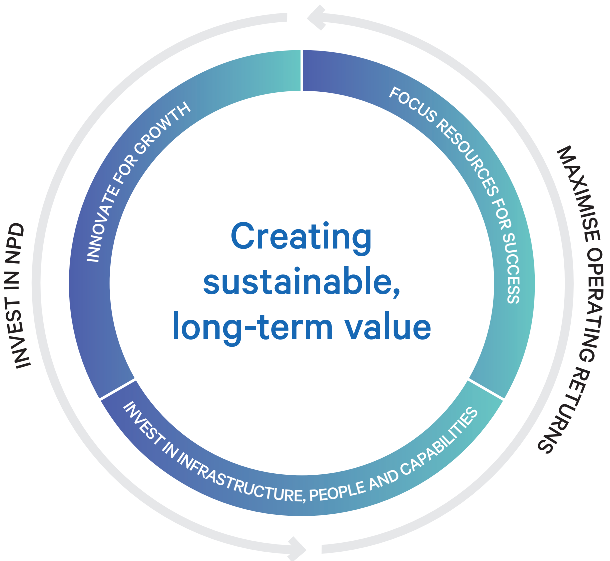
When a client adopts Checkit we recommend that a thorough review of processes is carried out. Checkit will often prompt a reappraisal of how things are being done with a consequent boost to efficiency and productivity. Opportunity to standardise is a key consideration.

Once Checkit is installed, standardisation allows operational insight across all locations. By comparing business units and using trend analysis management is prompted to explore areas for improving operational performance. In turn operational risk will be reduced and the improved customer experience will have a positive effect on revenue.

Keith Daley

OUR BUSINESS MODEL AND STRATEGY

Creating sustainable long-term value



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

1 Innovate for growth

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

Key activities

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

Our 2018 progress

- Invested £1.1m in product development.
- Launch of Buccaneer M Series industrial automation connectors.
- Checkit operational insight business intelligence tool launched.

Our future priorities

- Launch of Bulgin's new rewireable fibre connectors and other iterative new products.
- Regular releases of upgrades for Checkit and launch of Checkit 'App'.
- Upgrades to EET product range.

2 Focus resources for success

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

Key activities

- Maximise the existing portfolio for profit, return on capital and growth potential.
- Continual focus on lean manufacturing processes and effective management of supply chain.
- Establishment of defined product development roadmap for Checkit.

Our 2018 progress

- Bulgin operating net margin improved to over 26%.
- New product launches made as planned.
- Existing portfolio rationalisation resulting in the sale of three brands within the year and brand post-year end. Rationalisation process now complete.

Our future priorities

- Continue to invest in products that are capable of substantial growth using operational cash flow generated from Bulgin.

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

- Capable multi-tiered leadership team and skilled workforce.
- 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.

Our 2018 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.

Screening reduces risk

Age-related macular degeneration

A global socio-economic threat

A disease of the retina, age-related macular degeneration (AMD), is a leading cause of permanent vision loss in people over the age of 50.

Characterised by a painless, gradual distortion of sight, which can progress to the complete loss of central vision, greatly reducing quality of life.

As the world population ages the number of people affected by AMD is expected to grow significantly in the coming years. A recent study of the global prevalence of the condition projected 196m sufferers by 2020, increasing to 288m over the following 20 years[1]. Given that global cost of AMD was $343 billion in 2010, healthcare costs will spiral unless effective screening, prevention and treatment strategies are put in place.

1 Wong et al (2014), Global prevalence of age-related macular degeneration and disease burden projection for 2020 and 2040: a systematic review and meta-analysis. Lancet Glob Health, 2(2).

Macular pigment, blue light and MPOD

The vital role of two carotenoids

Macular pigment is located in the central area of the retina, the macula, and is made up of the carotenoids lutein and zeaxanthin[2]. It functions like "internal sunglasses", blocking harmful blue light that damages the eyes over the course of a lifetime. The denser the macular pigment the more blue light is blocked. This measure is called macular pigment optical density (MPOD).

A large body of clinical evidence supports the fact that low MPOD is a potential biomarker for AMD risk and that lutein and zeaxanthin play a key role in protecting against this risk.

2 Clinical evidence suggests that the antioxidant properties of lutein and zeaxanthin play a key role in visual function, protecting against the risk of AMD.

Preventing the risk of AMD

Raising awareness

Regular screening checks are essential to detect, manage and monitor levels of macular pigment and mitigate the risk of developing AMD.

Screening for low MPOD using the Macular Pigment Screener (MPS II) is currently the best way to identify patients at risk of AMD. Whether dealing with avoidable risk factors, such as smoking, poor diet, obesity and high alcohol consumption, or unavoidable risk factors, like age and genetic predisposition, it is essential to raise awareness in the general population so people can make informed lifestyle choices.

A proven prevention strategy

Lutein, zeaxanthin and the MPS II

Lutein and zeaxanthin can be found in small doses in foods like spinach and kale or in high doses in purpose-made supplements proven to increase macular pigment over time.

A growing number of optometrists in the US, Europe and Asia are now using the MPS II to help identify patients with low MPOD then monitoring their macular pigment on an ongoing basis alongside a programme of lutein and zeaxanthin supplementation.

checkit

Checkit provides real time operations management for businesses that rely on people doing the right thing at the right time in the right place.

We focus on providing solutions to complex businesses with multiple locations and teams that need to be continually supported and managed.

Our technology helps businesses make operational management challenges simple by guiding and recording work as it happens using smart apps and by automating repetitive measurements. Crucially Checkit allows any manager anywhere to get a real-time, top-down view on how the operation is performing and what needs to be addressed.

350+
Sites where Checkit is in operation

"

As we move the business forward, we want to free up our staff to focus on cooking great food and focusing on customers. At the same time we need to ensure that all our sites operate to the highest of standards. Checkit will let us do both."

Ed Loftus,
Jamie's Italian Group F&B Director

Market opportunity

Checkit addresses markets where the main solution until now has been pen and paper. Checkit is using state-of-the-art technology to change that.

Our initial focus has been on food service and catering in the UK. We are now preparing to expand our capabilities to address new areas such as facilities management and develop overseas markets. We believe the addressable market in the large food service chains and facilities management and catering is $1bn per annum.

$1.5bn per annum
Global opportunity in facilities management and food service chains

Scaling

Checkit is now proven at scale, with 35m new records being created a month, and solutions with over 1,500 users. This is powered by scalable internet technology that can easily be deployed for a single user for a trial and can grow to support the largest organisation.

35m
New records per month

Innovation

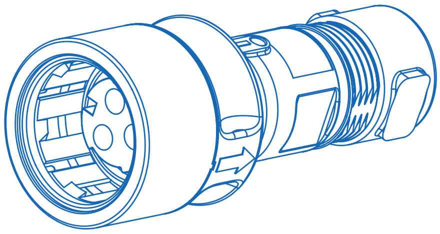
Our key development in 2017–18 has been the introduction of Checkit Operational Insights, providing powerful business intelligence dashboards that allow managers to understand the performance of their organisations in a way that was impossible with traditional management systems.

£1m
Recurring revenue at 10 April 2018

"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."

Lee Skinner,
Chief Executive, Inamo

bulgin



Sowing seeds of change with smart connections

Advanced connectors enable smart agriculture

Modern agriculture depends on advanced technologies. Leading electronics companies are providing new solutions to the agricultural sector that help make farming more productive, precise and profitable.

Companies that make electronics for the agriculture market face a unique set of challenges, as agricultural environments are characterised by extreme temperatures and exposure to water, corrosive chemicals, and plenty of dirt and dust. These conditions call for rugged and resistant electronic components. When an AgTech business based in California designed its smart infield telemetry system, it needed to source highly reliable connectors to keep its systems performing in the field. That is where Bulgin came in.

The business provides hardware and software products for the global agriculture industry. It develops user-friendly, sensor-based applications that enable farmers to harvest real-time data from their fields and greenhouse facilities. These tools allow them to precisely adjust fertiliser and pesticide applications to field conditions, monitor irrigation systems, avoid crop damage, increase operational efficiency, and reduce overall costs.

Intelligent connectors for complex conditions

The system includes a mobile app so farmers can configure sensors from a smartphone and send information and instructions to equipment in the field, without the need for IT support. The right connector for this advanced new system was not available off the shelf.

The company worked closely with Bulgin, identifying all needs and eventually incorporating integrated electronics into Bulgin's 400 Series Buccaneer range of rugged circular connectors.

They required not only an "intelligent" connector with a built-in integrated circuit that would allow the connector to be electronically paired with the correct sensor, but also one that had the highest reliability in performing in wide-ranging temperatures and when exposed to water, dirt, mud. Ease of connection, cost effectiveness and the ability to withstand months to years of disconnection and then reliably connect again without corrosion or other issues were other pre-requisites.

Bulgin was able to provide a best-in-class version of each component they needed.

Collaboration and testing

When Bulgin's team was asked if it would be possible to mould the EEPROM device into the connector without causing any damage to the electronics, it embarked upon a feasibility study to determine whether any issues could arise from moulding the device into the connector.

Bulgin looked into the materials, the temperatures they would be exposed to during the moulding process, and whether or not the EEPROM would actually survive the moulding process. Bulgin then examined the PCB design to make sure that both it and the EEPROM would fit comfortably inside the mould tools.

Bulgin identified and assessed the risks and potential problems that could arise as a result of the integration and, after a series of rigorous tests, sent some trial prototypes to the AgTech business for field testing.

A time and cost-saving system

As a leading manufacturer of environmentally sealed connectors and components, Bulgin has a long history of developing innovative products and services to cater to its global customer base across a variety of markets. Bulgin's Buccaneer circular connector range provides reliable, robust connections for power, signal and data in challenging environments.

The 400 Series is one of the most compact series of connectors in the Buccaneer range, and it is ideal for designs that require a small footprint. These miniature power connectors take a selection of the best features and specifications from the larger Buccaneer family members and condense them into a compact form factor, giving engineers greater flexibility in the design phase.

A simplified and future-proof process

The Buccaneer-enabled AgTech system has obvious advantages over a low tech labelling system for pairing connectors with devices. The design enables users to easily pair each sensor with the correct connector on the harness. This eliminates the possibility of misuse or mismating cables and sensors in the fields.

Changing agricultural practices for the better

Bulgin offered a high standard of customer service, helping the AgTech business to find the connector solution that it needed and worked with it to make sure that it was cost effective and suitable for its needs.

This project by Bulgin to develop smart cables is helping to revolutionise the agricultural monitoring industry.

FINANCIAL REVIEW

> “The financial results for the year reflect a year of strong organic growth in Bulgin and a growing momentum in Checkit, with Group revenues ahead by 11% resulting in a £3.2m increase in reported operating profits, a £3.8m increase in EBITDA and a £2.6m increase in cash generation.”

