COMPANY N°: 448274

Fast moving engineered products

Annual Report and Financial Statements 2012
Elektron Technology plc

Elektron Technology is focused on innovation in fast moving engineered products
See page 02

The majority of our business delivers key building blocks for today's connected world
See page 08

Our Innovation Resource Planning™ process, run from our Cambridge Technology Centre, delivers solutions to around 7,000 distribution partners and around 100,000 end users
See page 09

Our strategy is to invest in innovation and build global sales, with a transformed organisation
See page 05

The Group now has a streamlined organisation that can be scaled up as opportunities arise
See page 06

Overview

Business review

Governance

Financial statements

Ten year record

At a glance

100,000

Approximately 100,000 end-users, with products used in all seven continents and in space

7,000

Approximately 7,000 customers

Elektron Technology develops fast moving engineered products (FMEP) that serve a connected world

We invent, manufacture and market critical technology building blocks for the networked economy.

Why FMEP?

We categorise what we do for our target markets as fast moving engineered products (FMEP)

- **Fast moving** – like fast moving consumer goods (FMCG), but in the business to business world – our products typically sell in significant numbers, moving quickly through the manufacture and sales process This involves rapid response to customer needs
- **Engineered** – our customers rely on engineered excellence and just the right amount of precision being built into our products

Connectivity

Meeting the need for delivery of data and power in the most demanding of situations

Instrumentation, Monitoring & Control

Quantifying real world environments, processing and acting on the results

Materials

Specialised materials for industry

Revenue split %

UK
44%

EMEA ex UK
24%

Americas
13%

Asia Pacific
19%

£29.2m
Sales

£2.4m
Operating profit*

Key products
- Connectors for demanding environments
- Switches, knobs and meters for consumer electronics

45%
of group sales

£28.7m
Sales

£2.4m
Operating profit*

Key products
- Temperature measurement instruments for laboratory and industry
- Wireless environmental monitoring equipment
- Nanopositioning and sensing equipment
- Coating and surface measurement instruments
- Power monitoring and control systems

45%
of group sales

£6.4m
Sales

£0.2m
Operating profit*

Key products
- Tungsten carbide manufacture
- Router cutter design and manufacture

10%
Group sales

* Before non-recurring or special items

Our strategy

Assets

- Strong brands and products in global niches
- Global sales and distribution network
- Cambridge Technology Centre
- Over 1,100 quality staff around the world

Market situation

- Significant market share in UK in core niches
- Untapped potential in mainland Europe, Americas and Asia Pacific
- Economic environment favouring growth outside Europe

Competencies

- Expertise in sensing, precision measurement and connectivity especially for harsh environments
- Multidisciplinary engineering skills
- Proprietary NPD process Innovation Resource Planning™

Key trends

- Renewable power, next-generation wireless communications and plug and play industrial devices all require robust connectors
- Growth of machine to machine integration, linking measurement devices with smart networks
- 'Consumerisation' creates demand for instruments aimed at non-expert users

Strategy	Objectives	Key activities
Invest in new product development	• Upgrade product lines, especially where there has been under-investment in recent years	• Establish and grow Cambridge Technology Centre, using Innovation Resource Planning™ process
	• Expand addressable market by extending current ranges	• Expand new product development pipeline
	• Develop innovative propositions which address emerging, high growth opportunities	• Create innovation links with outside groups
Build global sales	• Rebalance revenue and margin contributions to reflect global opportunity	• Develop regional sales and marketing organisations
		• Rebalance teams to face high growth markets
		• Transfer knowledge from UK
Transform organisation	• Create a scalable organisation to support growth	• Develop expert teams in global support functions
		• Complete implementation of global ERP and CRM systems
		• Consolidate UK sites and continue to control costs

Risks and uncertainties

See page 17

Chairman's statement

Keith Daley
Chairman

Key highlights

- Revenue £64 3m (2011 £50 0m), up 29%, including a full year's contribution from Hartest (acquired September 2010)
- Operating profit before non-recurring or special items ('trading profit') £5 0m (2011 £5 3m)
- Non-recurring or special items, largely relating to UK streamlining £2 2m (2011 £1 5m)
- Reported operating profit £2 8m (2011 £3 8m)
- Basic earnings per share ('Basic EPS') 1 82p (2011 3 00p), earnings per share before non-recurring or special items ('Adjusted EPS') 3 33p (2011 4 20p)
- Proposed final dividend of 0 56p per share, making a total of 0 83p for the year, a 3 8% increase Eighth consecutive year of dividend growth
- Resilient sales performance against backdrop of challenging trading conditions
- Completed management reorganisation to exploit scale and expertise Rationalisation of UK sites continues

The results for the year ending 31 January 2012 demonstrate a resilient sales performance against a backdrop of protracted economic slowdown and the ongoing European debt crisis that made trading conditions particularly challenging in the second half of the year The Group has however been less severely impacted than in earlier economic downturns, which is attributed to efforts to broaden the business both geographically and in terms of product range and particularly the acquisition in the prior year of Hartest Holdings plc ('Hartest') Whilst the results fell short of the Group's original expectations, progress in the Americas was strong and results are second only to last year's record outturn with sales, operating profit before non-recurring or special items ('trading profit'), operating cash flow and adjusted earnings per share all exceeding any year prior to the Hartest acquisition in 2010

Organisational change
Once again this has been a transformative year in which the Group has continued to build foundations which will enable it to move to the next level

Elektron Technology (Elektron) has grown over a number of years through numerous largely UK-based acquisitions The Group has made significant progress with its programme of streamlining the enlarged organisation as it moves from a group of subscale, siloed manufacturing businesses to a single organisation focused on technology, new product development and global sales and marketing

The Group now employs a matrix structure that provides its global sales organisation with expert functional support The sales effort is organised into three separate regions (Americas, Asia Pacific and Europe, Middle East and Africa) that are better able to promote the Group's range of products, creating channels for further growth

The Group has the infrastructure in place to support the business as it grows, with centralised marketing, technology and operational expertise and also strong HR, IT and finance functions The impact of this is already being seen in increased efficiency and operational visibility The Group also successfully implemented the first stages of a move to a new Enterprise Resource Planning system during the year This roll-out, along with the adoption of a Group-wide Customer Relationship Management system, will be completed during 2012-13

The Group has also closed its former head office in Romford, announced the closure of the legacy manufacturing sites at West Molesey and Redhill and moved to a new head office and Technology Centre in Cambridge

In short the Group has now designed a streamlined organisation that can be scaled up as opportunities arise

Product development and marketing
The Group's integrated management organisation is already making an impact on new product development (NPD) Market driven NPD is key to the Group's future success and the right foundations are now in place

The Group has the infrastructure in place to increase efficiency and support the business as it grows

8 years

Eight consecutive years of dividend growth

The Group's marketing team is addressing the previously fragmented nature of Group branding and messaging, with the first results of a progressive brand overhaul visible on the corporate website Changes to 26 other websites will follow It is expected that this will not only create a distinct, unified identity for the Group, but will also deliver a basis for increased cross selling across its portfolio of brands

People
The Group has hired several experienced professionals for key leadership roles during the year For technical and marketing roles, the move to Cambridge has proved particularly successful, giving the Group access to a much larger pool of qualified people with experience of fast-growing companies

The Board has put in place incentive plans, which have been designed to keep the Group competitive within the marketplace and to reward the building of value aligned to shareholder interests Elektron values its people and recognises the need to look after them, including those times when the Group's plans have meant disruption for some The commitment of many Elektron people throughout the world in a challenging environment has been remarkable and deserves recognition

Dividend
The Board is continuing its progressive dividend policy, recommending a final dividend of 0 56p (2011 0 55p) making a total dividend for the year of 0 83p (2011 0 80p) This represents an increase of 3 8% and is the eighth year running that the Board has been able to recommend an increased dividend The dividend is expected to be paid on 17 August 2012 to shareholders on the register at the close of business on 4 May 2012

The Board is proposing a scrip issue alternative, subject to a resolution being passed at the Annual General Meeting allowing the Directors to issue shares other than pro rata to existing shareholders Full details will be contained in the documentation convening the AGM

Outlook
Trading in the early months of the year has given the Group no reason to change its outlook In the current uncertain economic climate Elektron retains its cautious stance

At a more fundamental level however, the prospects for Elektron are strong The Group is putting in place measures to reduce its exposure to the economic cycle and is in a good position to help its customers as they become more connected whether by creating physical power and data links, or by measuring, monitoring and controlling key physical processes The Group's brands already provide proven, sector-leading products in specific geographies, with considerable potential to expand into further territories Elektron will continue to invest in its portfolio of market leading products as it increases the pace of NPD and expands its international network

Keith Daley
Chairman

Dividends paid and proposed per share p

0.83p

Chief Executive's review

John Wilson
Chief Executive

Key highlights

- There remains considerable further opportunity for growth on a global basis
- One of the Group's key assets is its new product development capability, based in its Technology Centre in Cambridge
- Investment in sales resources has more than doubled to £8m in three years

During 2011-12, revenues increased from £50 0m to £64 3m, largely as a result of a full year of contribution from the Hartest businesses, which were acquired on 1 September 2010, but trading profit was slightly lower at £5 0m (2011 £5 3m) Whilst these results did not meet the Group's original expectations, they show that the Group is able to remain profitable and resilient even in uncertain times and are an encouraging basis for future growth

Serving a connected world

Elektron designs fast moving engineered products (FMEP) and has market leading positions in connectivity, instrumentation and monitoring and control markets The majority of the business delivers key building blocks for today's connected world These products are managed in two segments Connectivity and Instrumentation, Monitoring & Control (IMC)

Connectivity serves the need for delivery of data and power in the most demanding of situations Examples include the Buccaneer power and data connectors for wired and wireless communications In 2011-12 this segment delivered revenues of £29 2m (2011 £29 7m) and trading profit of £2 4m (2011 £3 7m)

IMC includes technologies that measure and monitor environments, materials and processes and increasingly can capture, process and act on data to automate decision making and improve business performance Examples include the Kyros wireless temperature-monitoring system and Genisys vehicle power management products In 2011-12 this segment delivered revenues of £28 7m (2011 £14 5m) and trading profit of £2 4m (£1 5m)

Additionally the Group operates a small specialist FMEP segment focused on Materials This serves specialised markets in the manufacture of tungsten carbide and the creation of tungsten carbide router cutter tools

Elektron goes to market globally and the Group's products are sold worldwide to over 7,000 customers and around 100,000 end-users They are used in all seven continents, as well as in space

Strategy and progress

Elektron's strategy is based on the significant opportunity to grow revenue by accelerating the pace of innovation, unlocking the significant potential of marketing the product portfolio to more international customers and exploiting the efficiency that the improved organisational structure provides Therefore the Group is both building global sales and investing in new product development (NPD)

Building global sales

The Group has a wide geographic reach for an organisation of its size, and has already successfully demonstrated its ability to take its products to worldwide markets However, there remains considerable further opportunity for growth on a global basis For example, the Asia Pacific region is approximately 40% of the market but currently only 19% of sales, while the Americas account for only 13% of sales The Group's strategy is to use its international sales capability to realise this potential and achieve a geographic balance more closely matching the scale of the underlying markets

During 2011-12 the Group made important organisational changes and investments to pave the way for further advances in 2012-13 Cross selling of products to existing customers of one brand has also been under-exploited in the past, this is now being addressed

The Group now operates with three regional sales and support organisations that are charged with driving direct and indirect channels across all its ranges This represents a move to a more scalable model for some of the recently acquired instrumentation product lines that previously relied on EMEA-based expertise to service global markets To support this agenda, the Group's investment in sales resources has more than doubled to nearly £8m in three years, including increased training for the global sales force

Investing in NPD

One of the Group's key developing assets is its NPD capability, based in its Technology Centre in Cambridge It forms the hub of a multidisciplinary team that works together using Elektron's development process – Innovation Resource Planning™ The Technology Centre allows the Group to coordinate activities and apply best practice and high quality engineering talent to new and existing products All projects start with a marketing-led justification and are subject to rigorous technical and financial evaluation before significant development funds are committed Multiple developments are now in train These are aimed at