Introduction

The financial results for 2018 reflect a year of strong organic growth in Bulgin, a growing momentum in Checkit and further progress with the Group’s rationalisation process, which was completed shortly after the year end.

Continuing operations

Group revenue from continuing operations for the year increased by 11% to £29.8m (2017: £26.8m). Excluding the positive impact of £0.5m foreign currency, the net increase in revenue was 9%. This was principally as a result of a 13% increase (11% excluding foreign currency) in Bulgin due to the planned significant initiatives with its key distributors.

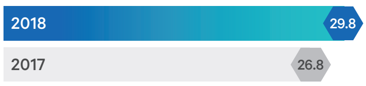
Checkit revenue saw an increase of £0.2m (67%), to £0.5m (2017: £0.3m). A key leading measure of the adoption of Checkit is the run rate of contracted ARR, which at 31 January 2018 was £780,000, an increase of 225% or £540,000 over the previous year. As announced on 10 April 2018 ARR had increased to £1m since the year end.

EET sales fell by £0.4m to £2.0m (2017: £2.4m) as a result of distributor over stocking in the prior year. Following changes in management and the termination of a significant exclusive US based distributorship, sales are beginning to recover with the expansion of the distributor base.

Group EBITDA (earnings before interest, taxation, depreciation and amortisation) increased by £3.8m to £5.1m (2017: £1.3m) and is further analysed below together with cash generated/(used) after capital expenditure by the continuing businesses.

Revenue from continuing operations (£m)

£29.8m



Earnings per share (pence)

1.1p

“

£4.2m of cash generated in the year.”

	2018				2017			
	Operating profit/(loss) £m	**EBITDA £m**	**Capital expenditure, including IP purchase £m**	**Cash generated/ (used) before working capital £m**	Operating profit/(loss) £m	EBITDA £m	Capital expenditure £m	Cash generated/ (used) before working capital £m
Bulgin	**7.2**	**7.9**	**(0.4)**	**7.5**	3.3	4.3	(0.3)	4.0
Checkit	**(4.4)**	**(2.7)**	**(0.7)**	**(3.4)**	(3.5)	(2.8)	(1.4)	(4.2)
EET	**(0.2)**	**(0.1)**	**(0.7)**	**(0.8)**	(0.4)	(0.2)	—	(0.2)
	2.6	**5.1**	**(1.8)**	**3.3**	(0.6)	1.3	(1.7)	(0.4)

Bulgin’s significant increase in cash generation is as a result of high margin customer development, improved mix, improved selling prices and operational gearing. The Group, which has its main Bulgin manufacturing and assembly site in Tunisia, was able to take benefit of the devaluation of the Tunisian Dinar which helped reduce operating costs. Capital expenditure was largely focused on general investment in its operational plants in the UK and Tunisia.

Checkit’s operating loss increased by 26%, as a result of changing the amortisation rate on capitalised development expenditure to three years from four years previously. Overall, Checkit’s annual cash burn reduced by £0.8m to £3.4m (2017: £4.2m).

The Group benefits from reduced tax payments as a result of Checkit losses helping to shelter UK taxable profits earned elsewhere.

The Group expects to see increased expenditure in Checkit in the current year as it gears up to enter the US market. This will require both investment in marketing and product development.

The fall in sales in EET had a more pronounced effect on its overall performance due to its high fixed cost base. Investment in both product development (£0.2m) and purchase of the intellectual property (£0.4m) should lead to improved margins and value in the medium term.

Group operating profits before non-recurring or special items were £2.5m (2017: £0.2m). The Group successfully implemented the closure of its site in Torquay on time and under budget due to earlier unplanned voluntary staff departures. This resulted in a credit of £0.1m to non-recurring items which included a related £0.8m charge in the previous year. The resultant Group operating profit amounted to £2.6m compared to a loss of £0.6m in the previous year.

Discontinued operations

Discontinued operations generated a loss after taxation of £0.1m (2017: £nil), after profits realised from their disposal of £0.6m (2017: £0.7m).

Queensgate Nano, which was sold shortly after the year end in February 2018, has been treated as a discontinued operation and its results classified accordingly. In addition, its assets have been reclassified as assets held for sale.

Following completion of the rationalisation process there remains central overhead and previously shared costs which will be reduced during the current year.

Cash received from disposals made in the year was £1.9m and in addition £0.1m of deferred consideration was received from the sale of Agar made in 2016, leaving £0.2m to be received.

Product development

Elektron spent £2.9m on product development and sustaining engineering in the financial year in respect of continuing operations (2017: £3.2m).

Of this, £1.1m was capitalised (2017: £1.6m), mainly focused on Checkit.

The Board has undertaken a detailed review of the business plans, including a sensitivity analysis, supporting the justification for the carrying value of its product development investment. However, given a review of the product road map in respect of Checkit, the Board has deemed that a three-year amortisation period be more appropriate in respect of capitalised development costs (2017: four years).

FINANCIAL REVIEW CONTINUED

Taxation

The Group has moved into a position where it will be paying tax in the UK in respect of 2018. 2018 is also the last year in which the Group will enjoy a taxation holiday in Tunisia and will give rise to an approximate charge of £0.1m in the future. The current corporate tax charge in the year is £0.5m for continuing operations (2017: £0.4m) of which £0.1m (2017: £0.2m) is in respect of profits earned overseas. Including deferred tax movements the total charge is £0.8m (2017: credit £0.5m).

The effective rate of tax for 2018 is 29.6% compared to the standard UK rate of 19.2%, largely as a result of adjustments to the prior year recognition of deferred tax asset.

The Group has deferred taxation assets of £0.6m (2017: £0.9m) in respect of timing differences in its largest trading subsidiary which has no unused trading losses to offset against its future UK profits. The Group has other UK losses which can only be carried forward and offset against future profits of that specific entity. These amount to approximately £5.0m. No deferred tax asset has been recognised in respect of these losses.

A tax credit of £0.2m (2017: £0.2m) has been allocated to discontinued operations in respect of losses that can be offset against taxable profits in respect of the Group's continuing operations.

Earnings per share

The average number of ordinary shares in issue during the year was 177.9m (2017: 172.2m) (excluding shares held by the Employee Benefit Trust). Basic profit per share in respect of continuing operations was 1.1p (2017: nil pence). Fully diluted earnings per share were 1.0p (2017: nil pence).

Cash

The Group generated cash of £4.1m (2017: £1.6m) from operations, reflecting the improved trading performance. A reduction in working capital of £0.8m was as a result of being able to convert the strong sales in November and December into cash prior to the year end. This reduction largely offset the spend on the Torquay site closure, including dilapidations, of £0.9m.

Total capital investment in the year was a net £1.9m (2017: £1.9m), representing 70% (2017: 59%) of depreciation and amortisation.

After cash proceeds received from the disposal programme of £2.0m, the overall net cash improved by £4.2m resulting in a net cash position of £5.2m (2017: £1.0m).

Bank facilities, covenants and going concern

The Group terminated its revolving credit facility which was due to expire in April 2018. At 31 January 2018 the Group had available invoice finance facilities of £0.7m (which could increase up to £5.0m depending on sales levels) together with a bank overdraft of £0.1m. At 31 January 2018 available headroom on these facilities was £0.8m. In addition the Group had £5.2m 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 that actual performance were to fall below the current forecast levels in this period the Group has a number of mitigating factors available to it. 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 with the aim of increasing future shareholder value, the Board believes that it is in the Group's best interests not to pay a dividend for the year.

Andy Weatherstone
Chief Financial Officer
2 May 2018

KEY PERFORMANCE INDICATORS

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

Key performance indicators are shown below:

Gross profit margin – Group (%)

49.7%

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

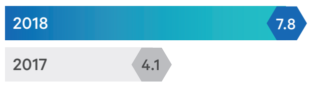
EBITDA – Group (£m)

£5.1m

Earnings before interest, tax, depreciation and amortisation. See note 28.

EBITDA – Ex-Checkit (£m)

£7.8m



Earnings before interest, tax, depreciation and amortisation. See note 28.

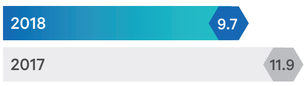
Contracted annualised recurring revenue – Checkit (£m)

£0.78m

Current annual value of contracted revenue, including contracts yet to be installed.

Total product development and sustaining engineering spend as percentage of sales (%)

9.7%



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

Net operating profit/(loss) as a percentage of revenue (%)

8.7%

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

RISK AND RISK MANAGEMENT

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

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

Our approach

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

Objectives of the Elektron risk management process:

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

Our risk management process

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.

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

Change in 2018

↗	Increased
→	No change
↘	Decreased
NEW	New for 2018

Markets

Risk description and potential impact	Mitigating actions	Change
Level of sales		
Elektron's revenues are currently principally from sales of its products and services. There can be no assurance that current revenues can be maintained or increased in the future. 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. The investment in product development 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.	→
Reliance on legacy business to fund product development		
Several 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 product development 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 and ultimately reducing the reliance on older products.	↘
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.	→
International nature of the Group/Brexit		
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 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 is closely monitoring Brexit events and has set up a committee to determine what action needs to be taken in respect of its relationships with customers and on its supply chain.	→

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

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, product availability and quality rather than price.	↘
Checkit demand unpredictable		
Checkit's target market consists of around 500,000 businesses in the UK and substantially more in the US. If demand were to grow too quickly, 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.	→
Market development and competition		
Checkit is an innovative product in the early stage of its life cycle with several proposed features that do not 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. As the market grows it is possible that new entrants will be attracted and take market share from Checkit.	The business case for Checkit is based on considerable feedback gained from the market and the achievement of £1m of contracted annualised recurring revenue. 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. Checkit is "first to market' and its level of investment in product and marketing should ensure it retains its leading position.	↘

Product development, including Checkit

Risk description and potential impact	Mitigating actions	Change
Success of product development		
Products and services developed may not work. They may not be accepted in the market leading to write offs of capitalised development.	Each 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 product development		
Development projects may overrun in time and cost causing losses to the Company.	The scope of each project is defined by the project specifications. The project is monitored on a monthly basis against its scope. In addition, the stage-gate process continually refines the plan, eliminating major uncertainties early on in the project.	→

Finance

Risk description and potential impact	Mitigating actions	Change
Exposure to financial fraud from inside and outside the Company		
The increasing use of IT systems to manage payments increases the risk of significant financial fraud.	The Group continuously monitors its firewalls and security of its network and systems and has user-restricted access and authorisation controls in place.	NEW
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. Sterling exchange rates have fluctuated due to the impact of Brexit.	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 maintains bank facilities, even though it is in a net cash position. The Group only has a limited forward order book for its products, creating unpredictability in revenues and cash and hence impacting on the level of liquidity.	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. 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.	

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Operations

Risk description and potential impact	Mitigating actions	Change
Cloud services		
The Group is reliant on cloud services provided by third parties in respect of 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.	→
Software security and cyber attacks		
Checkit's service provides for customer data to be stored in the cloud. Security breaches could lead to data theft or corruption.	The Group has recently obtained Cyber Essentials certification and employs security and testing measures for the software it deploys.	NEW
Software reliability and performance		
Checkit's business involves providing customers with reliable software that will perform as intended. Failure could result in loss of customers, claims from customers, loss of reputation and impact of business prospects.	Checkit endeavours to negotiate limitations on its liability in its customer contracts. Software is tested extensively prior to any release being deployed.	NEW
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 individuals 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.	→

BOARD OF DIRECTORS AND COMPANY SECRETARY

Keith Daley (62)

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 chairs the Checkit and EET boards in an Executive capacity. He operates as a Non-Executive for Bulgin as well as taking functional responsibility for HR, Marketing and Legal. He leads on all corporate finance transactions such as acquisitions and disposals.

John Wilson (42)

Chief Executive Officer

Appointed to the Board in August 2010 and as Chief Executive Officer 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 chairs Bulgin in an Executive capacity, acts as CEO for EET and Checkit, as well as taking functional responsibility for quality, technology and product development. He takes the lead on sales outside the UK and spends a significant amount of time overseas.

Andrew “Andy” Weatherstone (54)

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. He is responsible for the Group's manufacturing operations as COO. Andy was appointed as Company Secretary in October 2016.

Peter Welch (55)

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. Peter chairs both the Remuneration and Audit Committees.

Giovanni Ciuccio (37)

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 charterholder.

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 2018.

Principal activity

Elektron Technology is a global technology group that designs, conceives and markets products and services that connect, monitor and control. Further details of the performance of the business are set out in the Strategic report on pages 2 to 24. 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 Queensgate Nano business.

The subsidiaries of the Group as at 31 January 2018 are listed in Note 13.

Results and dividends

There was a profit attributable to equity shareholders for the year of £1.8m (2017: loss of £0.1m).

No interim dividend was paid in the year (2017: nil pence per share). The Directors are not recommending the payment of a final dividend (2017: 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 Notes 4 and 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 25 and details of Directors' beneficial interests in the shares of the Company as at 31 January 2018 are set out in the Remuneration report on pages 29 to 34.

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 5p each) is 186,100,851 (2017: 186,100,851).

During the year, the Company did not issue any ordinary shares of 5p each (2017: 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 (2017: £nil) and no charitable donations (2017: £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. 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	13.57%
Mr K Daley	11.67%
Ruffer LLP	11.16%
Elektron Technology 2012 Employee Benefit Trust	4.45%

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

Corporate governance statement

The Company is listed on AIM and is not required to comply with the provisions of the UK Corporate Governance Code 2014 (the "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 25. 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 decisions 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 35 and 36.

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 29 to 34.

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

REPORT OF THE DIRECTORS CONTINUED

Directors continued

(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 reports from the Executive together with documents regarding specific matters.

(v) 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 29 to 34.

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 37 to 40.

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.

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 20 June 2018. 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
2 May 2018

Registered number
448274

REMUNERATION REPORT

Dear Shareholder

I am pleased to present our 2018 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. The basic salaries for Keith Daley, John Wilson and Andy Weatherstone are currently under review. Any pay award will not exceed the cost of living increases awarded to UK employees. Exceptional performance will be rewarded through the Long Term Incentive Plan (LTIP) and the annual bonus scheme. With the current LTIP due to expire in January 2019 the Committee is currently considering a new scheme for the period to 2022. 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.

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 2018, its members were myself 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 on page 30 showing how the Remuneration Committee intends the policy to operate for the period until the Company's next Annual General Meeting in 2019.

REMUNERATION REPORT CONTINUED

Executive Directors’ remuneration policy continued

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.	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 the maximum amount paid shall not normally exceed 100% 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 in 2016 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.

Notes

Annual bonus plan

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

2017/18

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 amended to £2.3m as noted below (the Adjusted EBITDA equivalent amount for 2016/17 was £2.2m). If the Adjusted EBITDA amount is equal to £2.5m amended to £2.3m as noted below 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 amended to £2.3m as noted below 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 £405,000.

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 £4.94m (amended to £4.64 following the amendment noted below). If the Adjusted EBITDA amount exceeds this level then any further bonus payments would be at the absolute discretion of the Remuneration Committee.

The Committee has considered the impact of the various disposals of businesses on the Adjusted EBITDA for bonus purposes and revised the minimum target to £2.3m. The resulting actual Adjusted EBITDA for the year ended 31 January 2018 (after taking account of the cost of the bonuses) was £4.4m being Group EBITDA after deducting the operating loss for Queensgate disclosed in these accounts as part of discontinued operations. Accordingly this has resulted in a bonus pool of £0.37m being earned. The required threshold for Checkit monthly recurring revenue has been achieved.

2018/19

The structure of the plan for 2018/19 has been amended to introduce an element of the bonus that is linked to the achievement of agreed personal objectives. The maximum bonus remains capped at £405,000 which is 100% of the combined salaries of John Wilson and Andy Weatherstone. Subject to the bonus cap 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 £4.6m, being lower than continuing EBITDA for the period to account for continuing costs from legacy businesses which the Executive ought to reduce over the coming period (the Adjusted EBITDA equivalent amount for 2017/18 is £4.6m). If the Adjusted EBITDA amount is equal to £4.6m an amount of £100,000 will be allocated to the Executive Directors' bonus pool. Where the Adjusted EBITDA amount is in excess of £4.6m 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 £405,000.

If the Checkit monthly recurring revenue as budgeted for 31 January 2019 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 £7.04m. If the Adjusted EBITDA amount exceeds this level then any further bonus payments would be at the absolute discretion of the Remuneration Committee.

Long Term Incentive Plans

(a) Market value options

Following the unwind of a previous LTIP scheme Keith Daley and John Wilson were granted options 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 5p, a maximum of 3,541,500 shares and 2,941,500 shares respectively, of which 541,500 and 1,541,500 remained available to exercise as at 1 February 2017. During the year, John Wilson bought 183,839 ordinary shares at 16.875p each, leaving a total of 1,899,161 shares for Keith Daley and John Wilson to acquire in this way.

(b) 2016 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.

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 10p, and the awards will vest after the financial year ended 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 15p but less than 17.5p (in which case 75% of the allocation vests); (ii) greater than 17.5p but less than 20p (in which case 85% of the allocation vests); and (iii) greater than 20p (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 15p per share, then 75% of the award vests, etc.).

REMUNERATION REPORT CONTINUED

Long Term Incentive Plans continued

(b) 2016 LTIP continued

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 10p 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 10p per share.

New LTIP

The Committee is currently considering the design and implementation of a new LTIP given that the 2016 LTIP measurement period is due to end on 31 January 2019.

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 175,000 shares was made to John Wilson on 11 December 2017. The Directors' interests under the CSOP as at 31 January 2017 and 2018 are set out in the table below:

Directors' interests in approved options over ordinary shares of 5p each	Exercise period	Option price	**No. of options at 31 January 2018**	No. of options at 31 January 2017
J Wilson	12/12/2020–12/12/2027	16.87	**175,000**	—
A Weatherstone	30/07/2019–30/07/2026	5.25	**571,425**	571,425
Total			**746,425**	571,425

Summary of share option awards to Directors in issue at 31 January 2018:

Directors' interests in approved options over ordinary shares of 5p each	Market value options	LTIP	CSOP
K Daley	541,500	—	—
J Wilson	1,357,661	5,000,000	175,000
A Weatherstone	—	2,500,000	571,425
Total	**1,899,161**	**7,500,000**	**746,425**

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 basic fees are subject to review during 2018. 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 opposite 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 2018	Basic pay £'000	Fees for additional work £'000	Benefits[1] £'000	Bonuses £'000	Total £'000	Pension contribution[2] £'000	LTIPs vested/ options exercised in the year[3] £'000	Single figure of total remuneration £'000
Executive Directors								
K Daley	200	—	14	—	214	20	—	234
J Wilson	210	—	13	201	424	23	—	447
A Weatherstone	180	—	13	169	362	17	—	379
Non-executive Directors								
G Ciuccio	20	—	—	—	20	—	—	20
P Welch	36	—	—	—	36	—	—	36
Total 2018	**646**	**—**	**40**	**370**	**1,056**	**60**	**—**	**1,116**

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.

3 John Wilson exercised his rights over 183,839 market price options in ordinary shares of 5p each during the year, which resulted in nil gain/(loss).

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	LTIPs vested/ options exercised in the year[4] £'000	Single figure of total remuneration £'000
Executive Directors								
K Daley	200	—	12	—	212	20	—	232
J Wilson	200	—	13	—	213	20	—	233
A Weatherstone	175	—	13	—	188	16	—	204
Non-executive Directors								
G Ciuccio	20	8	—	—	28	—	—	28
P 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 Keith Daley and John Wilson exercised their rights over 3,000,000 and 1,400,000 market price options in ordinary shares of 5p each during the year, which resulted in nil gain/(loss).

Messrs Keith Daley, John Wilson and Andy Weatherstone elected to take payments in lieu of Company pension contributions for the full year. The emoluments of the highest paid Director were £424,000 (2017: £213,000) and, in addition, the Group made pension contributions or payments in lieu of pension contributions of £23,000 (2017: £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	**2018 £'000**	2017 £'000
K Daley	200	**200**	200
J Wilson	220	**210**	200
A Weatherstone	185	**180**	175
G Ciuccio	20	**20**	20
P Welch	36	**36**	36

REMUNERATION REPORT CONTINUED

Unaudited information

Directors' share ownership

The shares owned by the Directors serving at 31 January 2018, including their interests in shares, are shown below:

	Shares owned outright at 31 January 2018	Shares owned outright at 31 January 2017
Executive Directors		
K Daley	**21,710,516**	21,710,516
J Wilson	**2,600,000**	2,461,161
A Weatherstone	**50,000**	50,000
Non-executive Directors		
G Ciuccio	**13,500**	13,500
P Welch	**250,000**	250,000
Total	**24,624,016**	24,485,177

Amounts payable to outside advisers in respect of Directors' remuneration

The Committee has engaged the services of independent remuneration consultants, H2Glenfern during the year. Fees charged in the year amounted to £8,000.

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
2 May 2018

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 2018 its members were Peter Welch and Giovanni Ciuccio. The biographies of each can be found on page 25 or on the Company's website.

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 2018 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 2019.

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 pages 38 to 40.