- Upgrading current product lines, especially where there has been under-investment in recent years,
- Expanding the addressable market for current product ranges Examples include using new materials for the popular connector ranges or simplifying instruments so that they are suitable for use by a less skilled user population, and
- Developing new propositions that combine instrumentation and measurement with networks and computing The latter is particularly promising, given the growth in machine to machine (M2M) communications, which leads to increased demand for measurement devices and opportunities to develop smart solutions and services where Elektron's domain knowledge and technology will be highly valuable

Current developments in the NPD pipeline include

- Major extensions to the key Buccaneer connector ranges to meet emerging customer requirements for end-use and expand the addressable market,
- Environment-sensing software, hardware and networks for specific vertical markets to automate essential routine tasks, reduce risk and assist with compliance,
- Extensions to the ophthalmological instruments range to expand addressable markets to different skill levels and professional user groups,
- A new generation of controllers and positioners/sensors for the nanopositioning range to extend the Group's offering to new areas such as scanning probe microscopy, interferometry, x-ray imaging, confocal microscopy and aerospace, and
- Upgrades to viscometry instruments to increase their utility to existing customers and open up new sectors

Revenue – continuing operations £m

£64.3m

Business transformation

The initial phase of restructuring the business is now largely complete Elektron is now a matrixed organisation that has created centres of excellence in key functions of marketing, technology and production, and has ensured more scalable global operations for sales As reported in the Chairman's statement this has also included a move to a Cambridge head office and the establishment of the Technology Centre there

The second phase of this process is the rationalisation of the Group's operational footprint in the UK, closing and consolidating three major leased sites The office in Romford is now closed and its activities have transferred to Cambridge, Torquay and Stansted The existing factory in Torquay will become the Group's new UK centre for high-tech manufacturing Activities at the Redhill and West Molesey factories will relocate to Torquay over the next 12-18 months, as the leases on those sites expire When complete, this programme is expected to deliver savings in excess of £2m per annum

Chief Executive's review
continued

Regional performance
In the **Americas (sales £8 3m, 2011 £6 6m)** there has been a particularly good performance in the Connectivity segment, with continuing strong sales growth and a record forward order book This is a result of considerable effort in strengthening the sales infrastructure and distributor organisation in the region Signing agreements with strategic national distributors allowed Connectivity to flourish this year Other existing distributors started selling the Arcolectric line for the first time which should result in increased sales

The next challenges are to expand sales in South America and to generate growth for the Instrumentation, Monitoring & Control (IMC) product lines In both areas 2012-13 will be a period of establishing Elektron's presence and initial sales Several key hires have been made to support this initiative during 2011-12, and the Group has also increased its investment in marketing in this region

In the **Asia Pacific region (sales £12 5m, 2011 £9 1m)**, sales growth is largely attributable to the full year of contribution from Hartest and underlying growth was less than anticipated As the majority of current Chinese sales are to original equipment manufacturers (OEMs) whose products are exported, mainly to Europe, there was impact from the downturn on demand The Group has however invested in developing its organisation to support improved growth, focusing on China, South Korea, Japan and India A new regional head office has been created in Singapore and a sales office opened in Shanghai The Group is seeing growing opportunities in India and a new, enlarged office in New Delhi is expected to be opened in the coming year The Group has also expanded its sales force in South Asia and India to take advantage of significant untapped opportunities in those areas

In **EMEA (sales £43 5m, 2011 £34 3m)** the Group continues to increase the emphasis on developing sales outside the UK Sales to key growth areas in Germany and Eastern Europe increased by over 10% year on year, but there has been weaker demand and increased uncertainty from customers elsewhere, especially in southern Europe The Group has therefore rebalanced its focus, with more resource being applied to the north and east of Europe Elektron continues to see potential for the Sheen and Ophthalmic product ranges in the Middle East

Segmental performance
Connectivity (sales £29 2m, trading profit £2 4m, 2011 £29 7m, trading profit £3 7m) Elektron's Connectivity segment saw a softening of demand in Asia Pacific and parts of EMEA, in particular in Italy, historically the largest revenue-generator for Connectivity in Europe outside the UK (but now overtaken by Germany) There were encouraging levels of success in the Americas, where sales of connectivity products have increased by more than 50% over the last two years

In terms of industries served, there was some impact from a slowdown in demand for connectors from the solar power market related to changes in government subsidies in several key markets, offset by successes in the power grid and telecoms industries

In 2011-12 the Group continued to increase its focus on direct sales to OEMs to ensure that it is not over-dependent on distributors, while also ensuring that it is working with the highest quality distributors, leading to the developments noted above

The Bulgin brand, and in particular Buccaneer connectors, continued to perform well, confirming its ability to command a strong competitive position in products with a large engineered content

Several new product lines are being prepared for release in this category, which are expected to suit a considerably larger set of end user applications, increasing the total addressable market

Arcolectric switches continued to make a strong contribution but face strong price competition from larger scale manufacturers The Group continues to review its cost base and supply chain in response, as well as seeking opportunities for innovation for example, during 2011 Elektron introduced a range of switches that incorporate anti-microbial properties, aimed at hygiene-sensitive OEM applications such as food preparation and medical devices

Due to unprecedented increases in raw material prices throughout the year, margins were adversely impacted However, this was partially offset by implementing price increases during the year

Instrumentation, Monitoring and Control (sales £28 7m, trading profit £2 4m, 2011 £14 5m, trading profit £1 5m) IMC experienced additional weakening of demand due to reduced government funding of national metrology laboratories and, in the UK, reductions in NHS capital spending which particularly impacted the QADOS products

The Group is actively refocusing Queensgate's nanopositioning products, at present a small percentage of Group sales, to capitalise on increased opportunities in the sector The Group is also involved in an important collaborative R&D programme funded by the UK government's Technology Strategy Board in this area The results from this project, when combined with the Group's existing laboratory supplies (Agar) and metrology (ASL) brands, are expected to enable Elektron to serve the scientific laboratory market more effectively

+50%

Sales of Connectivity products have increased by more than 50% in the Americas in the last two years

During the year there was positive growth for the Sheen and Wallace ranges, with customers and applications across various industries such as automotive, aerospace and rubber production There are a number of new product developments underway to further enhance the product range, which will not only give greater appeal and scope in existing sectors but also offer expansion possibilities in areas such as plastics, pharmaceuticals, cosmetics and FMCG testing

The year has also seen growth for the ophthalmic instruments product line as well as a number of new regional distribution deals NPD activity is in train to build on these trends

Particularly strong performance came from the Tinsley instrumentation range in India This business is now providing a springboard to increase the range of products marketed in India and to create stronger local presence

Carnation Designs continued to perform well in the specialist vehicle automation system market, with its products used in 95% of the UK's frontline ambulances Highlights included a £1m+ order for use in UK prisoner transport vehicles and the supply of a solution for a large Japanese corporation's outside broadcast vehicles to use in China The Group is investing to develop the profile of Carnation Designs globally, starting with selected priority markets

Materials (sales £6 4m, trading profit £0 2m, 2011 £5 8m, trading profit £0 1m) The small Materials business showed 10% revenue growth in the year, but continued to deliver lower profitability than the rest of the Group A 40% increase in tungsten carbide prices was offset by price increases but with an adverse effect on overall margins The Group is now focusing on developing new production processes to increase efficiency Titman Tip Tools won some important new contracts in 2011-12, which are now beginning to generate increased volumes, and the Group is currently evaluating the potential of recent new product developments in connection with cutter technologies

John Wilson
Chief Executive

Adjusted operating profit/(loss)* £m

£5.0m

Adjusted for goodwill discontinued operations and non recurring or special items

Chief Financial Officer's report

Noah Franklin
Chief Financial Officer

Key highlights

- Trading profit once again reached £5m
- The streamlining programme is expected to yield savings in excess of £2m per annum
- The Hartest acquisition has significantly enhanced earnings during the year, contributing approximately 1 3p to the Group's Adjusted EPS

Group sales in 2011-12 were £64 3m, a 29% increase on prior year This increase was essentially attributable to the full year of contribution from the Hartest business acquired during 2010-11 Underlying sales performance was affected by the weakening global economic climate in the second half of the year and, adjusted for the acquisition and currency movements, was little changed from prior year

Trading margins were 7 8%, down from 10 6% in 2010-11, largely as a result of the lower than expected sales Margins were also affected by

- Increases in commodity prices, notably for metals and plastics, which particularly affected the Connectivity and Materials segments The average market price per kilo of the Group's net basket of metals increased by some 75% compared with the previous year,
- A full year of contribution from the traditionally lower margin Hartest business also had an impact However the profitability of the Hartest businesses was substantially improved compared with the preceding 12 months

Despite these factors, trading profit reached £5m for the second consecutive year

Apart from driving sales, the Group is taking steps on many fronts to improve profitability, including the programme to streamline operations The cost of streamlining the business in the UK is expected to total £4 3m over a two year period This includes £3 5m of exceptional charges, of which £1 9m was recorded in 2011-12, and approximately £0 8m of capital expenditure Savings in occupancy costs from the site closures are expected to exceed £0 8m per annum and when complete, the streamlining programme is expected to yield savings in excess of £2m per annum The recent announcement that most of the Group's UK operations will trade as a single legal entity with effect from the current financial year should bring a further reduction in costs

Other non-recurring or special items include £0 1m of costs incurred in exploring an abandoned potential acquisition, and £0 2m amortisation of intangible assets arising from past acquisitions The costs of share-based incentive plans, comprising share options and the Joint Share Ownership Plan, are also included in non-recurring and special items, but amount to less than £0 1m

The consolidated net interest charge of £0 3m is covered 15 times by trading profit

The Group's effective tax rate has increased from 18% to 24%, as brought forward tax losses have been substantially utilised It is expected that the Group's tax rate will remain fairly stable at this new level, as the scheduled decline in the UK rate of corporation tax from 26% to 22% over the next two years should offset the use of the Group's last remaining tax losses and anticipated growth in profits from overseas markets including the USA and India, which are subject to higher rates of tax than profits earned in the UK

Group pre-tax profit before non-recurring or special items was £4 7m (2011 £5 0m) Reported pre-tax profit was £2 5m (2011 £3 5m)

The Group is taking steps to improve profitability, including the programme to streamline operations

+29%

Group sales in 2011-12 were £64 3m, a 29% increase on prior year

The average number of ordinary shares in issue during the year was 106 4m, compared with 97 2m in the prior year, so Basic EPS and Adjusted EPS were 1 82p and 3 33p respectively (2011 3 00p and 4 20p) If the tax rate had remained unchanged from 2011, Adjusted EPS would have been 3 69p

It is estimated that approximately 2 0p of Adjusted EPS is attributable to the 'old' Elektron business The Hartest acquisition has significantly enhanced earnings during the year, contributing approximately 1 3p to the Group's Adjusted EPS

The Group's financial position remains strong, with net debt of £4 4m (2011 £4 3m) and net gearing (net debt divided by total equity) of only 28% (2011 29%), both virtually unchanged from prior year This is pleasing after a year where the dividend payments have increased by 60% and capital investment has more than doubled to £2 2m, including £0 8m related to the development and supply of new products Capital investment is expected to increase again in 2012-13, when major projects will include the investment in the new high-tech manufacturing facility in Torquay, the completion of the global Enterprise Resource Planning system and further acceleration of the new product development programme

Since the end of the year, the Group has refreshed its financing arrangements via a new four year £6 8m revolving credit facility, replacing the £1 6m term loan that was taken out to fund the Hartest acquisition This new facility provides financial stability for the medium term It is on slightly improved terms compared with the previous term loan and no capital repayments are due in the first 12 months As the Group grows its international operations, the facility also allows for the financing of certain overseas assets with local currency borrowings, effectively mitigating exchange rate risks

The Board wishes to continue its progressive dividend policy and is proposing a final dividend of 0 56p per share, bringing the total for the year to 0 83p an increase of 3 8%