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

The Committee 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 primary judgement areas were the achievability of long-term projections and the key macroeconomic and business specific assumptions. In considering the matter the Committee discussed with management the judgements made and the sensitivities performed and deemed these appropriate. Accordingly it was 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.

» Deferred taxation

In addition the Committee reviewed the appropriateness of the recognition of deferred taxation. The level of deferred tax asset recognition in relation to accumulated tax losses is underpinned by a range of judgements. The Committee was satisfied that such judgements were appropriate and the risk had been adequately addressed. 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

Given the size of the Group the position remained 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.

AUDIT COMMITTEE REPORT CONTINUED

Independent auditor

The appointment of the independent external auditor is approved by shareholders annually.

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

The independent auditor, with 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 23% (2017: 24%) 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

During the year the Committee engaged with KPMG LLP for it to undertake an evaluation of the effectiveness of the Committee. Various suggestions were made and these are being implemented into the activities of the Committee.

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
2 May 2018

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual 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 International Financial Reporting Standards as adopted by the European Union (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, relevant, reliable 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;
- assess the Group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

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 Annual 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
2 May 2018

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

1. Our opinion is unmodified

We have audited the financial statements of Elektron Technology plc ("the Company") for the year ended 31 January 2018 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Parent Company Balance Sheet, Parent Company Statement of Changes in Equity, and the related notes, including the accounting policies in note 1.

In our opinion:

» the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 January 2018 and of the Group's profit for the year then ended;

» the group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;

» the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and

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

Basis for opinion

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

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In arriving at our audit opinion above, the key audit matters, in decreasing order of audit significance, were as follows:

	The risk	Our response
Recoverability of Capitalised Development Costs (Group) (Capitalised Development Costs: £2.8m (2017: £3.9m) Refer to page 35 (Audit Committee Report), page 47 (accounting policy) and pages 56 to 57 (financial disclosure).	**Forecast-based valuation** Capitalised development costs are assessed for indicators of impairment and tested for impairment if such indicators are identified. Checkit, with the largest capitalised development cost within the group, is a scale-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, as would be the case for any business in the development phase. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, the valuation of capitalised development costs is one of the key judgmental areas on which our audit focused.	**Our procedures included:** **Our sector experience** We assessed and challenged whether there were any internal or external indicators of impairment that should have been considered by the directors, associated with the capitalised development costs, based on our knowledge of the group and the market; **Benchmarking assumptions** We evaluated the discount rate and considered the reasonableness of other key assumptions including, growth rate and cash flow forecasts, to externally derived data by using our own internal specialists; **Sensitivity analysis** We performed breakeven analysis on the assumptions noted above; **Historical comparisons** We challenged the forecast used in the discounted cash flow model by evaluating the group's budgeting procedures upon which the forecasts are based. We assessed the accuracy of the current year forecasts by considering the accuracy of prior period forecasts; and **Assessing transparency** We assessed the adequacy of the Group's disclosures (see pages 56 and 57) in respect of impairment testing and considered whether the disclosures reflected the risks inherent in the valuation of capitalised development costs.

2. Key audit matters: our assessment of risks of material misstatement continued

	The risk	Our response
Recoverability of parent company's investment in subsidiaries (Investment in subsidiaries: £13.8m; 2017: £0.3m) Refer to page 74 (accounting policy) and page 74 (financial disclosure)	**Low risk, high value** The carrying amount of the parent company's investments in subsidiaries represents 95% (2017: 2%) of the company's total assets. Their recoverability is not at a high risk of significant misstatement or subject to significant judgement. However, due to their materiality in the context of the parent company financial statements, this is considered to be the area that had the greatest effect on our overall parent company audit.	**Our procedures included:** **Tests of detail:** Comparing the carrying amount of 100% of investments, representing 100% (2017: 100%) of the total investment balance with the relevant subsidiaries' draft balance sheet to identify whether their net assets, being an approximation of their minimum recoverable amount, were in excess of their carrying amount and assessing whether those subsidiaries have historically been profit-making. Assessing the work performed by the subsidiary audit team and considering the results of that work, on the subsidiaries profits and net assets.

3. Our application of materiality and an overview of the scope of our audit

Materiality for the group financial statements as a whole was set at £260k (2017: £250k) and determined with reference to a benchmark of revenue as disclosed on the face of the Income Statement, of which it represents 0.8% (2017: 0.7%). We consider total revenue to be the most appropriate benchmark as it provides a more stable measure year on year than group profit before tax.

Materiality for the parent company financial statements as a whole was set at £260k (2017: £250k) determined with reference to a benchmark of Company net assets, of which it represents 2% (2017: 1.7%).

We reported to the Audit Committee any corrected or uncorrected identified misstatements exceeding £13k (2017: £12.5k), in addition to other identified misstatements that we believe warranted reporting on qualitative grounds.

Of the group's 10 components (2017: 13 components), we subjected 6 (2017: 9) to audits for group reporting purposes. These accounted for over 98% (2017: 98%) of the Group's revenues, 99% (2017: 83%) profit before taxation, and 97% (2017: 96%) of the Group's total assets. For the remaining components, we performed analysis at an aggregated group level to re-examine our assessment that there were no significant risks of material misstatement with these.

The Group audit team instructed the component auditor as to the significant areas to be covered, including the relevant risks detailed above and the information to be reported back.

The Group team approved the component materialities which ranged from £60k to £210k (2017: £42k to £200k), having regard to the mix of size and risk profile of the Group across the components. The work on 1 (2017: 0) of the 10 components was performed by component auditors and the rest by the Group team.

The Group team held telephone conference meetings with the overseas group reporting component auditor. At these meetings, the audit approach, findings and observations reported to the Group audit team were discussed in more detail, and any further work required by the Group audit team was then performed by the component auditor.

The components within the scope of our work accounted for the following percentages of the group's results:

	Number of components	Group revenue	Group profit before tax	Group total assets
Audits for group reporting purposes	6	98%	99%	97%
Total	**6**	**98%**	**99%**	**97%**
Total (2017)	9	98%	83%	97%

4. We have nothing to report on going concern

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

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

5. We have nothing to report on the other information in the Annual Report
The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report
Based solely on our work on the other information:

» we have not identified material misstatements in the strategic report and the directors' report;

» in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

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

6. We have nothing to report on the other matters on which we are required to report by exception
Under the Companies Act 2006, we are required to report to you if, in our opinion:

» adequate accounting records have not been kept 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.

We have nothing to report in these respects.

7. Respective responsibilities
Directors' responsibilities
As explained more fully in their statement set out on page 37, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

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

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

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

Mark Prince (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Botanic House
100 Hills Road
Cambridge
CB2 1AR
2 May 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
year ended 31 January 2018

	Notes	2018 £m	Restated 2017 £m
Revenue	2	**29.8**	26.8
Cost of sales		**(15.0)**	(15.6)
Gross profit		**14.8**	11.2
Operating expenses			
Operating expenses (excluding non-recurring or special items[1])	3	**(12.3)**	(11.0)
Operating profit before non-recurring or special items		**2.5**	0.2
Non-recurring or special items	4	**0.1**	(0.8)
Total operating expenses	3	**(12.2)**	(11.8)
Operating profit/(loss)	4	**2.6**	(0.6)
Finance income	5	**0.1**	—
Profit/(loss) before taxation		**2.7**	(0.6)
Taxation	8	**(0.8)**	0.5
Profit/(loss) from continuing operations		**1.9**	(0.1)
Loss from discontinued operations	26	**(0.1)**	—
Profit/(loss) for the year attributable to equity shareholders		**1.8**	(0.1)
Other comprehensive expense			
Exchange differences on translation of foreign operations		**(1.1)**	0.4
Total comprehensive income for the financial year attributable to equity shareholders		**0.7**	0.3
Earnings per share from continuing operations			
Basic EPS		**1.1p**	0.0p
Diluted EPS	10	**1.0p**	0.0p
Earnings per share - from adjusted profits from continuing operations before non-recurring or special items			
Basic EPS	10	**1.0p**	0.3p
Diluted EPS		**1.0p**	0.3p

1 See Note 1 to financial statements for definition.

CONSOLIDATED BALANCE SHEET

as at 31 January 2018

	Notes	2018 £m	2017 £m
Assets			
Non-current assets			
Capitalised development costs	11	**2.8**	3.9
Other intangible assets	11	**0.4**	0.4
Property, plant and equipment	12	**1.5**	2.0
Total non-current assets		**4.7**	6.3
Current assets			
Inventories	15	**4.0**	4.8
Trade and other receivables	16	**4.5**	7.6
Deferred tax asset	14	**0.6**	0.9
Assets held for sale	27	**0.8**	0.3
Cash and cash equivalents		**5.2**	2.5
Total current assets		**15.1**	16.1
Total assets		**19.8**	22.4
Current liabilities			
Trade and other payables	17	**6.2**	7.0
Borrowings	18	**—**	1.5
Current tax payable		**0.2**	0.2
Provisions	19	**0.2**	1.0
Total current liabilities		**6.6**	9.7
Non-current liabilities			
Long-term provisions	19	**0.3**	0.5
Total non-current liabilities		**0.3**	0.5
Total liabilities		**6.9**	10.2
Net assets		**12.9**	12.2
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)**	(1.9)
Other reserves	20	**0.8**	0.8
Translation reserve	20	**(1.5)**	(0.4)
Retained earnings	20	**(0.5)**	(2.3)
Total equity		**12.9**	12.2

The financial statements of Elektron Technology plc (registered no. 00448274) were approved by the Board of Directors on 2 May 2018 and were signed on its behalf by:

Keith Daley
Director

Andy Weatherstone
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

year ended 31 January 2018

	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 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
Profit for the year	—	—	—	—	—	—	—	1.8	1.8
Currency translation differences on foreign currency net investments	—	—	—	—	—	—	(1.1)	—	(1.1)
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(1.1)**	**1.8**	**0.7**
At 31 January 2018	**9.3**	**5.4**	**1.1**	**0.2**	**(1.9)**	**0.8**	**(1.5)**	**(0.5)**	**12.9**

1 The shares held by the Elektron Technology 2012 EBT are treated as treasury shares.

CONSOLIDATED STATEMENT OF CASH FLOWS

year ended 31 January 2018

	Notes	2018 £m	2017 £m
Net cash inflow from operating activities	6	**4.1**	1.6
Investing activities			
Purchase of property, plant and equipment	12	**(0.4)**	(0.3)
Purchase of other intangible assets	11	**(0.4)**	—
Investment in product development projects	11	**(1.1)**	(1.6)
Proceeds from the sale of businesses	26	**2.0**	2.6
Net cash generated by investing activities		**0.1**	0.7
Financing activities			
Proceeds from ordinary share issue	20	**—**	0.3
Decrease in bank loans	18	**(1.5)**	(0.7)
Net cash used in financing activities		**(1.5)**	(0.4)
Net increase in cash and cash equivalents		**2.7**	1.9
Cash and cash equivalents at the beginning of the year		**2.5**	0.6
Cash and cash equivalents at the end of the year		**5.2**	2.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
year ended 31 January 2018

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 26 to 28.

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), as 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.

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

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

IFRS 15 Revenue from Contracts with Customers, effective for periods commencing on or after 1 January 2018
The Directors have begun to assess the potential effects of this standard on the business and, in particular, if it will have any impact on the way revenue is recognised. The directors do not believe it will have a material effect of the accounts. However it is possible that it will result in changes to recognition of revenue in respect of its Checkit business.

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

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

Currently, revenue from sales of products by Bulgin and EET are recognised on delivery to customers. Following an initial assessment there is unlikely to be a material impact on the recognition of revenue of applying the new IFRS 15 definitions.

Subscription revenues for Checkit are recognised in monthly instalments over the period in which the service is provided, with associated installation, training and consultancy services recognised at point of installation or when the service is provided. Under IFRS 15, the Group must evaluate the separability of the promised goods or services based on whether they are 'distinct'. A promised good or service is 'distinct' if both the customer benefits from the item either on its own or together with other readily available resources and it is 'separately' identifiable. The Group is completing a detailed assessment of its sources of revenue and has assessed whether the components of cloud data services, the associated hardware, installation thereof and associated training and consultancy services are distinct under the new definitions of IFRS 15. The preliminary conclusion is that the Group's activities of providing the access cloud data services together with associated hardware are supplied as part of a contract with the customer and this bundled service will be recognised over time. The services of installation, training and consultancy are considered to be distinct and under IFRS 15 should be recognised at the point the service has been completed. As a consequence, based upon this initial assessment there is unlikely to be material impact on the recognition of Checkit's revenues under IFRS 15.

Currently the Group expenses all commissions to the profit and loss account as they are incurred. Under IFRS 15, the Group will be required to capitalise sales commissions under certain conditions. In this case, the amortised commissions will be matched over the period the relevant contract services are provided. We do not expect this to result in a material adjustment to profits.

Based on current revenue levels of Checkit and its preliminary review process the Group does not expect any material changes from the implementation of IFRS 15. The impact of IFRS 15 will be monitored as Checkit grows.

IFRS 9 Financial Instruments, effective for periods commencing on or after 1 January 2018. The impact of this standard is being considered by the Directors and any impact, especially around the value of debtors, is yet to be fully investigated.

IFRS 16 Leases, effective for periods commencing on or after 1 January 2019. The Directors are assessing the impact of this standard and the possible impact of any leases being capitalised on the balance sheet. A full review is yet to take place and is planned to be carried out during 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

year ended 31 January 2018

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 historical 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 2018 review on pages 6 to 9. The principal risks and uncertainties facing the business are described on pages 21 to 24. The Financial review on pages 16 to 18 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 that actual performance falls 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.

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.

1. Summary of significant accounting policies continued

Other intangible assets continued

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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

year ended 31 January 2018

1. Summary of significant accounting policies continued

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 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.

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.

1. Summary of significant accounting policies continued

Deferred taxation continued

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 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. Revenue is recognised in monthly instalments over the period in which the service is provided. Installation and consultancy services are recognised at the point at which the service is 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

year ended 31 January 2018

1. Summary of significant accounting policies continued

Financial risk management continued

(i) Foreign currency risk continued

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 2018 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.

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 remeasurements 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, EBITDA and alternate cash measures. These financial measures do not have any standardised meaning prescribed by IFRS and are therefore referred to as a non-GAAP measures. 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 2018 review.

	Segment revenue		Operating profit/(loss) before non-recurring or special items		Operating profit/(loss)	
Segment revenues and results of continuing operations	**2018 £m**	2017 £m	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Bulgin	**27.3**	24.1	**7.2**	3.7	**7.2**	3.3
Checkit	**0.5**	0.3	**(4.4)**	(3.5)	**(4.4)**	(3.5)
EET	**2.0**	2.4	**(0.3)**	—	**(0.2)**	(0.4)
Total	**29.8**	26.8	**2.5**	0.2	**2.6**	(0.6)
Finance costs (net)					**0.1**	—
Profit before tax					**2.7**	(0.6)

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	**2018 £m**	2017 £m
Bulgin	**13.8**	12.5
Checkit	**3.6**	4.1
EET	**1.6**	1.0
Discontinued IMC operations[1]	**0.8**	4.8
Consolidated assets	**19.8**	22.4

1 Assets held for sale.

Segment liabilities	**2018 £m**	2017 £m
Bulgin	**6.1**	6.5
Checkit	**0.1**	0.4
EET	**0.7**	0.7
Discontinued IMC operations	**—**	2.6
Consolidated liabilities	**6.9**	10.2

	Depreciation and amortisation[1]		Additions to non-current assets[1]	
Other segment information	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Bulgin	**0.7**	1.0	**0.4**	0.3
Checkit	**1.7**	0.7	**0.7**	1.4
EET	**0.1**	0.2	**0.7**	—
Total	**2.5**	1.9	**1.8**	1.7

1 Continuing operations only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

year ended 31 January 2018

2. Segmental reporting continued

Geographical information

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

	Revenue from external customers		Non-current assets	
	2018 £m	2017 £m	**2018 £m**	2017 £m
United Kingdom	**10.7**	10.3	**3.9**	5.4
Rest of Europe, the Middle East and Africa	**8.1**	6.5	**0.8**	0.9
Asia-Pacific and China	**2.4**	2.0	**—**	—
The Americas	**8.6**	8.0	**—**	—
Total	**29.8**	26.8	**4.7**	6.3

Included within 2017 non-current assets is £0.7m of assets held in the United Kingdom relating to discontinued operations.

3. Net operating expenses

	2018 £m	2017 £m
Net operating expenses		
Selling and distribution costs	**4.4**	4.3
Administrative expenses	**7.9**	6.7
Operating expenses excluding non-recurring or special items	**12.3**	11.0
Non-recurring or special items (see Note 4)	**(0.1)**	0.8
Total operating expenses	**12.2**	11.8

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 and other non-recurring items incurred outside the normal course of business.

4. Operating profit/(loss) – continuing operations

	2018 £m	2017 £m
Operating profit/(loss) is after charging/(crediting):		
Depreciation on owned property, plant and equipment	**0.5**	0.5
Depreciation on property, plant and equipment held under finance leases	**—**	—
Amortisation of intangible assets	**2.0**	1.4
Impairment of intangible assets	**—**	—
Product development costs expensed	**1.1**	1.1
(Profit)/loss on foreign currency translation	**(0.5)**	0.3
Operating lease rentals:		
– land and buildings	**0.4**	0.5
– plant and machinery	**—**	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**	0.1
Total audit fees for audit services	**0.1**	0.1
– tax services	**—**	—
Total auditor's remuneration	**0.1**	0.1
Non-recurring or special items:		
– restructuring release/(charge)	**0.1**	(0.8)
Total non-recurring or special items	**0.1**	(0.8)

Included within auditor's remuneration for audit services is less than £0.1m (2017: less than £0.1m) for the audit of overseas subsidiaries carried out by an auditor other than KPMG and less than £0.1m (2017: less than £0.1m) payable to KPMG for the audit of the Company's annual accounts.

In addition fees in respect of tax services provided by KPMG are less than £0.1m (2017: less than £0.1m).

4. Operating profit/(loss) – continuing operations continued

The restructuring costs relate to the release of an excess prior year provision for the closure of the Group's facility in Torquay, which was announced in December 2016 and completed in August 2017. Details of which are set out below:

	2018 £m	2017 £m
Tangible fixed assets fully written off	—	(0.1)
Onerous lease costs	—	(0.2)
Redundancy costs	0.1	(0.3)
Other costs of closure	—	(0.2)
	0.1	(0.8)

5. Finance income

	2018 £m	2017 £m
Bank overdrafts and loans wholly repayable within five years – overcharge refund	0.1	—

6. Net cash flows from operating activities

	Note	2018 £m	2017 £m
Profit/(loss) before taxation			
– from continuing operations		2.7	(0.6)
– from discontinuing operations	26	(0.3)	(0.2)
Adjustments for:			
Depreciation		0.5	0.6
Amortisation of development costs and computer software		2.2	2.6
Gain on the sale of discontinued businesses	26	(0.6)	(0.7)
Finance income		(0.1)	—
Operating cash flow before working capital changes		4.4	1.7
Decrease/(increase) in trade and other receivables		2.1	(0.7)
Increase in inventories		(0.8)	(0.1)
(Decrease)/increase in trade and other payables		(0.5)	0.1
Operating cash flow after working capital changes		5.2	1.0
(Decrease)/increase in provisions		(1.0)	0.8
Cash generated by operations		4.2	1.8
Tax paid		(0.2)	(0.2)
Bank interest overcharge refund		0.1	—
Net cash inflow from operating activities		4.1	1.6

7. Staff information (including Directors)

Employee costs were:

	Note	2018 £m	2017 £m
Wages and salaries		10.2	10.6
Social security costs		1.3	1.4
Other pension costs	23	0.2	0.2
		11.7	12.2

Redundancy costs of £0.1m (2017: £0.3m) were incurred in the year and were included within operating costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

year ended 31 January 2018

7. Staff information (including Directors) continued

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

	2018 Number	2017 Number
Administration and sales	**117**	134
Production	**869**	889
	986	1,023

Details of Directors' remuneration are included in the Remuneration report on pages 29 to 34.

8. Taxation

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

	2018 £m	2017 £m
Current taxation:		
UK corporation tax charge on profit for the year	**0.4**	0.2
Overseas corporation tax charge on profit for the year	**0.1**	0.2
Total current taxation	**0.5**	0.4
Deferred tax:		
Deferred tax as capitalised development costs	**(0.1)**	—
Origination and reversal of timing differences	**0.2**	(1.2)
Underprovision in respect of prior years	**0.2**	0.3
Total deferred taxation	**0.3**	(0.9)
Tax charge/(credit) on continuing operations	**0.8**	(0.5)

(b) Factors affecting taxation charge for the year

The effective tax rate for the year was 19.2% following a reduction of the rate to 19% on 1 April 2017. A further reduction to 17% from 1 April 2020 has been substantively enacted. UK temporary differences are measured at the rate at which they are expected to reverse. New legislation became effective in April 2017 which restricts the use of brought forward losses in the UK. This will not affect the ability to use recognised deferred tax assets but may affect the period over which the losses can be utilised.