Noah Franklin
Chief Financial Officer

Adjusted earnings/(loss) per share* p

3.33p

* Adjusted for goodwill discontinued operations and non recurring or special items

Directors and advisers

John Wilson (36)
Chief Executive

Appointed to the Board in August 2010 and as Chief Executive on 17 December 2010, John originally joined Elektron Technology in March 2008 as Technical Director before being appointed Managing Director of the Technology Division in April 2010 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

Keith Daley (56)
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 managed, owned, invested in and sold a number of businesses over the past 30 years

Simon Acland (54)
Non-Executive Director

Appointed to the Board in November 2010, Simon has over 30 years of experience in the technology sector as an entrepreneur and venture capitalist He has sat on the boards of over 30 companies, both private and publicly listed on AIM, the main market, and Nasdaq, often which he backed as private companies and helped to guide to flotation Simon chairs the Remuneration Committee

Noah Franklin (52)
Chief Financial Officer

Appointed to the Board in July 2011, Noah is a Chartered Accountant with extensive experience in senior financial roles and within publicly quoted companies His previous appointments include 12 years as a senior executive with Cadbury Schweppes plc, where his roles included Finance Director for Europe, the Middle East and Africa and Group Financial Controller, as well as Managing Director of Global Business Services and a country Managing Director position

Jeremy Thorn (64)
Non-Executive Director

Appointed to the Board in March 2010, Jeremy has considerable experience of high-growth international markets, and innovative technology based companies During his executive career he has held senior managerial posts in manufacturing and engineering services companies Jeremy chairs the Audit Committee

Company Secretary
Martin Reeves
BA Hons, FCIS

Registered office
Broers Building
JJ Thomson Avenue
Cambridge CB3 0FA

Registered in England
No 448274

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

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

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

Auditor
Deloitte LLP
City House
126-130 Hills Road
Cambridge CB2 1RY

Bankers
HSBC Bank plc
70 Pall Mall
London SW1Y 5EZ

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 2012

Principal activity
Elektron Technology plc ('Elektron') is a global Group managing, exploiting and developing its technologies within the fast moving engineered products sector in business to business markets The principal activity of the Company is that of a holding company The principal operating subsidiaries of the Group as at 31 January 2012 are listed in Note 14

Business review
Information that fulfils the business review requirements applicable to the Group is contained in the Chairman's statement, the Chief Executive's review and Chief Financial Officer's report on pages 6 to 13 We are required by the Companies Act 2006 to include a Business review in the report of the Directors and describe the principal risks and uncertainties facing the Group Analysis using financial key performance indicators has to be shown We produce a wide variety of daily key figures for all of our businesses that enable us to identify performance against budget and the previous year Other key performance indicators are shown below

	2012	2011
Gross profit margin		
The ratio of gross profit to revenue expressed as a percentage	**40 4%**	42 2%
Net operating profit percentage of revenue, before non-recurring or special items		
The ratio of net operating profit before non-recurring or special items, to revenue, expressed as a percentage	**7 8%**	10 6%
Interest cover		
The ratio of profit before finance and non-recurring or special costs to net interest payable on borrowings	**14 9**	21 7
Basic earnings per share		
The profit after tax divided by the weighted average number of ordinary shares in issue during the year	**1.82p**	3 00p
Adjusted earnings per share		
The profit after tax before non-recurring or special items, divided by the weighted average number of ordinary shares in issue during the year	**3 33p**	4 20p
Net gearing		
The ratio of total borrowings less cash to shareholders' funds expressed as a percentage	**27 6%**	29 3%
Net assets per share		
Net assets divided by the number of ordinary shares in issue at the balance sheet date, excluding treasury shares, expressed in pence per share	**14.8p**	13 7p

Change of name
The name of the Company was changed from Elektron plc to Elektron Technology plc on 29 July 2011

Principal risks and uncertainties

The management of the business and the nature of Elektron's 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 and reputation

	Risk	Mitigation
Commercial risks including sales, product costs	Elektron's revenues are, and will be, principally from sales of its products There can be no assurance that current product revenues can be maintained or increased in the future Product sales and product costs may be affected by adverse market conditions or other factors, including pricing pressures from governments or other authorities, competition from other products, the withdrawal of a product because of a regulatory or other reason, or the financial or commercial failure of a marketing partner The Group sells globally and manufactures a proportion of its products outside the United Kingdom, which in turn exposes the Group to the commercial environments of those locations	The Group has approximately 7,000 customers and approximately 100,000 end-users worldwide Its diverse portfolio of brands and products assists in reducing the risk related to limited offerings or the failure of one of our partners
Risks associated with pipeline products	Elektron's strategy is partly based on the continual development of new products The technical feasibility and commercial success of such developments is generally not assured in advance	The Group's Innovation Resource Planning™ process is designed to ensure that such risks are minimised
Changing political and economic and social environment	Elektron is subject to political, economic and regulatory factors in several countries This includes the types of risks that manifested themselves during the last year, including the earthquake and tsunami in Japan, the Arab Spring and the economic slowdown in the Eurozone countries	The global spread of the Group's operations limits its exposure to such risks in any single territory
Loss of operating facilities	Elektron is in the process of restructuring a number of its UK operations including transitioning production and distribution facilities This could result in some disruption to operations	The Group has extensive experience of handling such change programmes successfully Business continuity plans are in place to minimise the impact of normal, foreseeable risks and specific restructuring-related issues
Competition	Elektron experiences competition both from emerging suppliers based in low-cost countries and traditional European suppliers seeking to maintain market share by reducing prices A number of technologies claim to deliver similar benefits in a different way This could potentially reduce Elektron's pricing power in the markets in which we operate	The Group continually monitors competitive development and seeks to develop innovative products for niche applications to ensure the Group retains a competitive advantage

Report of the Directors
continued

Principal risks and uncertainties continued

	Risk	Mitigation
Commodity prices	A significant amount of Elektron's purchases are plastic moulding powders, metal parts and rare metal powders Consequently exposure to movements in oil, copper, silver, tungsten and cobalt market prices can affect profitability	Product design is kept under review to ensure that Elektron's products use no more of such commodities than product offerings of our direct competitors
Foreign exchange rate movements	A significant portion of Elektron's sales are in US Dollars and Euros Elektron is therefore exposed to foreign currency fluctuations Elektron manages its foreign exchange risk by purchasing materials in matching currencies where possible in order to partially offset this exposure	Financial and treasury controls limit exposure to foreign currency, interest rate and credit risk
Control of overseas operations	In order to achieve competitively priced products Elektron has manufacturing facilities in Tunisia and China, as well as in the UK It also has sales offices in India, Singapore, Germany and the USA Risks and uncertainties of this strategy include management issues at the factories, the possibility of changes in import duties, taxes and shipping and payment delays	The Group manages these risks by employing suitably experienced local staff and a UK-based team that works closely with them If necessary, the majority of products manufactured at one overseas location could be moved to another location
Legal	The Group operates in countries where bribery and corruption are known risks The growing volume of legislation and regulation increases non-compliance risk and the associated penalties	The Group has a strict anti-bribery policy and has communicated the essential features of the UK Bribery Act to staff worldwide
Quality	Certain products supplied by Elektron are critical to the operation of customers' equipment, where consequential losses due to malfunction may lead to customer costs significantly in excess of the value of the products supplied	The Group continually monitors product quality and seeks to respond rapidly to address the root cause of any customer complaints
Reliance on key individuals and retention of high-quality staff	The Group is dependent on key persons in commercial or management areas The profitability and reputation of the business may be adversely impacted if they were to depart without due warning	The Group continues to invest in recruiting high-calibre staff, with a view to strengthening the depth of talent throughout the business Staff retention is closely monitored and remuneration packages are designed to promote retention of key individuals

Results and dividends

There was a profit for the year after taxation of £1 9m (2011 £2 9m) and the Directors are recommending the payment of a final dividend of 0 56p per share (2011 0 55p per share) In addition, an interim dividend of 0 27p per share was paid to shareholders in December 2011 (2010 0 25p per share) The Directors are proposing a scrip issue alternative in respect of the final dividend for the year ended 31 January 2012 and all future dividends for a period of five years Full details are contained in the separate Notice of Annual General Meeting (AGM) and the Scrip Dividend Circular accompanying this Annual Report and financial statements

Research and development

The continuous 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 12 to the financial statements

Health, safety and environment

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

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

Directors and their interests

Biographical details of the current Directors are set out on pages 14 to 15 and details of Directors' beneficial interests in the shares of the Company as at 31 January 2012 are set out in the report of the Remuneration Committee on pages 24 to 27

Jeremy Thorn retires by rotation at the 2012 AGM and will offer himself for reappointment The Board recommends the reappointment of Jeremy Thorn as it considers that he brings considerable management experience to the Group's business Additionally, Noah Franklin, who was appointed as a Director on 29 July 2011, seeks reappointment at the first AGM since his appointment The Board recommends the reappointment of Noah Franklin and considers that he brings considerable financial and corporate finance experience to the Group's business Details of the resolutions to reappoint them will be contained in the notice of AGM

Share capital

As at the date of this report, the total number of shares in issue (being ordinary shares of 5p each) is 119,296,987 During the year the Company issued 12,888,728 new shares Details of the share capital are given in Note 21 to the financial statements

Report of the Directors
continued

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, in addition to Directors' holdings which are disclosed in the Remuneration Committee report

Mr J Kinder	14 78%
Elektron Technology 2012 Employee Benefit Trust	10 64%
Mr & Mrs N Slater	7 79%
Henderson Global Investors	6 28%
D & A Income Limited	5 03%
Mr A Perloff & Panther Securities Plc	3 94%

Charitable and political donations
The Group made no political contributions (2011 £nil) and no charitable donations (2011 £1,650) during the year

Supplier payment policy
The Group applies a policy of agreeing the terms of payment as part of the commercial arrangement negotiated with suppliers It is Group policy that payments to suppliers are made in accordance with those terms, provided that suppliers also comply with all relevant terms and conditions The average trade payables days in the year for the Group were 51 days (2011 56 days) and for the Company were 47 days (2011 nil)

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

The Group is committed to equality of opportunity for all regardless of gender, race, age, disability, religion or sexual orientation, where it is reasonable and practicable within existing legislation This applies equally to recruitment and to the promotion, development and training of staff Each operating company within the Group operates its own communication and consultative programmes relevant to its own particular workforce

Corporate governance statement
As an AIM listed group, the Group is not required to follow the provisions of the UK Corporate Governance Code 2010 ('2010 Code'), as set out in the Financial Services Authority's Listing Rules The Directors, however, recognise the importance of, and accordingly support, the principles of good corporate governance as contained within the 2010 Code The Directors normally seek to follow the 2010 Code to the extent considered relevant for an AIM listed Group The Group is unable to achieve compliance with the 2010 Code in a number of areas this year, among other matters because of the number of independent Non-Executive Directors The Directors will continue to assess compliance with the 2010 Code These matters are explained in further detail in the sections that follow

Directors

(i) The Board

The Board currently comprises the Chairman, two Executive Directors and two Non-Executive Directors Brief biographical details of the Directors appear on pages 14 and 15 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 are 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 AGM after their appointment

The Company is not compliant with the requirement of the 2010 Code, which states that more than half of the Board should be comprised of independent Non-Executive Directors

The Board meets at least ten times each year and more frequently where business needs require The Board receives written and oral reports from the Executive Directors ensuring matters are considered fully and enabling Directors to discharge their duties properly The Board has a schedule of matters reserved to it for decision and the requirement for Board approval on those matters is known to senior management within the Group This includes subjects such as material capital and revenue commitments, business acquisitions and disposals 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) Chairman and Chief Executive

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

The Board operates with a number of Board Committees

(iii) Audit and Remuneration Committees

Jeremy Thorn chairs the Audit Committee and Simon Acland chairs the Remuneration Committee

The Audit Committee consists of the Non-Executive Directors The Executive Directors are invited to attend Audit Committee meetings but at least one meeting is held each year with the external auditor at which the Executive Directors are not 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 interim statement, the preliminary announcement and accounting policies

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 Executive Directors is recommended by the Chief Executive The remuneration of the Non-Executive Directors is agreed by the Board

The terms of reference for each of the Board Committees are available on the Company's website and 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 a Chief Executive's report and a report from the Chief Financial Officer together with documents regarding specific matters

(v) Appointments to the Board
The Board does not consider it appropriate to appoint a Nomination Committee given the Board is small in number It is the Board's policy to encourage each member to meet individually and collectively with prospective Directors

(vi) Reappointment
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 reappointment and the date for determination of the number of Directors is not earlier than 28 days prior to the date of the Notice of AGM

Directors' remuneration
Details of Directors' remuneration are contained in the Remuneration Committee report on pages 24 to 27

Directors' indemnities
The Company has granted indemnities to each of its Directors in respect of all losses arising out of or in connection with the execution of their powers, duties and responsibilities as Directors to the extent permitted by the Companies Act 2006 and the Company's Articles of Association Such qualifying third party indemnity provision remains in force at the date of approving the Directors' report In addition, Directors and officers of the Company and its subsidiaries are covered by Directors' and officers' liability insurance

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

(ii) Use of the Annual General Meeting
All shareholders have the opportunity to put questions at the Group'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 always to present a balanced assessment of the Group's position and prospects The respective responsibilities of the Directors and the auditor in connection with these financial statements are explained on pages 28 and 29

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 6 and 7 and the Chief Executive's Operations review on pages 8 to 11 The principal risks and uncertainties facing the business are described in the Report of the Directors on pages 16 to 23 The Chief Financial Officer's report on pages 12 and 13 gives details of the Group's principal banking facilities

The Directors have reviewed current cash flow projections for the coming 12 months taking account of reasonably possible changes in trading performance, borrowing facilities and forecast covenant compliance 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

Auditor and disclosure of information to auditor

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditor is unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information This confirmation is given and should be interpreted in accordance with Section 418 of the Companies Act 2006

Deloitte LLP has indicated its willingness to continue in office as auditor and a resolution concerning their reappointment will be proposed at the forthcoming AGM

Annual General Meeting

The Group's AGM will be held on 28 June 2012 Accompanying this Annual Report and Financial Statements is a letter from the Chairman and Notice of AGM which set out the resolutions to be considered and approved at the meeting

On behalf of the Board

Martin Reeves
Company Secretary
11 April 2012

Registered Number
448274

Remuneration report

Unaudited information
Companies with securities listed on AIM are not required to comply with either the Directors' Remuneration Report Regulations 2002 or the UKLA Listing Rules or the provisions under schedule 8 of the Companies Act 2006 However, the Remuneration Committee is committed to maintaining high standards of corporate governance and open communication with shareholders and has applied the guidelines as far as practical given the current size and development of the Group The Committee is therefore pleased to present its first formal report to shareholders

Composition and role of the Remuneration Committee
The Remuneration Committee consists only of independent Non-Executive Directors During the financial year ended 31 January 2012 its members were Simon Acland and Jeremy Thorn None of the Committee has any personal financial interest (other than as shareholders), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business

The Committee is responsible for setting policy on Directors' remuneration and for determining the individual remuneration packages of the Group's Executive Directors It 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

Remuneration policy
The Group's remuneration policy is designed to attract, motivate and retain Directors and senior executives of the high calibre necessary for a business with Elektron's 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 The Committee has taken several steps in the past year to bring elements of the Group's remuneration arrangements up to date and, more recently, it has initiated an independent review of the arrangements as a whole, any recommendations from this independent review will be taken into account during 2012-13

Remuneration packages
The main elements of the Executive Director remuneration packages are basic salary and benefits, pension arrangements, annual bonus plans and long term share-based incentive plans

Basic salary, benefits and pension arrangements
Basic salary and benefits are reviewed annually, unless there are any changes to an individual's role or responsibility No salary increases for the Executive Directors were awarded in 2011-12 Any awards for 2012-13 will be finalised after the independent review of Executive Directors' remuneration has been completed It is anticipated that any changes arising as a result of the independent review will be implemented with effect from 1 May 2012, 15 months after the last review

Benefits in kind include company car or car allowance and private medical insurance for self and dependants The healthcare arrangements for Executive Directors are the same as those for all UK employees entitled to such cover

The Group operates a defined contribution pension plan and makes contributions to the plan equivalent to 10% of the basic salary of Executive Directors Executive Directors may opt to receive this amount as a payment in lieu of pension contribution

All Executive Directors are employed on service contracts with 6 months' notice

Annual bonus plan
The Group operates a bonus scheme for Executive Directors and for senior management, which is reviewed annually There are no guaranteed bonuses

A bonus of £17,000 was paid during the year ended 31 January 2012 to John Wilson in relation to specific targets No other bonuses were paid or are payable to Executive Directors in relation to the year

The bonus plan for the Executive Directors for the year to 31 January 2013 will be finalised after the independent review of Executive Directors' remuneration has been completed

Total emoluments

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

Year to 31 January 2011	Basic pay £ 000	Paid to third parties £ 000	Benefits £ 000	Bonuses £ 000	Severance £ 000	Total £'000	Pension contribution** £ 000
Executive Directors							
Keith Daley	193	27	1	–	–	221	–
John Wilson (appointed August 2010)	68	–	6	99	–	173	5
Geoff Spink (appointed September 2010)	46	–	1	40	–	87	7
Chris Leigh (resigned September 2010)	97	–	8	5	216	326	15
Neill Ricketts (appointed September 2010, resigned December 2010)	42	–	4	–	100	146	3
Non-Executive Directors							
Simon Acland (appointed November 2010)	5	–	–	–	–	5	–
Jeremy Thorn (appointed March 2010)	28	2	–	–	–	30	–
Malcolm Argent (appointed February 2010, resigned August 2010)	15	–	–	–	–	15	–
Total 2011	**494**	**29**	**20**	**144**	**316**	**1,003**	**30**

Year to 31 January 2012	Basic pay £ 000	Paid to third parties £ 000	Benefits £ 000	Bonuses £ 000	Severance £ 000	Total £ 000	Pension contribution £ 000
Executive Directors							
Keith Daley	200	–	11	–	–	211	20
John Wilson	200	–	11	17	–	228	20
Geoff Spink (resigned July 2011)	67	–	6	–	94	167	10
Noah Franklin (appointed July 2011)	91	–	6	–	–	97	9
Non-Executive Directors							
Simon Acland	30	–	–	–	–	30	–
Jeremy Thorn	30	–	–	–	–	30	–
Total 2012	**618**	**–**	**34**	**17**	**94**	**763**	**59**

Benefits include car or car allowance and private medical insurance for self and dependants

Includes payment made in lieu of pension contributions

The emoluments of the highest paid Director were £228,000 (2011 £326,000) and the Group made pension contributions of £20,000 (2011 £15,000) on his behalf

Remuneration report
continued

Long Term Incentive Plan

Until recently, the Group has not operated a significant long term incentive plan of any kind This increasingly placed the Group at a disadvantage in the marketplace, making it difficult to attract and retain the executive talent that it needs The historic remuneration structures were unduly weighted to basic salary and benefits, in a manner which did not adequately align executive interests with those of shareholders, or reward them properly for success

The Remuneration Committee has taken the necessary steps to address these issues as explained below

In January 2011, share options were awarded to 17 executives including the Executive Directors under the Company Share Option Plan ('CSOP') up to the £30,000 individual limit for HMRC approved options Options to this limit were also awarded to Noah Franklin shortly after his appointment as an Executive Director Movements in Directors' interests in share options are shown 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 2011	Options awarded during the year	Options lapsed during the year	No of options at 31 January 2012
Keith Daley	2014-2021	38 0p	78,000	–	–	78,000
Noah Franklin	2014-2021	37 0p	–	81,000	–	81,000
Geoff Spink	2014-2021	38 0p	78,000	–	78,000	–
John Wilson	2014-2021	38 0p	78,000	–	–	78,000
Total			**234,000**	**81,000**	**78,000**	**237,000**

Following consultation with several large institutional and private shareholders, the CSOP was supplemented by the introduction of a comprehensive long term incentive plan for the Group's most senior executives, in the form of a Joint Share Ownership Plan ('JSOP'), which was approved by the Remuneration Committee on 9 January 2012 The JSOP is designed to provide an efficient long term incentive to participants in the Plan which effectively aligns their interests with those of all shareholders by providing a clear focus on maximising the long term value of the Group

Each participant has entered into a co-ownership agreement with the trustee of the Elektron Technology 2012 Employee Benefit Trust (the 'Trust') Under the terms of each co-ownership agreement the participant has a right to receive the sale proceeds on disposal above a 30p per share hurdle (the 'Base Amount'), a 42% premium to the average closing share price of the Company in the 30 working days before the grants The earliest realisation date is the third anniversary of the awards date in respect of 75% of the award and the fifth anniversary of the awards date in respect of 25% of the award The amount payable by each participant in respect of the jointly owned interests is the higher of 0 75p per share or the amount equal to the unrestricted market value for tax purposes of the interest as agreed with HM Revenue & Customs In the event that HM Revenue & Customs were to determine that a higher amount is payable, the excess may remain as loans to the participants until such time as the interest is realised or lapses

In addition to their interest in jointly owned shares, the participants were granted stock appreciation rights which entitle them to the growth in value of a share from 25p up to the Base Amount and which may be settled in shares or cash at the discretion of the Group's Remuneration Committee, concurrently with the realisation of the interest in the jointly owned shares

12 senior executives have participated in the Plan, including the Executive Directors As a condition for participating in the Plan, the participants have invested approximately £100,000 in aggregate in the Group, which is committed for minimum periods of three and five years This investment will be lost if the share price does not rise above the hurdle price

The awards to Executive Directors under the JSOP are set out in the table on Directors' share ownership below The awards to Keith Daley and John Wilson take account of delays in the introduction of a long term incentive plan, which had been under discussion for several years and to recognise their contribution to the Group before the long term incentive plan was implemented In addition a further JSOP participation in respect of 800,000 shares was awarded to Keith Daley in recognition of waived bonuses in previous years

There have been no variations to the terms and conditions or performance criteria for share options during the financial year

Directors' share ownership

The shares owned by the Directors serving at 31 January 2012, including their interests in shares via the JSOP which are jointly held with the trustee of the Trust, are as follows

	Shares owned outright at 31 January 2011	Shares owned outright at 31 January 2012	JSOP interests at 31 January 2012	Total at 31 January 2012
Executive Directors				
Keith Daley	8,107,433	8,695,395	4,722,000	13,417,395
Noah Franklin	N/A	325,000	1,919,000	2,244,000
John Wilson	33,180	33,180	3,922,000	3,955,180
Non-Executive Directors				
Simon Acland	65,000	65,000	–	65,000
Jeremy Thorn	40,000	40,000	–	40,000
Total	**8,245,613**	**9,158,575**	**10,563,000**	**19,721,575**

The Remuneration Committee is encouraged that the Chairman saw fit to increase his investment in the Group during the year and that the Chief Financial Officer acquired a significant number of shares on his appointment

Widening employee share ownership

The Group is committed to widening employee share ownership significantly beyond historic levels, to engage employees and to enable them to participate in the future success of the Group

During 2011-12, in addition to awards to Executive Directors, the Remuneration Committee approved the award of
- Options over 1,402,000 shares under the HMRC approved CSOP to eight employees,
- Interests and stock appreciation rights in relation to 2,130,000 shares under the JSOP to nine employees, on the same terms as for Executive Directors

During 2012-13, the Group expects to extend participation in the HMRC approved CSOP to further tiers of management Preparations are also underway for the introduction in the near future of an HMRC approved all employee Save As You Earn Share Option Plan in the UK

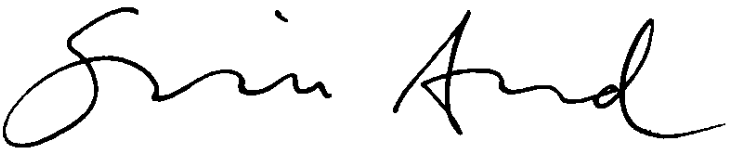
Non-Executive Directors

All Non-Executive Directors serve under letters of appointment and either party can terminate on three months' written notice Their remuneration is determined by the Board within the limits set by the Articles of Association and is based on information on fees paid in similar companies and the skills and expected time commitment of the individual concerned The Non-Executive Directors have no right to compensation on the early termination of their appointment