	2018		2017	
	Tax rate	£m	Tax rate	£m
Profit/(loss) on continuing before taxation		**2.7**		(0.6)
Profit/(loss) on ordinary activities multiplied by weighted average standard rate of corporation tax in the UK of 19.2%	**19.2%**	**0.5**	(20)%	(0.1)
Effects of:				
Expenses not deductible for tax purposes		**—**	16.7%	0.1
Profits not subject to tax	**(3.7)%**	**(0.1)**	(33.3)%	(0.2)
Timing differences not recognised		**—**	(66.7)%	(0.4)
Effect of overseas tax rates	**3.7%**	**0.1**		—
Utilisation of tax losses brought forward		**—**	(100.0)%	(0.6)
Change in rates		**—**	16.7%	0.1
Prior year adjustments	**3.7%**	**0.1**	50.0%	0.3
Non-recognition of tax losses	**6.7%**	**0.2**	50.0%	0.3
	29.6%	**0.8**	(86.6)%	(0.5)

(c) Factors that may affect future taxation charges

Deferred taxation assets amounting to £0.8m (2017: £0.7m) have not been provided in respect of unutilised income tax losses that can only be carried forward against future taxable income of that same trade 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 2018 (2017: £nil).

10. Earnings per 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	2018 m	2017 m
Weighted average number of shares for the purpose of basic earnings per share	A	**177.9**	172.2
Dilutive effect of employee share options		**9.2**	2.7
Weighted average number of shares for the purpose of diluted earnings per share	B	**187.1**	174.9

	Key	£m	£m
Profit/(loss) for the year		**1.8**	(0.1)
Loss from discontinued operations, net of tax		**0.1**	—
Continuing profit/(loss) for the year attributable to equity shareholders	C	**1.9**	(0.1)
Total non-recurring or special items included in profit before tax		**(0.1)**	0.8
Total non-recurring or special items included in taxation		**—**	(0.1)
Earnings for adjusted EPS	D	**1.8**	0.6

	Key	2018	2017
EPS measures			
Basic continuing EPS	C/A	**1.1p**	0.0p
Diluted continuing EPS	C/B	**1.0p**	0.0p
Adjusted EPS measures			
Adjusted basic continuing EPS	D/A	**1.0p**	0.3p
Adjusted diluted continuing EPS	D/B	**1.0p**	0.3p

Discontinued earnings per share

Basic and diluted discontinued loss per share was 0.1p (2017: nil pence).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

year ended 31 January 2018

11. Other intangible assets

	Development costs £m	Computer software £m	Acquired intangible assets £m	Total £m
Cost				
At 1 February 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
Additions	1.1	—	0.4	1.5
Reclassified as assets held for sale	(1.8)	—	—	(1.8)
Disposals	(0.2)	—	—	(0.2)
At 31 January 2018	**7.1**	**1.9**	**0.4**	**9.4**
Amortisation				
At 1 February 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
Charge for the year	1.8	0.4	—	2.2
Reclassified as assets held for sale	(1.4)	—	—	(1.4)
Disposals	(0.2)	—	—	(0.2)
At 31 January 2018	**4.3**	**1.9**	**—**	**6.2**
Carrying amount				
At 1 February 2016	4.3	0.8	1.0	6.1
At 31 January 2017	3.9	0.4	—	4.3
At 31 January 2018	**2.8**	**—**	**0.4**	**3.2**

Development cost additions by project	**2018 £m**	2017 £m
Bulgin	**0.1**	—
EET	**0.2**	0.2
IMC	**0.1**	—
Checkit	**0.7**	1.4
Total development cost additions	**1.1**	1.6

	Cost value		Net book value	
Total amounts by project	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Bulgin	**1.1**	1.0	**0.2**	0.1
IMC	**—**	1.9	**—**	0.4
EET	**1.1**	0.9	**0.3**	0.3
Checkit	**4.9**	4.2	**2.3**	3.1
Total development costs	**7.1**	8.0	**2.8**	3.9

Acquired intangible assets are made up of purchased intellectual property for the EET business.

The Group has tested the development costs and acquired intangibles for impairment and no impairment was considered necessary in 2018.

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, EET and Checkit. 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.

11. Other intangible assets continued

As Checkit is in the scale-up phase, 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.

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% (2017: 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 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
Additions	0.2	0.2	—	0.4
Reclassified as assets held for sale	—	—	(0.2)	(0.2)
Disposals	(0.1)	(2.0)	(0.1)	(2.2)
At 31 January 2018	**0.9**	**7.0**	**2.1**	**10.0**
Depreciation				
At 1 February 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
Charge for the year	0.1	0.3	0.1	0.5
Reclassified as assets held for sale	—	—	(0.1)	(0.1)
Disposals	—	(1.9)	—	(1.9)
At 31 January 2018	**0.5**	**6.0**	**2.0**	**8.5**
Net book value				
At 1 February 2016	0.8	1.3	0.6	2.7
At 31 January 2017	0.4	1.2	0.4	2.0
At 31 January 2018	**0.4**	**1.0**	**0.1**	**1.5**

The net book value of tangible fixed assets held under finance leases and hire purchase contracts was £nil (2017: £0.1m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

year ended 31 January 2018

13. Investment in subsidiary undertakings

The subsidiary undertakings at 31 January 2018 were:

Name	Registered office	Country of incorporation	Nature of business	Shares held by parent	Shares held by Group
Elektron Technology UK Ltd	Broers Building, JJ Thomson Avenue, Cambridge, UK	England and Wales	Design, manufacture and sale of electromechanical components and instrumentation products	100%	100%
Elektron Technology Corporation	11849 Telegraph Road, Santa Fe Springs, California 90670, USA	USA	Sale of electromechanical components and instrumentation products	100%	100%
Elektron Tunisie Sarl	16 Rue 62127 Industrial Zone Ibn Khaldoun, Cite Ettahrir, Tunisia	Tunisia	Manufacture of electromechanical components	100%	100%
Checkit Limited	Broers Building, JJ Thomson Avenue, Cambridge, UK	England and Wales	Web-based service for work management and automated monitoring	0%	100%
Elektron Technology PTE Ltd	Room 2124 Centennial Tower, 3 Temasek Avenue, Singapore 039190	Singapore	Sale of electromechanical components and instrumentation products	100%	100%
Elektron Technology (Shanghai) Trading Limited	Suite 802, 568 Hengfeng Road, Jin An Dist, Shanghai, China	China	Sale of electromechanical components and instrumentation products	100%	100%
Hartest Precision Instruments Limited	Broers Building, JJ Thomson Avenue, Cambridge, UK	England and Wales	Supply of precision measurement equipment	0%	100%
Hartest Precision Instruments India Private Limited	304, Plot No.7, Mahajan Tower LSC, Shreshtha, Vihar, Delhi-110092	India	Dormant company	100%	100%
Elektron Precision Instruments Limited	Broers Building JJ Thomson Avenue Cambridge CB3 0FA	England and Wales	Dormant company	0%	100%
Bulgin PLC	Broers Building, JJ Thomson Avenue, Cambridge, UK	England and Wales	Dormant company	0%	100%
Checkit Technology Limited	Broers Building, JJ Thomson Avenue, Cambridge, UK	England and Wales	Dormant company	0%	100%
Elektron Enterprises 1 Limited	Broers Building, JJ Thomson Avenue, Cambridge, UK	England and Wales	Dormant company	0%	100%
Elektron Technology 2012 Employee Benefit Trust	Broers Building, JJ Thomson Avenue, Cambridge, UK	England and Wales	Trust to hold shares to satisfy employee share benefit plans	100%	100%

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

14. Deferred tax

	2018 £m	2017 £m
Deferred tax assets recoverable after more than one year	**—**	—

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

	Notes	2018 £m	2017 £m
At 1 February 2017		**0.9**	—
Deferred tax on separately identifiable intangible assets	8a	**—**	0.5
Deferred tax on capitalised development costs	8a	**0.1**	(0.5)
Deferred tax on losses utilised	8a	**(0.2)**	1.2
Origination and reversal of other timing differences	8a	**(0.2)**	(0.3)
At 31 January 2017		**0.6**	0.9
This is made up of the following:			
Depreciation in excess of capital allowances		**0.4**	0.5
Deferred tax on capitalised development costs		**(0.3)**	(0.5)
Other short-term timing differences		**0.2**	0.5
Taxation losses		**0.3**	—
Deferred tax on separately identifiable intangible assets		**—**	0.4
		0.6	0.9

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 £7.0m (2017: £6.5m).

15. Inventories

	2018 £m	2017 £m
Raw materials	**2.4**	3.3
Work in progress	**0.3**	0.3
Finished goods and goods for resale	**1.3**	1.2
	4.0	4.8

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 in the year (2017: 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 £11.6m (2017: £11.4m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

year ended 31 January 2018

16. Trade and other receivables

	2018 £m	2017 £m
Trade receivables	**3.8**	5.6
Less: provision for impairment	**(0.5)**	(0.6)
Trade receivables – net	**3.3**	5.0
Other receivables	**0.3**	1.5
Prepayments	**0.9**	1.1
	4.5	7.6

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

Trade receivables can be analysed as follows:

	2018 £m	2017 £m
Not past due	**3.6**	5.4
Past due but not impaired	**0.2**	0.1
Past due and impaired	**—**	0.1
	3.8	5.6

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

	2018 £m	2017 £m
Up to one month past due	**0.1**	0.1
Over one month past due	**0.1**	—
	0.2	0.1

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 40 days (2017: 68 days).

Trade receivables of £0.5m (2017: £0.6m) are considered potentially impaired. The specifically impaired receivables relate to a wide variety of individual customers. Provisions for impairment are management's best estimates based on prior experience and an assessment of the current economic environment.

Ageing of impaired receivables:

	2018 £m	2017 £m
Not past due	**0.4**	0.6
Between one month and two months past due	**—**	—
Over two months past due	**0.1**	—
	0.5	0.6

16. Trade and other receivables continued

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

	2018 £m	2017 £m
At 1 February 2017	**0.6**	0.7
Decrease in provision for receivables impairment	**(0.1)**	(0.1)
At 31 January 2018	**0.5**	0.6

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

	2018 £m	2017 £m
Sterling	**2.4**	4.7
US Dollar	**1.0**	1.2
Euro	**0.6**	1.0
Other	**0.1**	0.2
	4..1	7.1

17. Trade and other payables

	2018 £m	2017 £m
Trade payables	**2.8**	2.8
Other payables	**1.1**	2.0
Accruals and deferred income	**2.3**	2.2
	6.2	7.0

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 68 days (2017: 66 days).

18. Borrowings

	2018 £m	2017 £m
Bank overdrafts and invoice discounting facilities	**—**	1.4
Obligations under finance leases and hire purchase contracts	**—**	0.1
	—	1.5
Short-term borrowings	**—**	1.5
	—	1.5
Analysis of repayments		
Bank overdrafts and invoice discounting facilities:		
Within one year	**—**	1.4
Finance leases and hire purchase contracts:		
Within one year	**—**	0.1
	—	0.1
	—	1.5

Bank overdrafts and invoice discounting facilities of £nil (2017: £1.4m) are secured by debentures and fixed charges over certain Group assets. Balances have been offset where appropriate.

Bank overdrafts and invoice discounting facilities of £nil (2017: £1.4m) attract interest at 3.25% above the currency base rate.

Finance leases and hire purchase contracts of less than £0.1m (2017: £0.1m) attract interest at 2.2% to 3.65% over base rates.

The Group's revolving credit facility of £2.1m was terminated in January 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
year ended 31 January 2018

19. Provisions

	2018 £m	2017 £m
Current	**0.2**	1.0
Non-current	**0.3**	0.5
	0.5	1.5

	Product rectification £m	Dilapidation costs £m	Restructuring costs £m	Total £m
At 1 February 2017	0.3	0.5	0.7	1.5
Utilised	(0.1)	(0.2)	(0.7)	(1.0)
At 31 January 2018	**0.2**	**0.3**	**—**	**0.5**
Anticipated utilisation				
Within one year	0.2	—	—	0.2
Beyond one year	—	0.3	—	0.3

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

The restructuring costs in the prior year 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

	2018 £m	2017 £m
Authorised		
200,000,000 (2017: 200,000,000) ordinary shares of 5p each	**10.0**	10.0
Allotted, called up and fully paid		
186,100,851 (2017: 186,100,851) ordinary shares of 5p each	**9.3**	9.3

Of the allotted, called up and fully paid share capital, 8,099,811 shares (2017: 8,283,650) 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 2018 was 178,001,040 (2017: 177,817,201).

The middle-market price of the ordinary shares at 31 January 2018 was 20.5p per share and the range during the year was 7.13p per share to 20.6p per share.

Market value options
As part of the unwind of the JSOP, on 28 July 2016 Messrs Keith Daley and John 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. At January 2017 remaining options amounted to 2,083,000 outstanding for Messrs Keith Daley and John Wilson. During the year John Wilson exercised 183,839 ordinary shares at 16.875p each leaving a total of 1,899,161 shares for Keith Daley and John Wilson to acquire in this way.

20. Share capital and reserves continued

Share options

Elektron Technology plc Company Share Option Plan (CSOP)

			Number of options	
Year of grant	Exercise period	Option price	**2018 '000**	2017 '000
2014	2016–2023	10.625p	**—**	220
2015	2017–2023	8.00p	**1,520**	1,970
2016	2019–2026	5.25p	**571**	571
2017	2020–2027	16.87p	**1,355**	—

The weighted average exercise price of all options under the CSOP is 18.2p (2017: 7.6p).

Movement in share options during the year:

	2018		2017	
	No. of shares '000	**Weighted average**	No. of shares '000	Weighted average
Outstanding at beginning of the year	**2,761**	**7.6p**	2,800	8.68p
Granted during the year	**1,355**	**16.9p**	571	5.25p
Forfeited/lapsed during the year	**(670)**	**(8.9)p**	(610)	(10.2)p
Outstanding at the year end	**3,446**	**11.0p**	2,761	7.6p
Exercisable at the end of the period	**—**	**—**	220	10.625p

During the year, 670,000 share options lapsed as a result of employees leaving the Group (2017: 610,000).

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 8.00p.

Valuation of share awards

Share-based payments, including awards under the CSOP, and the 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	1.2%
Weighted average contractual life	3 years
Weighted average share price	16.9p
Strike price	16.87p
Volatility of share price	45%
Forfeiture rate	20%

The Group recognised a charge of less than £0.1m in the year (2017: £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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

year ended 31 January 2018

20. Share capital and reserves continued

Reserves continued

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 £1.5m losses (2017: losses £0.4m).

Other reserves

A reserve arising from the application of IFRS 2 "Share-based Payments" of £0.8m (2017: £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 (2017: less than £0.1m), and expenditure contracted but not provided for in the financial statements amounted to £nil (2017: £nil).

22. Operating lease commitments

At 31 January 2018 the Group had total commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Minimum lease payments:				
Expiring within one year	**—**	0.2	**0.1**	—
Expiring between two and five years	**1.7**	0.4	**—**	—
Expiring after five years	**0.4**	1.4	**—**	—
	2.1	2.0	**0.1**	—

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 £0.2m (2017: £0.2m) and outstanding contributions at the year end amounted to less than £0.1m (2017: 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 2018 gross gearing on net assets was nil% (2017: 12.2%).

(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:

	2018 £m	2017 £m
US Dollar accounts	**0.7**	0.2
Tunisian Dinar	**0.1**	—
Indian Rupee	**0.1**	0.2
Euro accounts	**0.6**	0.2
Pound Sterling	**3.7**	1.9
	5.2	2.5

24. Financial assets and liabilities continued

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

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

	2018 £m	2017 £m
Floating rate financial liabilities	**—**	1.5

(iv) Maturity

The maturity profile is shown in Note 18.

(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 26). This deferred consideration amounts to £0.2m 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	Interrelationship 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

(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 2016	—
Arising on disposal of operation	0.4
Received during the year	(0.1)
Balance at 31 January 2017	0.3
Balance at 1 February 2017	0.3
Received during the year	(0.1)
Balance at 31 January 2018	0.2

(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 £0.8m (2017: £2.8m) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

year ended 31 January 2018

24. Financial assets and liabilities continued

(vii) Currency risk

The Group's principal currency risk comprises translational and transactional risk from its exposure to movements in US Dollars, Euro and Tunisian Dinar. The transactional exposure at the year end arises on net trading assets analysed below, being Trade and other receivables, Cash and cash equivalents, and Trade and other payables. Translational exposure arises on the foreign entity Total equity also analysed below:

	Net trading assets		Total equity	
	2018 £m	2017 £m	**2018 £m**	2017 £m
US Dollar	**1.4**	1.4	**0.5**	0.4
Euro	**1.1**	1.1	**—**	0.3
Tunisian Dinar	**0.1**	—	**4.9**	5.4
	2.6	2.5	**5.4**	6.1

The Group does not trade in derivatives or make speculative hedges. At 31 January 2018 the Group had no commitments under non-cancellable forward contracts (2017: £nil).

(viii) Sensitivity analysis

The Group considers that the most significant foreign exchange risk relates to the US Dollar, Euro and Tunisian Dinar. The Group's sensitivity to a 10% strengthening in UK Sterling against each of these currencies (with all other variables held constant) is as follows:

Transactional sensitivity	**2018 £m**	2017 £m
Decrease in net trading assets (at spot rates)		
US Dollar: UK Sterling	**0.1**	0.1
Euro: UK Sterling	**0.1**	0.1
Tunisian Dinar: UK Sterling	**—**	—

Translational sensitivity	**2018 £m**	2017 £m
Decrease in adjusted operating profit (at average rates)		
US Dollar: UK Sterling	**—**	—
Euro: UK Sterling	**—**	—
Tunisian Dinar: UK Sterling	**0.1**	0.1
Decrease in total equity (at spot rates)		
US Dollar: UK Sterling	**0.1**	—
Euro: UK Sterling	**—**	—
Tunisian Dinar: UK Sterling	**0.5**	0.5

(ix) Categories of financial instruments

Financial assets	**2018 £m**	2017 £m
Cash and bank balances	**5.2**	2.5
Trade and other receivables (Note 16)	**3.6**	6.5
	8.8	9.0

Financial liabilities	**2018 £m**	2017 £m
Other financial liabilities at amortised cost:		
Trade and other payables (Note 17)	**3.9**	4.8

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 engaged N+1 Singer as its nominated adviser in January 2018. Peter Welch, a Non-executive Director, currently acts as a consultant for N+1 Singer on a part time basis and took no part in N+1 Singer's appointment process.

26. Discontinued operations

Discontinued operations in the current year comprise: the Digitron brand, sold on 27 March 2017; Titman Tip Tools Limited, sold on 28 July 2017; Sheen Instruments Limited, sold on 19 October 2017; Elektron Medical, discontinued on 31 January 2018; and the Queensgate Nano brand, sold on 15 February 2018.

Discontinued operations in 2017 comprise the Agar, Carnation and Wallace brands. 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:

Summary

The loss from discontinued operations comprises:

	2018 £m	2017 £m
Operating loss	**(0.9)**	(0.9)
Attributable tax	**0.2**	0.2
Loss after tax	**(0.7)**	(0.7)
Profit on disposal	**0.6**	0.7
Loss from discontinued operations attributable to equity shareholders	**(0.1)**	—

Elektron Medical

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

	2018 £m	2017 £m
Revenue	**0.4**	0.5
Expenses	**(0.3)**	(0.4)
Operating profit	**0.1**	0.1
Attributable tax expense	**—**	—
Gain from discontinued operations attributable to equity shareholders	**0.1**	0.1

During the year, Elektron Medical contributed £0.1m (2017: £0.1m) to the Group's net operating cash flows, paid less than £0.1m (2017: less than £0.1m) in respect of investing and paid less than £0.1m (2017: less than £0.1m) in respect of financing activities.

Sheen Instruments

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

	2018 £m	2017 £m
Revenue	**1.7**	2.6
Expenses	**(1.9)**	(2.4)
(Loss)/profit before tax	**(0.2)**	0.2
Gain on disposal of discontinued operations	**0.7**	—
Gain from discontinued operations attributable to equity shareholders	**0.5**	0.2

During the year, Sheen used £0.2m (2017: generated £0.2m) of the Group's net operating cash flows, paid £nil (2017: less than £0.1m) in respect of investing and paid £nil (2017: less than £0.1m) in respect of financing activities.

Expenses of discontinued operations in the year to 31 January 2018 included £nil classified as non-recurring or special items (2017: £nil).

Details of the disposal of Sheen are set out below:

	2018 £m
Property, plant and equipment	**—**
Inventories	**0.4**
Trade and other receivables	**0.3**
Trade and other payables	**(0.3)**
Assets sold	**0.4**
Net gain on disposal	**0.7**
Total consideration	**1.1**
Satisfied by:	
Cash and cash equivalents	**1.1**
Total consideration	**1.1**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

year ended 31 January 2018

26. Discontinued operations continued

Titman Tip Tools

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

	2018 £m	2017 £m
Revenue	**1.0**	2.0
Expenses	**(0.9)**	(1.8)
Profit before tax	**0.1**	0.2
Loss on disposal of discontinued operations	**(0.1)**	—
Gain from discontinued operations attributable to equity shareholders	**—**	0.2

During the year, Titman Tip Tools contributed £0.1m (2017: £0.2m) to the Group's net operating cash flows, paid £nil (2017: less than £0.1m) in respect of investing and paid £nil (2017: less than £0.1m) in respect of financing activities.