Approval

This report was approved by the Board of Directors on 11 April 2012 and signed on its behalf by

Simon Acland
Chairman of the Remuneration Committee
11 April 2012



Directors' responsibilities statement

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

Company law requires the Directors to prepare financial statements for each financial year Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union and Article 4 of the IAS Regulation and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period

In preparing the parent company financial statements, the Directors are required to
- Select suitable accounting policies and then apply them consistently,
- Make judgements and accounting estimates that are reasonable and prudent,
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

In preparing the Group financial statements, International Accounting Standard 1 requires that Directors
- Properly select and apply accounting policies,
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information,
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance, and
- Make an assessment of the Group's ability to continue as a going concern

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

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

Directors' responsibilities statement
We confirm that to the best of our knowledge
- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and
- The management report, which is incorporated into the Directors' report, includes a fair review of the development and performance of the business and 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 they face

By order of the Board

Noah Franklin
Director
11 April 2012

N.F.U. Franklin

Independent auditor's report to the members of Elektron Technology plc

We have audited the financial statements of Elektron Technology plc for the year ended 31 January 2012 which comprise the consolidated statement of comprehensive income, the consolidated and parent Company balance sheets, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related Notes 1 to 26 and Notes 1 to 13 for the Company The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

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

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

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

Opinion on financial statements
In our opinion
- The financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 January 2012 and of the Group's profit for the year then ended,
- The Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- The parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006

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

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion
- Adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- The parent company financial statements are not in agreement with the accounting records and returns, or
- Certain disclosures of Directors' remuneration specified by law are not made, or
- We have not received all the information and explanations we require for our audit

Stuart Henderson (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Cambridge
United Kingdom

11 April 2012

Consolidated statement of comprehensive income

year ended 31 January 2012

		Notes	2012 £m	2011 £m
Revenue		2	**64.3**	50 0
Cost of sales			**(38.3)**	(28 9)
Gross profit			**26.0**	21 1
Operating expenses				
Operating expenses (excluding non-recurring or special items)		3	**(21 0)**	(15 8)
Operating profit before non-recurring or special items			**5 0**	5 3
Non-recurring or special items		4	**(2 2)**	(1 5)
Total operating expenses		3	**(23 2)**	(17 3)
Operating profit		4	**2 8**	3 8
Finance costs		5	**(0 3)**	(0 3)
Profit before taxation			**2 5**	3 5
Taxation		8	**(0 6)**	(0 6)
Profit for the year attributable to equity shareholders			**1 9**	2 9
Other comprehensive income				
Available-for-sale financial assets – gains arising during the year			**–**	0 4
Total other comprehensive income			**–**	0 4
Total comprehensive income for the financial year attributable to equity shareholders			**1 9**	3 3
Earnings per share	– basic	10	**1.82p**	3 00p
	– basic, before non-recurring or special items	10	**3 33p**	4 20p
	– diluted	10	**1.82p**	2 98p
	– diluted, before non-recurring or special items	10	**3.32p**	4 17p

All activities derive from continuing operations

Consolidated balance sheet

as at 31 January 2012

	Notes	2012 £m	2011 £m
Assets			
Non-current assets			
Goodwill	11	**1 3**	1 3
Other intangible assets	12	**3 4**	3 5
Property, plant and equipment	13	**5 0**	4 2
Deferred tax	15	**0 3**	0 2
Total non-current assets		**10 0**	9 2
Current assets			
Inventories	16	**9 5**	9 2
Trade and other receivables	17	**11 9**	11 8
Cash and cash equivalents		**0 8**	1 2
Total current assets		**22 2**	22 2
Total assets		**32 2**	31 4
Current liabilities			
Trade and other payables	18	**9 2**	9 4
Borrowings	19	**2 6**	1 9
Current portion of long-term borrowings	19	**1 3**	1 6
Current tax payable		**0 2**	1 0
Provisions	20	**1 0**	0 5
Total current liabilities		**14 3**	14 4
Non-current liabilities			
Long-term borrowings	19	**1 3**	2 0
Accruals and deferred income		**0 1**	0 1
Long-term provisions	20	**0 7**	0 3
Total non-current liabilities		**2 1**	2 4
Total liabilities		**16 4**	16 8
Net assets		**15 8**	14 6
Equity attributable to equity holders of the parent			
Called-up share capital	21	**6 0**	5 3
Share premium	21	**5 4**	2 9
Merger reserve	21	**1 1**	1 1
Capital redemption reserve	21	**0.2**	0 2
Own shares	21	**(3 0)**	–
Other reserves	21	**0 1**	0 1
Retained earnings	21	**6 0**	5 0
Total equity		**15 8**	14 6

The financial statements of Elektron Technology plc (registered no 448274) were approved by the Board of Directors and authorised for issue on 11 April 2012 and were signed on its behalf by

Keith Daley
Director

Noah Franklin
Director

Consolidated statement of changes in equity
year ended 31 January 2012

	Share capital £m	Share premium £m	Merger reserve £m	Capital redemption reserve £m	Own shares £m	Other reserves £m	Retained earnings £m	Total £m
At 1 February 2010	4 4	0 1	1 1	0 2	–	0 1	2 6	8 5
Total comprehensive income for the year	–	–	–	–	–	–	3 3	3 3
Share issues	0 9	2 7	–	–	–	–	–	3 6
Expenses incurred in share issue	–	(0 2)	–	–	–	–	–	(0 2)
Adjustment for scrip dividend element in respect of prior year	–	0 2	–	–	–	–	(0 2)	–
Dividends paid on ordinary shares	–	–	–	–	–	–	(0 7)	(0 7)
Adjustment for scrip dividend element	–	0 1	–	–	–	–	–	0 1
At 31 January 2011	5 3	2 9	1 1	0 2	–	0 1	5 0	14 6
Total comprehensive income for the year	–	–	–	–	–	–	1 9	1 9
Share issues	0 7	2 4	–	–	–	–	–	3 1
Purchase of treasury shares*	–	–	–	–	(3 0)	–	–	(3 0)
Dividends paid on ordinary shares	–	–	–	–	–	–	(0 9)	(0 9)
Adjustment for scrip dividend element	–	0 1	–	–	–	–	–	0 1
At 31 January 2012	**6 0**	**5 4**	**1 1**	**0 2**	**(3 0)**	**0 1**	**6 0**	**15 8**

Amounts in relation to foreign currency translation differences and share based payments have been accounted appropriately in the above statement and amount to less than £0 1m (2011 less than £0 1m)

* The treasury shares are held by the Elektron Technology 2012 Employee Benefit Trust

Consolidated statement of cash flows

year ended 31 January 2012

	Notes	2012 £m	2011 £m
Net cash inflow from operating activities	6	**2 7**	3 1
Investing activities			
Purchase of property, plant and equipment		**(1 9)**	(0 7)
Purchase of other intangible assets		**(0 3)**	(0 3)
Proceeds of sale of property, plant and equipment		**0 1**	0 1
Acquisition of subsidiary		**-**	(5 9)
Net cash used in investing activities		**(2 1)**	(6 8)
Financing activities			
Proceeds on issue of shares		**0 1**	3 6
Expenses associated with share issues		**-**	(0 2)
New bank loans raised		**-**	1 9
Repayment of borrowings		**(0 4)**	-
New finance leases		**0 6**	0 2
Payment of hire purchase and finance liabilities		**(0 5)**	(0 6)
Dividends paid	9	**(0 8)**	(0 5)
Net cash (used in)/generated from financing activities		**(1 0)**	4 4
Net (decrease)/increase in cash and cash equivalents		**(0 4)**	0 7
Cash and cash equivalents at the beginning of period		**1 2**	0 5
Cash and cash equivalents at the end of period		**0 8**	1 2

Notes to the consolidated financial statements
year ended 31 January 2012

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 16 to 23

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 one million (£m) except where otherwise stated

Foreign operations are included in accordance with the accounting policies set out in Note 1

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

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

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

Adoption of new and revised standards
No standards have been adopted during the period which have affected the amounts reported in these financial statements

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

IFRS7	'Financial Instruments'
IFRS9	'Financial Instruments'
IFRS10	'Consolidated Financial Statements'
IFRS11	'Joint Arrangements'
IFRS12	'Disclosure of Interests in Other Entities'
IFRS13	'Fair Value Measurement'
IAS1	'Presentation of Financial Statements'
IAS19	'Employee Benefits'
IAS32 (amended)	'Classification of Rights Issues'
IAS27	'Consolidated and Separate Financial Statements'
IAS28	'Investment in Associates and Joint Ventures'

Improvements to IFRSs (May 2010)

The adoption of IFRS9, which the Group plans to adopt for the year beginning on 1 February 2013, will impact both the measurement and disclosures of financial instruments

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

1 Summary of significant accounting policies continued

Key sources of estimation and uncertainty

The preparation of the financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect 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

- The classification of non-recurring or special items (Note 3) Non-recurring or special items are disclosed separately to improve visibility of the underlying business performance Management has defined such items as restructuring and site closure costs, acquisition costs, amortisation of acquired intangible assets, share-based payments and other non-recurring and non-operating items,
- The impairment of goodwill (Note 11) Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated The value in use calculation requires the Group to estimate future cash flows expected from the cash-generating unit and a suitable discount rate in order to calculate present value,
- The recoverability of internally generated intangible assets (Note 12) At each balance sheet date, the Group reviews the carrying amounts of its internally generated intangible assets to determine whether there is any indication that those assets have suffered an impairment loss Estimated future cash flows deriving from these assets must be determined and an appropriate discount rate applied to calculate present value,
- The estimation of the deferred income tax asset (Note 15) Deferred taxation assets are recognised for subsidiaries with a past history of profitable trends where there is persuasive and reliable evidence in the form of management accounts and financial projections that taxable profits are anticipated to arise in the year ending 31 January 2013,
- The estimation of the net realisable value of inventory (Note 16) Provision is made to write down slow-moving and obsolete items to net realisable value, based on an assessment of technological and market developments and an analysis of historic and projected usage of quantities on hand, and
- The estimation of the cost of restructuring activities, warranties and dilapidations (Note 20)

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement on pages 6 and 7 and the Chief Executive's review on pages 8 to 11 The principal risks and uncertainties facing the business are described in the Report of the Directors on pages 16 to 23 The Chief Financial Officer's report on pages 12 and 13 gives details of the Group's principal banking facilities

The Directors have reviewed current cash flow projections for the 12 months from the date of signing this report taking account of reasonably possible changes in trading performance, borrowing facilities, and forecast covenant compliance 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 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

Notes to the consolidated financial statements

year ended 31 January 2012 continued

1. Summary of significant accounting policies continued

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, and 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 IFRS3 (2008) 'Business Combinations' are recognised at their fair value at the acquisition date

Goodwill

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

Under the business combination exemption of IFRS1, goodwill previously capitalised or written off to reserves under UK GAAP is not recycled to the statement of comprehensive income on calculating a gain or loss on disposal

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

Impairment losses are recognised in the statement of comprehensive income

Negative goodwill, representing the amount by which the net fair value of the assets and liabilities of an acquired business exceeds the acquisition cost is, in accordance with IFRS3, recognised in the statement of comprehensive income in the year of acquisition

Other intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred

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

- An asset is created that can be identified (such as software and new processes),
- It is probable that the asset created will generate future economic benefits, and
- The development cost of the asset can be measured reliably

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

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

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

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

1 Summary of significant accounting policies continued

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 or valuation 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 excluding goodwill

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

Recoverable amount is the higher of fair value less costs to sell and value in use In assessing value in use, the estimated future cash flows are discounted to their present value If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount with the impairment loss recognised as an operating expense immediately

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years A reversal of an impairment loss is recognised as income immediately

Inventories

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

Employee benefits

Pensions to employees are provided through defined contribution plans

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

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

Share-based employee remuneration

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

In accordance with IFRS2 'Share-based Payment', the Group reflects the economic cost of awarding shares and share options to employees by recording an expense in the statement of comprehensive income equal to the fair value of the benefit awarded, fair value being estimated using the Black-Scholes option pricing model The expense is recognised in the statement of comprehensive income over the vesting period of the award Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date The fair value excludes the effect of non-market based vesting conditions Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 21

Notes to the consolidated financial statements
year ended 31 January 2012 continued

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 (the Trust) uses funds provided by the Group to meet the Group's obligations under the employee share option plans and the JSOP All shares acquired by the Trust are purchased on the open market or, in the case of the JSOP shares, may be issued directly to the Trust at the then market value Where the Group holds its own equity shares through the Trust 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 IAS17 '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, invoice discounting facilities, trade and other payables and finance leasing liabilities They are included in the balance sheet line items 'borrowings', 'long-term borrowings' and 'trade and other payables'

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

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

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

Trade payables are stated at their amortised cost

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

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

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

1 Summary of significant accounting policies continued

Cash and cash equivalents

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

Accounting for taxes

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

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

Deferred taxation

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

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

Deferred taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted at the balance sheet date The carrying value of deferred taxation assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available against which taxable temporary differences can be utilised Deferred tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity

Revenue recognition

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

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

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

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

Notes to the consolidated financial statements
year ended 31 January 2012 continued

1 Summary of significant accounting policies continued

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 are 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 which 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 and to the Euro

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

1 Summary of significant accounting policies continued
Financial risk management continued
(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 facilities committed to the Group as at 31 January 2012 are set out in Note 25

(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 their assessment of the current economic environment Trade receivables are subject to credit limits and control and approval procedures in the operating companies Due to its large geographic base and number of customers, the Group is not exposed to material concentrations of credit risk on its trade receivables

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

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

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

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

Details of share-based payments are disclosed in Note 21

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

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

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

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

Notes to the consolidated financial statements
year ended 31 January 2012 continued

2 Segmental reporting
The Group has continued to adopt the provisions of IFRS8 '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 This segmentation reflects the new operating structure of the Group implemented during the year and is therefore different from the segmentation reported in the prior year The Chief Operating Decision Maker is the Chief Executive of the Group The activity of each segment is explained in the Chief Executive's report

	Segment revenue		Operating profit before non recurring or special items		Operating profit	
Segment revenues and results	**2012 £m**	2011 £m	**2012 £m**	2011 £m	**2012 £m**	2011 £m
Connectivity	**29 2**	29 7	**2 4**	3 7	**1 4**	2 7
Instrumentation, Monitoring and Control	**28 7**	14 5	**2 4**	1 5	**1 3**	1 1
Materials	**6 4**	5 8	**0 2**	0 1	**0 1**	–
Total	**64 3**	50 0	**5 0**	5 3	**2 8**	3 8
Finance costs (net)					**(0 3)**	(0 3)
Profit before tax					**2 5**	3 5

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 are 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	**2012 £m**	2011 £m
Connectivity	**13 6**	11 5
Instrumentation, Monitoring and Control	**13 3**	15 0
Materials	**5 3**	4 9
Consolidated assets	**32 2**	31 4

Segment liabilities	**2012 £m**	2011 £m
Connectivity	**5 6**	4 6
Instrumentation, Monitoring and Control	**5 9**	8 2
Materials	**4 9**	4 0
Consolidated liabilities	**16 4**	16 8

2 Segmental reporting continued

Other segment information	Depreciation and amortisation 2012 £m	Depreciation and amortisation 2011 £m	Additions to non-current assets 2012 £m	Additions to non-current assets 2011 £m
Connectivity	**0 4**	0 5	**1 2**	0 7
Instrumentation, Monitoring and Control	**0 6**	0 4	**0 5**	0 2
Materials	**0 4**	0 4	**0 5**	0 1
Total	**1 4**	1 3	**2.2**	1 0

Geographical information

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

	Revenue from external customers 2012 £m	Revenue from external customers 2011 £m	Non-current assets 2012 £m	Non-current assets 2011 £m
United Kingdom	**27 9**	21 3	**8 7**	8 1
Rest of Europe, Middle East and Africa	**15 6**	13 0	**0 2**	0 2
Asia Pacific and China	**12 5**	9 1	**1 0**	0 9
Americas	**8.3**	6 6	**0 1**	–
Total	**64.3**	50 0	**10.0**	9 2

3 Net operating expenses

	2012 £m	2011 £m
Net operating expenses		
Selling and distribution costs	**8 6**	6 9
Administrative expenses	**12 4**	8 9
Operating expenses excluding non-recurring or special items	**21 0**	15 8
Non-recurring or special items (see Note 4)	**2.2**	1 5
Total operating expenses	**23 2**	17 3

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

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

Notes to the consolidated financial statements

year ended 31 January 2012 contınued

4 Operatıng profıt

	2012 £m	2011 £m
Operatıng profit ıs after chargıng		
Depreciatıon on owned property, plant and equıpment	**0 9**	1 1
Depreciatıon on property, plant and equıpment held under finance leases	**0.1**	0 1
Amortısation of non-acquısıtıon ıntangıble assets	**0 2**	–
Amortısation of other ıntangıble assets	**0 2**	0 1
Research and development expendıture	**0.9**	0 7
Operatıng lease rentals		
– land and buıldıngs	**1 6**	1 2
– plant and machınery	**0 1**	0 1
Audıtor's remuneratıon		
– fees payable to the Company's audıtor for the audıt of the Company's annual accounts	**–**	–
– the audıt of the Company's subsıdıarıes pursuant to legıslatıon	**0 2**	0 2
Total audıt fees for audıt servıces	**0 2**	0 2
– tax servıces	**0 1**	0 1
Total audıtor's remuneratıon	**0 3**	0 3
Non-recurrıng or specıal ıtems		
– restructurıng costs	**1 9**	0 9
– acquısıtıon costs	**–**	0 3
– wrıte down of Chınese assets	**–**	0 2
– aborted development costs	**–**	0 1
– other ıncome	**–**	(0 1)
– aborted acquısıtıon costs	**0 1**	–
– amortısatıon of acquısıtıon ıntangıble assets	**0 2**	0 1
	2 2	1 5
Loss on foreıgn currency translatıon	**0 1**	0 2

Included wıthın audıtor's remuneratıon for audıt servıces ıs less than £0 1m (2011 less than £0 1m) for the audıt of overseas subsıdıarıes carrıed out by audıtors other than Deloıtte LLP

The restructurıng costs ınclude amounts payable ın respect of staff redundancıes durıng the year due to the consolıdatıon of operatıons ın the UK and related factory closure costs Non-recurrıng or specıal ıtems also ınclude share based payments of less than £0 1m (2011 less than £0 1m) (Note 21)

5. Fınance costs

	2012 £m	2011 £m
Bank overdrafts and loans wholly repayable wıthın five years	**0 2**	0 3
Finance leases and hıre purchase contracts	**0 1**	–
	0 3	0 3

6. Net cash flows from operating activities

	2012 £m	2011 £m
Profit before taxation	**2 5**	3 5
Adjustments for		
Depreciation	**1 0**	1 2
Restructuring or other special items	**2 2**	1 5
Amortisation of intangible assets	**0 2**	0 1
Interest payable	**0 3**	0 3
Operating cash flow before working capital changes and non-recurring or special items	**6 2**	6 6
Increase in trade and other receivables	**(0 1)**	(0 1)
Increase in inventories	**(0 3)**	(1 2)
(Decrease)/increase in trade payables	**(0 9)**	0 7
Payments for restructuring and other special items	**(1 0)**	(1 9)
Other non-cash movements	**(0 1)**	(0 2)
Cash generated from operations	**3 8**	3 9
Interest paid	**(0 3)**	(0 2)
Taxation paid	**(0 8)**	(0 6)
Net cash inflow from operating activities	**2 7**	3 1

7 Staff information (including Directors)

Employee costs were

	Note	2012 £m	2011 £m
Wages and salaries		**15 8**	12 3
Social security costs		**1 5**	1 3
Other pension costs	24	**0 5**	0 3
		17 8	13 9

In addition redundancy costs of £1 0m (2011 £0 6m) were incurred in the year and included within restructuring costs (see Note 4)

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

	2012 Number	2011 Number
Administration and sales	**238**	208
Production	**907**	847
	1,145	1,055

Details of Directors' remuneration are included in the Report of the Remuneration Committee on pages 24 to 27

Notes to the consolidated financial statements
year ended 31 January 2012 continued

8. Taxation
(a) Analysis of tax charge for the year

	Note	2012 £m	2011 £m
Current taxation			
UK corporation tax on profit for the year		**0 2**	0 2
Under (over) provision for prior year		**0 1**	(0 1)
Foreign tax on income for the year		**0 4**	0 2
Total current taxation		**0 7**	0 3
Deferred taxation			
Origination and reversal of timing differences	15	**(0 1)**	0 3
Tax charge on continuing operations		**0 6**	0 6

(b) Factors affecting taxation charge for the year
The taxation charge differs from that resulting by applying the weighted average standard rate of corporation tax in the UK of 26 3% (2011 28%) and is explained below

	2012		2011	
	Tax rate	**£m**	Tax rate	£m
Profit on ordinary activities before taxation		**2 5**		3 5
Profit on ordinary activities multiplied by weighted average standard rate of corporation tax in the UK of 26 3%	**26 3%**	**0 7**	28 0%	1 0
Effects of				
Expenses not deductible for tax purposes	**–**	**–**	2 6%	0 1
Adjustments of taxation charge in respect of previous periods	**4 0%**	**0 1**	(2 3)%	(0 1)
Utilisation of tax losses not previously recognised and other	**(6 3)%**	**(0 2)**	(10 4)%	(0 4)
	24 0%	**0 6**	17 9%	0 6

(c) Factors that may affect future taxation charges
Deferred taxation assets amounting to £0 2m (2011 £0 5m) have not been provided in respect of unutilised income tax losses that can be carried forward against future taxable income as there is currently insufficient evidence that these assets will be recovered

In March 2011, the UK government announced a reduction in the standard rate of UK corporation tax to 26% effective 1 April 2011 This rate reduction was substantively enacted in March 2011

In March 2012, the UK government announced the main rate of UK corporation tax would reduce to 24% with effect from 1 April 2012, with subsequent 1% reductions annually to 22% by April 2014 These changes were substantively enacted on 26 March 2012

The effect of these tax rate reductions on the deferred tax balance will be accounted for in the period in which the tax rate reductions are substantively enacted

9 Dividends paid

	2012 £m	2011 £m
Final dividend 2011 of 0 55p per share (2010 0 46p per share)	**0 6**	0 4
Interim dividend 2012 of 0 27p per share (2011 0 25p per share)	**0 3**	0 3
Total dividend	**0 9**	0 7
Amount of dividend satisfied by scrip issue	**(0 1)**	(0 2)
Dividend paid	**0 8**	0 5

A proposed final dividend of 0 56p per share was proposed after the year end, this is subject to approval by shareholders at the AGM and has not been included as a liability in these financial statements The Board is proposing a scrip issue alternative, full details of which are included in the Notice of AGM circular accompanying this Annual Report and financial statements

10 Earnings per share

The calculation of the basic earnings per share (Basic EPS), diluted earnings per share (Diluted EPS) and earnings per share before non-recurring or special items (Adjusted EPS) is based on the following data Shares held in treasury are excluded from the number of shares in issue for the purposes of earnings per share calculations The calculation of the diluted earnings per share is based on the basic earnings per share adjusted to allow for the issue of shares on the assumed conversion of all dilutive options However, in accordance with IAS33 'Earnings Per Share', potential ordinary shares are only considered dilutive when their conversion would decrease the profit per share or increase the loss per share from continuing operations attributable to the equity shareholders As at 31 January 2012 there were 275,000 potential ordinary shares which have been disregarded in the calculation of diluted earnings per share as they were considered non-dilutive at this date