Expenses of discontinued operations in the year to 31 January 2018 included £nil classified as non-recurring or special items (2017: £nil).

Details of the disposal of Titman Tip Tools are set out below:

	2018 £m
Property, plant and equipment	**0.1**
Inventories	**0.3**
Trade and other receivables	**0.3**
Trade and other payables	**(0.1)**
Assets sold	**0.6**
Net loss on disposal	**(0.1)**
Total consideration	**0.5**
Satisfied by:	
Cash and cash equivalents	**0.5**
Total consideration	**0.5**

Digitron

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

	2018 £m	2017 £m
Revenue	**0.3**	1.4
Expenses	**(0.3)**	(1.3)
Profit before tax	**—**	0.1
Gain from discontinued operations attributable to equity shareholders	**—**	0.1

During the year, Digitron contributed less than £0.1m (2017: £0.1m) to the Group's net operating cash flows, paid £nil (2017: less than £0.1m) in respect of investing and paid £nil (2017: less than £0.1m) in respect of financing activities.

Expenses of discontinued operations in the year to 31 January 2018 included £nil classified as non-recurring or special items (2017: £nil).

Details of the disposal of Digitron are set out below:

	2018 £m
Inventories	**0.3**
Total assets sold	**0.3**
Net gain on disposal	**—**
Total consideration	**0.3**
Satisfied by:	
Cash and cash equivalents	**0.3**

26. Discontinued operations continued

Agar

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

	2018 £m	2017 £m
Revenue	—	1.1
Expenses	—	(1.1)
Profit before tax	—	—
Gain on disposal of discontinued operations	—	0.7
Gain from discontinued operations attributable to equity shareholders	—	0.7

During the year, Agar contributed £nil (2017: £0.2m) to the Group's net operating cash flows, paid £nil (2017: less than £0.1m) in respect of investing and paid £nil (2017: less than £0.1m) in respect of financing activities.

Expenses of discontinued operations in the year to 31 January 2018 included £nil classified as non-recurring or special items (2017: £nil).

Details of the disposal of Agar are set out below:

	2017 £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, leaving an amount of £0.2m outstanding (2017: £0.3m).

Carnation

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

	2018 £m	2017 £m
Revenue	—	0.8
Expenses	—	(0.9)
Loss before tax	—	(0.1)
Loss from discontinued operations attributable to equity shareholders	—	(0.1)

During the year, Carnation contributed £nil (2017: £0.1m) to the Group's net operating cash flows, paid £nil (2017: less than £0.1m) in respect of investing and paid £nil (2017: less than £0.1m) in respect of financing activities.

Expenses of discontinued operations in the year to 31 January 2018 included £nil classified as non-recurring or special items (2017: £nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
year ended 31 January 2018

26. Discontinued operations continued

Carnation continued

Details of the disposal of Carnation are set out below:

	2017 £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:

	2018 £m	2017 £m
Revenue	—	1.2
Expenses	—	(1.1)
Profit before tax	—	0.1
Gain from discontinued operations attributable to equity shareholders	—	0.1

During the year, Wallace contributed £nil (2017: £0.1) to the Group's net operating cash flows, paid £nil (2017: less than £0.1m) in respect of investing and paid £nil (2017: less than £0.1m) in respect of financing activities.

Expenses of discontinued operations in the year to 31 January 2018 included £nil classified as non-recurring or special items (2017: £nil).

Details of the disposal of Wallace are set out below:

	2017 £m
Inventories	0.3
Net gain on disposal	—
Total consideration	0.3
Satisfied by:	
Cash and cash equivalents	0.3
Total consideration	0.3

Queensgate Nano

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

	2018 £m	2017 £m
Revenue	0.8	0.7
Expenses	(1.7)	(2.2)
Loss before tax	(0.9)	(1.5)
Attributable tax	0.2	0.2
Loss from discontinued operations attributable to equity shareholders	(0.7)	(1.3)

During the year, Queensgate Nano used £0.7m (2017: £1.5m) of the Group's net operating cash flows, paid £0.1m (2017: less than £0.1m) in respect of investing and paid less than £0.1m (2017: less than £0.1m) in respect of financing activities.

Expenses of discontinued operations in the year to 31 January 2018 included £nil classified as non-recurring or special items (2017: £nil).

In March 2017, the Group completed the disposal of business and certain assets of the Queensgate Nano brand for proceeds of £0.8m at £nil profit. Under the terms of the sale the Group has the right to receive up to a further £0.8m based on Queensgate Nano's sales revenues achieving certain targets in the twelve months after completion.

27. Post balance sheet events and assets held for sale

Subsequent to the year end the Group completed the disposal of the business and certain assets of the Queensgate business within the IMC segment of the Group for initial proceeds of £0.8m at £nil profit. These assets were reclassified as assets held for sale at 31 January 2018 and amounted to £0.8m. As stated in Note 26 above additional consideration of up to £0.8m is due subject to future revenues of Queensgate.

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:

i) Profit measures – EBITDA

	2018 Business Exl. Checkit £m	**2018 Checkit £m**	**2018 Total £m**	2017 Business Ex. Checkit £m	2017 Checkit £m	2017 Total £m
EBITDA	**7.8**	**(2.7)**	**5.1**	4.1	(2.8)	1.3
Depreciation and amortisation	**(0.8)**	**(1.7)**	**(2.5)**	(1.2)	(0.7)	(1.9)
Reported operating profit/(loss) for the year before non-recurring or special items	**7.0**	**(4.4)**	**2.6**	2.9	(3.5)	(0.6)

ii) Cash measures – Cash generated/(used) before working capital.

	FY2018				FY2017			
	Operating profit/(loss) £m	**EBITDA £m**	**Capital expenditure, including IP purchase £m**	**Cash generated/ (used) before working capital £m**	Operating profit/(loss) £m	EBITDA £m	Capital expenditure £m	Cash generated/ (used) before working capital £m
Bulgin	**7.2**	**7.9**	**(0.4)**	**7.5**	3.3	4.3	(0.3)	4.0
Checkit	**(4.4)**	**(2.7)**	**(0.7)**	**(3.4)**	(3.5)	(2.8)	(1.4)	(4.2)
EET	**(0.2)**	**(0.1)**	**(0.7)**	**(0.8)**	(0.4)	(0.2)	—	(0.2)
Continuing operations	**2.6**	**5.1**	**(1.8)**	**3.3**	(0.6)	1.3	(1.7)	(0.4)
Discontinued operations	**(0.9)**	**(0.7)**	**(0.1)**	**(0.8)**	(0.9)	0.4	(0.2)	0.2
	1.7	**4.4**	**(1.9)**	**2.5**	(1.5)	1.7	(1.9)	(0.2)
Working capital movement				**0.8**				(0.7)
Movement in provisions				**(1.0)**				0.8
Taxation paid				**(0.2)**				(0.2)
Bank interest				**0.1**				—
Sale of businesses				**2.0**				2.6
Proceeds from ordinary share issue				**—**				0.3
Decrease in bank loans				**(1.5)**				(0.7)
Net increase in cash and cash equivalents				**2.7**				1.9

PARENT COMPANY BALANCE SHEET
as at 31 January 2018

	Notes	2018 £m	2017 £m
Fixed assets			
Investments in subsidiary undertakings	3	**13.8**	0.3
		13.8	0.3
Current assets			
Debtors	4	**0.6**	14.0
Cash in hand and at bank		**0.1**	—
		0.7	14.0
Creditors: amounts falling due within one year	5	**(1.4)**	(1.3)
Net current (liabilities)/assets		**(0.7)**	12.7
Total assets less current liabilities		**13.1**	13.0
Net assets		**13.1**	13.0
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**	2.0
Profit and loss account	6	**(4.9)**	(5.0)
Shareholders' funds		**13.1**	13.0

The notes form an integral part of the financial statements.

The financial statements were approved by the Board of Directors on 2 May 2018 and were signed on its behalf by:

Keith Daley
Director

Andy Weatherstone
Director

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

year ended 31 January 2018

	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 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
Profit for the year	—	—	—	—	—	0.1	0.1
Total comprehensive income for the year	—	—	—	—	—	0.1	0.1
At 31 January 2018	**9.3**	**5.4**	**1.1**	**0.2**	**2.0**	**(4.9)**	**13.1**

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS
as at 31 January 2018

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 Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, the financial statements have therefore been prepared in accordance with Financial Reporting Standard 101 (FRS 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. Profit 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 profit for the financial year amounted to £0.1m (2017: £3.4m loss).

3. Investments in subsidiary undertakings

	2018 £m	2017 £m
At 1 February	**0.3**	0.3
Capitalisation of intercompany debt	**13.5**	—
At 31 January	**13.8**	0.3

Investment in subsidiary undertakings are made up as follows:

	2018 £m	2017 £m
Elektron Technology Limited	**13.7**	0.2
Other	**0.1**	0.1
	13.8	0.3

Other investments comprise the Company's investments in Elektron Tunisie Sarl, Elektron Shanghai Trading Limited and the Elektron Technology 2012 Employee Benefit Trust, all of which individually are less than £0.1m (2017: less than £0.1m).

During the year the Group undertook restructuring of its intercompany financing.

This resulted in the Company capitalising loans due from Elektron Technology UK Limited (ETUK). The Company has reviewed the cash flow forecasts and business plans of ETUK and no impairment was considered necessary.

4. Debtors: amounts falling due within one year

	2018 £m	2017 £m
Amounts owed by subsidiary undertakings	**0.5**	13.9
Prepayments	**0.1**	0.1
	0.6	14.0

5. Creditors: amounts falling due within one year

	2018 £m	2017 £m
Amounts owed to subsidiary undertakings	**1.1**	1.2
Other creditors	**0.3**	0.1
	1.4	1.3

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

Capital expenditure contracted but not provided for in the financial statements amounted to £nil (2017: £nil).

8. Operating lease commitments

As at 31 January 2018 the Group had total commitments under non-cancellable operating leases as follows:

	Land and buildings	
	2018 £m	2017 £m
Minimum lease payments:		
Expiring within one year	**—**	—
Expiring between two and five years	**0.7**	1.2
Expiring after five years	**—**	—
	0.7	1.2

9. Contingent liabilities

The Company guaranteed rental obligations of certain subsidiary companies up to £0.4m (2017: £0.4m).

10. 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.com

Checkit
www.checkit.net

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

ADVISERS

Company Secretary
Andy Weatherstone

Registered office
Broers Building
JJ Thomson Avenue
Cambridge CB3 0FA

Registered in England
No. 448274

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

Nominated adviser and broker
N+1 Singer
1 Bartholomew Lane
London EC2N 2AX

Auditor
KPMG LLP
Botanic House
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

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

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