Earnings

	2012 £m	2011 £m
Earnings for the purposes of Basic and Diluted EPS being net profit attributable to the owners of the Company	**1 9**	2 9
Adjustment in respect of non-recurring or special items net of taxation £0 6m (2011 £0 3m)	**1 6**	1 2
Earnings for the purposes of Adjusted EPS	**3 5**	4 1

Number of shares

	2012 No	2011 No
Weighted average number of ordinary shares for the purposes of Basic EPS	**106,444,780**	97,153,164
Effect of dilutive potential ordinary shares		
Share options	**275,000**	693,904
Weighted average number of ordinary shares for the purposes of Diluted EPS	**106,719,780**	97,847,068

Notes to the consolidated financial statements
year ended 31 January 2012 continued

10 Earnings per share continued
Earnings per share

	2012	2011
Basic EPS	**1 82p**	3 00p
Diluted EPS	**1 82p**	2 98p
Adjusted EPS	**3 33p**	4 20p
Diluted Adjusted EPS	**3 32p**	4 17p

11 Goodwill

	Cost and net book value	
	2012 £m	2011 £m
At 1 February	**1 3**	-
Recognised on acquisition of a subsidiary	**-**	1 3
At 31 January	**1 3**	1 3

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

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired

The recoverable amount of the CGU is determined from value in use calculations, the key assumptions being discount rates, growth rates and expected changes to selling prices and costs during the period

The Group has prepared cash flow forecasts derived from the most recent financial budgets approved by management for the period to 31 January 2013 assuming a 3% growth in cash flows in perpetuity thereafter The rate used to discount forecast cash flows is 13% Further, suitable sensitivity tests are also applied in conjunction with cash flow forecasts for the CGU in question This exercise did not indicate any need for impairment provision at 31 January 2012

12. Other intangible assets

	Development costs £m	Computer software £m	Acquired intangible assets £m	Total £m
At 1 February 2010	–	–	–	–
Additions	0 2	0 1	–	0 3
Transfers from property, plant and equipment (see Note 13)	–	0 5	–	0 5
Acquired on acquisition of a subsidiary	0 2	0 1	2 5	2 8
At 31 January 2011	0 4	0 7	2 5	3 6
Additions	0 2	0 1	–	0 3
At 31 January 2012	**0 6**	**0 8**	**2 5**	**3 9**
Amortisation				
At 1 February 2010	–	–	–	–
Charge for the year	–	–	0 1	0 1
At 31 January 2011	–	–	0 1	0 1
Charge for the year	0 1	0 1	0 2	0 4
At 31 January 2012	**0 1**	**0 1**	**0 3**	**0 5**
Carrying amount				
At 31 January 2011	0 4	0 7	2 4	3 5
At 31 January 2012	**0.5**	**0 7**	**2 2**	**3 4**

During the year, the Group made further significant progress with its ERP development project including the implementation of the system within its Connectivity businesses following which amortisation of project costs has commenced over a period of seven years

Acquired intangible assets include marketing (£0 9m), customer (£1 3m) and technology (£0 3m) related assets arising from the acquisition of Hartest Holdings plc, which are being amortised over their estimated useful lives, which are estimated to be between 10 and 20 years In accordance with the requirements of IAS12 a deferred tax liability of £0 7m has been recognised separately in respect of these assets

Notes to the consolidated financial statements
year ended 31 January 2012 continued

13. Property, plant and equipment

Group	Leasehold improvements £m	Plant and machinery £m	Equipment fixtures fittings and vehicles £m	Total £m
Cost or valuation				
At 1 February 2010	0 3	16 1	2 4	18 8
Currency translation	–	0 1	–	0 1
Acquisition of subsidiary	0 2	0 3	0 5	1 0
Additions	–	0 4	0 3	0 7
Disposals	–	(1 7)	(0 2)	(1 9)
Transfer to intangible assets (see Note 12)	–	–	(0 5)	(0 5)
At 31 January 2011	0 5	15 2	2 5	18 2
Additions	–	1 0	0 9	1 9
Disposals	–	(0 8)	(0 3)	(1 1)
At 31 January 2012	**0 5**	**15 4**	**3 1**	**19 0**
Depreciation				
At 1 February 2010	0 1	12 9	1 5	14 5
Charge for the year	0 1	0 9	0 2	1 2
Disposals	–	(1 6)	(0 1)	(1 7)
At 31 January 2011	0 2	12 2	1 6	14 0
Charge for the year	0 1	0 6	0 3	1 0
Disposals	–	(0 7)	(0 3)	(1 0)
At 31 January 2012	**0 3**	**12 1**	**1 6**	**14 0**
Net book value				
At 1 February 2010	0 2	3 2	0 9	4 3
At 31 January 2011	0 3	3 0	0 9	4 2
At 31 January 2012	**0 2**	**3 3**	**1 5**	**5 0**

The net book value of assets held under finance leases and hire purchase contracts was £1 4m (2011 £1 6m)

14. Investment in subsidiary undertakings

The principal subsidiary undertakings at 31 January 2012 were

Name	Country of incorporation	Nature of business	Shares held by parent	Shares held by Group
Elektron Technology UK Ltd	England and Wales	Design, manufacture and sale of electromechanical components and instrumentation products	100%	100%
Elektron Components Corporation	USA	Sale of electromechanical components and instrumentation products	0%	100%
Elektron Components Tunisie Sarl	Tunisia	Manufacture of electromechanical components	0%	100%
Elektron Components (Shenzhen) Company Limited	China	Manufacture and sale of electromechanical components and sale of instrumentation products	0%	100%
Elektron Technology PTE Ltd	Singapore	Sale of electromechanical components and instrumentation products	100%	100%
Hartest Precision Instruments Limited	England and Wales	Manufacture and sale of instrumentation products	0%	100%
Hartest Precision Instruments India Private Limited	India	Sale of electromechanical components and instrumentation products	0%	100%
Titman Tip Tools Ltd	England and Wales	Design, manufacture and sale of tungsten carbide routing tools	0%	100%
Total Carbide Ltd	England and Wales	Design, manufacture and sale of tungsten carbide wear components	0%	100%

All subsidiary undertakings operated primarily in the country of incorporation, except for Hartest Precision Instruments Limited, which also operates through a branch in India established under the Foreign Exchange Resolution Act 1973

15 Deferred tax

	2012 £m	2011 £m
Deferred tax assets recoverable after more than one year	**0 3**	0 2

Notes to the consolidated financial statements

year ended 31 January 2012 continued

15 Deferred tax continued

The gross movement on the deferred tax asset is as follows

	Notes	2012 £m	2011 £m
At 1 February 2011		**0 2**	0 6
Deferred tax acquired	8a	**–**	0 5
Deferred tax on intangible assets	8a	**0 1**	(0 6)
Origination and reversal of timing differences	8a	**–**	(0 3)
At 31 January 2012		**0 3**	0 2
Depreciation in excess of capital allowances		**0 1**	0 2
Taxation losses		**0 3**	0 5
Short term timing differences		**0 4**	0 1
Deferred tax on separately identifiable intangible assets		**(0 5)**	(0 6)
Undiscounted asset for deferred taxation		**0 3**	0 2

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 year to 31 January 2013 Deferred taxation assets amounting to £0 2m (2011 £0 5m) have not been provided in respect of unutilised income tax losses that can be carried forward against future taxable income as there is currently insufficient evidence that these assets will be recovered

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 £2 2m (2011 £5 0m)

16 Inventories

	2012 £m	2011 £m
Raw materials	**5 1**	4 6
Work in progress	**1 4**	1 5
Finished goods and goods for resale	**3 0**	3 1
	9 5	9 2

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 £0 1m (2011 £0 1m) which are included within operating profit

The amount of inventory recognised as an expense within the cost of sales amounted to £38 3m (2011 £28 9m)

17 Trade and other receivables

	2012 £m	2011 £m
Trade receivables	**10 9**	10 8
Less provision for impairment	**(0 5)**	(0 4)
Trade receivables – net	**10 4**	10 4
Other receivables	**0 2**	0 2
Prepayments	**1 3**	1 2
	11 9	11 8

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

Trade receivables can be analysed as follows

	2012 £m	2011 £m
Not past due	**7 6**	8 0
Past due but not impaired	**2 8**	2 4
Past due and impaired	**0 5**	0 4
	10 9	10 8

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

	2012 £m	2011 £m
Up to one month past due	**2 1**	1 7
Over one month past due	**0 7**	0 7
	2 8	2 4

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 receivables of £0 5m (2011 £0 4m) 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 Trade receivable days are 56 days (2011 60 days)

Ageing of impaired receivables

	2012 £m	2011 £m
Between one month and two months past due	**0.1**	0 1
Over two months past due	**0 4**	0 3
	0 5	0 4

Notes to the consolidated financial statements
year ended 31 January 2012 continued

17 Trade and other receivables continued

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

	2012 £m	2011 £m
At 1 February 2011	**0 4**	0 3
Acquisition of subsidiary	**-**	0 1
Increase in provision for receivables impairment	**0 1**	–
At 31 January 2012	**0 5**	0 4

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

	2012 £m	2011 £m
Sterling	**7 8**	7 9
US Dollars	**1 5**	1 1
Euro	**0 8**	1 1
Indian Rupee	**1 6**	1 4
Other	**0 2**	0 3
	11 9	11 8

18 Trade and other payables

	2012 £m	2011 £m
Trade payables	**6 0**	5 9
Other payables	**0 7**	0 5
Accruals and deferred income	**2 5**	3 0
	9 2	9 4

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

Trade payable days are 51 days (2011 56 days)

19 Borrowings

	2012 £m	2011 £m
Bank overdrafts and invoice discounting facilities	**2 6**	1 9
Obligations under finance leases and hire purchase contracts	**1 0**	0 9
Bank loans	**1 6**	2 7
	5 2	5 5
Short-term borrowings	**2 6**	1 9
Current portion of long-term borrowing	**1 3**	1 6
Long-term borrowings	**1 3**	2 0
	5.2	5 5
Analysis of repayments		
Bank overdrafts and invoice discounting facilities		
Within one year	**2 6**	1 9
Finance leases and hire purchase contracts		
Within one year	**0 4**	0 5
In two to five years	**0 6**	0 4
	1 0	0 9
Bank loans		
Within one year	**0.9**	1 1
In two to five years	**0.7**	1 6
	1 6	2 7
	5 2	5 5

Bank overdrafts and invoice discounting facilities of £2 6m (2011 £1 9m) and bank loans of £1 6m (2011 £2 7m) are secured by debentures and fixed charges over certain of the assets of the Group Balances have been offset where appropriate

Bank overdrafts and invoice discounting facilities of £2 6m (2011 £1 9m) attract interest at 2 0% to 2 2% over base rate

Bank loans attract interest at 2 75% to 6 00% over LIBOR plus an Additional Regulatory Cost Rate

Finance leases and hire purchase contracts of £1 0m attract interest at 2 2% to 3 65% over base rates

Notes to the consolidated financial statements

year ended 31 January 2012 continued

20 Provisions

	2012 £m	2011 £m
Non-current	**0 7**	0 3
Current	**1 0**	0 5
	1 7	0 8

	Dilapidation costs £m	Warranty costs £m	Restructuring costs £m	Total £m
At 1 February 2011	0 5	0 1	0 2	0 8
Charged to income statement	–	–	2 0	2 0
Utilised in the year	–	–	(1 1)	(1 1)
At 31 January 2012	**0 5**	**0 1**	**1 1**	**1 7**
Anticipated utilisation				
Within one year	0 3	0 1	0 6	1 0
More than one year	0 2	–	0 5	0 7

The dilapidation costs relate to redecoration, maintenance and reinstatement costs required to meet the terms of property leases held by the Group and are quantified by reference to third party reports

The warranty provision represents management's best estimate of the Group's liability for the cost of any replacement product required under normal terms and conditions of sale, the quantification of which is based on past experience

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

21 Share capital and reserves

Share capital

	2012 £m	2011 £m
Authorised		
200,000,000 (2011 200,000,000) ordinary shares of 5p each	**10 0**	10 0
Allotted, called up and fully paid		
119,296,987 (2011 106,408,259) ordinary shares of 5p each	**6 0**	5 3

During the year the Group issued the following shares

- On 16 August 2011, 113,769 scrip dividend shares were issued for a consideration of 40 80p per share,
- On 14 December 2011, 81,959 scrip dividend shares were issued for a consideration of 27 02p per share, and
- On 19 January 2012, 12,693,000 shares were issued for a consideration of 24p per share to satisfy the JSOP awards to the Directors and senior management

21 Share capital and reserves continued
Share capital continued
Of the allotted, called up and fully paid share capital, 12,693,000 shares are held by the Elektron Technology 2012 Employee Benefit Trust and are treated as treasury shares Excluding these shares, the issued share capital at 31 January 2012 was 106,603,259 (2011 106,408,259)

The middle market price of the ordinary shares at 31 January 2012 was 21 125p per share and the range during the year was 19 25p per share to 45p per share

Share options
Elektron Technology plc Executive Share Option Scheme

Year of grant	Exercise period	Option price	**2012 '000**	2011 000
2004	2007-2014	15 81p	**550**	750

During the year 200,000 options lapsed as a result of employees leaving the Group In accordance with the transitional provisions, IFRS2 'Share Based Payments' has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2005

Elektron Technology plc Company Share Option Plan

Year of grant	Exercise period	Option price	**2012 '000**	2011 000
2011	2014-2021	38 00p	**780**	1,326
2011	2014-2021	37 00p	**81**	–
2012	2015-2022	25 00p	**780**	–

During the year 468,000 share options lapsed as a result of employees leaving the Group

On 29 July 2011 81,000 share options were granted under the Company Share Option Plan (CSOP), exercisable after three years but before ten years, with an option price of 37p On 19 January 2012, 1,402,000 share options were granted with an option price of 25p per share, including 780,000 under the CSOP and 622,000 in the form of stock appreciation rights for employees outside the UK

Share-based payments including awards under the CSOP and the JSOP 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 of 0 5-1 0%,
- Weighted average contractual life – 3-5 years,
- Weighted average share price – 21p,
- Strike price – 25p,
- Volatility of share price – 40%, and
- Forfeiture rate – 20% (nil for JSOP shares)

The Group recognised a charge of £25,000 in the year (2011 £10,000)

Notes to the consolidated financial statements
year ended 31 January 2012 continued

21 Share capital and reserves continued
Reserves
The nature of the reserves shown in the consolidated balance sheet and consolidated statement of changes in equity is as follows

Share premium
Amount subscribed for share capital in excess of nominal value

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

Capital redemption reserve
The cumulative nominal value of own shares acquired by the Company

Own shares
The value of the Company's shares held by the Elektron Technology 2012 Employee Benefit Trust

Other reserves comprise
- Translation reserves – gains and losses arising on retranslating the net assets of overseas operations into Sterling of less than £0 1m (2011 less than £0 1m),
- Other reserves – includes a reserve arising from the application of IFRS2 'Share-based Payments' of £0 1m (2011 £0 1m)

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

22 Capital commitments
Expenditure sanctioned but not contracted for amounted to £0 8m (2011 £0 3m), and expenditure contracted but not provided for in the financial statements amounted to £0 2m (2011 £0 1m)

23 Operating lease commitments

At 31 January 2012 the Group had total commitments under non-cancellable operating leases as follows

	Land and buildings		Other	
	2012 £m	2011 £m	**2012 £m**	2011 £m
Minimum lease payments				
Expiring within one year	**–**	1 2	**0 1**	0 1
Expiring between two and five years	**2 3**	2 9	**0 5**	0 6
Expiring after five years	**4 1**	0 7	**–**	–
	6 4	4 8	**0 6**	0 7

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

Contributions to the Group Personal Pension Plan and to other personal pension plans are charged to the statement of comprehensive income as they become payable The pension cost charge for the year was £0 5m (2011 £0 3m) and outstanding contributions at the year end amounted to £0 1m (2011 £0 1m)

25 Financial assets and liabilities

(i) Financial instruments

The Group's financial instruments comprise borrowings, cash and cash equivalents and various items such as trade receivables and payables that arise directly from its operations The main purpose of these instruments is to raise finance for operations The Group has not entered into derivatives transactions nor does it trade in financial instruments as a matter of policy The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk The Board's policy on each is described in Note 1 and has not changed since 2009 Operations are financed through working capital management and short-term flexibility is achieved by invoice discounting facilities

Treasury matters are dealt with on a Group basis and are approved by the Board At 31 January 2012 gross gearing on net assets was 32 8% (2011 37 5%)

(ii) Financial assets excluding receivables due within one year

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

	2012 £m	2011 £m
Sterling accounts	**0.4**	0 6
US Dollar accounts	**0.2**	0 2
Tunisian Dinar accounts	**-**	0 1
Euro accounts	**0 1**	0 3
Hong Kong Dollar accounts	**0 1**	-
	0.8	1 2

(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

	2012 £m	2011 £m
Floating rate financial liabilities	**5 2**	5 5

(iv) Maturity

The maturity profile is shown in Note 19

(v) Fair value of financial assets and liabilities

IFRS7 'Financial instruments' requires disclosure of fair value measurements by level of the following fair value measurement hierarchy

- Quoted prices (unadjusted) in active markets (Level 1),
- Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (Level 2), and
- Inputs for the asset or liability that are not based on observable market data (Level 3)

There were no applicable assets or liabilities at 31 January 2012 (2011 nil)

(vi) Committed undrawn borrowing facilities

At the year end the Group had committed undrawn facilities of £2 8m (2011 £3 6m) which related to invoice discounting facilities repayable on demand in the event of any breaches in the covenants given by the Group

Notes to the consolidated financial statements
year ended 31 January 2012 continued

25. Financial assets and liabilities continued
(vii) Currency risk
The Group has transactional currency exposure arising from normal trading activity Such exposure arises from sales and purchases in currencies other than Sterling The Group does not trade in derivatives or make speculative hedges

At 31 January 2012 the Group had no commitments under non-cancellable forward contracts (2011 £nil)

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

	Assets		Liabilities	
	2012 £m	2011 £m	**2012 £m**	2011 £m
US Dollar	**2.0**	1 2	**0 3**	0 2
Euro	**0 9**	1 3	**0 9**	1 4
Indian Rupee	**2 1**	1 3	**0 5**	0 4
	5 0	3 8	**1 7**	2 0

(viii) Sensitivity analysis
For the year ended 31 January 2012 it is estimated that, for a 10% exchange rate movement, the Group s Sterling-reported profit before tax would have changed by
- £0 2m (2011 £0 1m) for the US Dollar,
- £0 2m (2011 £0 1m) for the Indian Rupee

Sensitivity to other currencies and interest rates are not considered to be material in the context of the 2012 results

(ix) Categories of financial instruments

Financial assets	**2012 £m**	2011 £m
Cash and bank balances	**0 8**	1 2
Loans and receivables	**11 9**	11 8
	12 7	13 0

Financial liabilities	**2012 £m**	2011 £m
Other financial liabilities at amortised cost		
Trade and other payables	**6 7**	6 5
Current tax payable	**0 2**	1 0
	6 9	7 5

26 Related party transactions
(a) Transactions between Group companies, which are related parties, have been eliminated on consolidation and have therefore not been disclosed
(b) Specialist Holdings Limited, a company of which Mr Keith Daley is a Director and shareholder, charged fees of £nil (2011 £25,600) in respect of his services as part-time Chief Executive during 2012 and earned fees of £nil (2011 £1,600) in respect of consultancy services during that period
(c) Jeremy Thorn, a Director and shareholder, charged fees of £nil (2011 £2,100) in respect of consultancy services during the year
(d) The Group occupies a number of leasehold properties with annual rentals of £0 6m (2011 £0 7m), the landlord of which is part of Panther Securities Plc, a significant shareholder in Elektron Technology plc Elektron Technology plc the Company, has also given rental guarantees to Panther Securities Plc as described in Note 12 to the parent company financial statements

Parent company balance sheet
as at 31 January 2012

	Notes	2012 £m	2011 £m
Fixed assets			
Tangible assets	3	**0 9**	0 6
Investments in subsidiary undertakings	4	**15.5**	15 5
		16 4	16 1
Current assets			
Debtors	5	**8 4**	3 0
Cash at bank and in hand		**–**	0 2
		8 4	3 2
Creditors amounts falling due within one year	6	**(9 7)**	(7 4)
Net current liabilities		**(1 3)**	(4 2)
Total assets less current liabilities		**15 1**	11 9
Creditors amounts falling due after more than one year	7	**(1 0)**	(1 8)
Provisions for liabilities	9	**(0 1)**	(0 1)
Net assets		**14 0**	10 0
Capital and reserves			
Called-up share capital	10	**6 0**	5 3
Share premium	10	**5 4**	2 9
Merger reserve	10	**1 1**	1 1
Capital redemption reserve	10	**0 2**	0 2
Other reserves	10	**0 1**	0 1
Profit and loss account	10	**1 2**	0 4
Shareholders' funds		**14 0**	10 0

The financial statements were approved by the Board of Directors and authorised for issue on 11 April 2012 and were signed on its behalf by

Keith Daley
Director

Noah Franklin
Director

Notes to the parent company financial statements
year ended 31 January 2012

1 Accounting policies
Basis of preparation
The financial statements have been prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention

The principal accounting policies of the Company are set out below Except as stated below, the following accounting policies have remained unchanged from the previous year and continue to be the most appropriate

The Company has taken advantage of the exemption of FRS8 'Related Party Disclosure' not to show transactions with companies in the Group headed by Elektron Technology plc which are publicly available

The Company has taken advantage of the exemption in paragraph 2d of FRS29 'Financial Instruments Disclosure' and not disclosed information required by that standard, as the Group's consolidated financial statements in which the Company is included, provide equivalent disclosures for the Group under IFRS7 'Financial Disclosure'

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

- Equipment 3-7 years
- Motor vehicles 4 years

Investments in subsidiary undertakings
Investments are included at cost net of any provision for impairment

Taxation
Current tax, including UK corporation tax, is provided at amounts expected to paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred taxation
Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date Deferred tax assets are recognised where it is more likely than not that they will be recovered Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date

Retirement benefits
Defined contribution pension scheme
The pension costs charged against profits are the contributions payable to individual policies in respect of the accounting period

Financial instruments
Income and expenditure arising on financial instruments is recognised on an accruals basis and credited or charged to the profit and loss account in the financial period to which it relates

Share-based payments
The Company has applied the requirements of FRS20 'Share-based Payment' In accordance with the transitional provisions, FRS20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2005

The Company issues equity-settled share-based payments to certain employees These payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of the shares that will eventually vest and adjusted for the effect of non market-based vesting conditions

1 Accounting policies continued
Share-based payments continued
The fair value of all equity-settled share-based payments is measured using the Black-Scholes option pricing model The expected life used in these models has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations

Cash flow statement
The Company has not presented a separate cash flow statement in accordance with the exemption provided by FRS1 (Revised), as its cash flows are included within the cash flows of the Group, as set out on page 33 of this report

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 £1 7m (2011 loss £0 7m)

3 Tangible fixed assets

	Equipment and vehicles £m
Cost	
At 1 February 2011	0 7
Additions	0 4
At 31 January 2012	**1 1**
Depreciation	
At 1 February 2011	0 1
Charge for the year	0 1
At 31 January 2012	**0 2**
Net book value	
At 31 January 2012	**0 9**
At 31 January 2011	0 6

Equipment above includes Group IT project hardware and software costs which have commenced depreciation following the implementation of the Management Information System during the year

4 Investments in subsidiary undertakings

	2012 £m	2011 £m
At 1 February	**15 5**	7 1
Additions	**–**	8 4
At 31 January	**15 5**	15 5

Details of subsidiary companies are given in Note 14 of the notes to the consolidated financial statements The additions in 2011 relate to the acquisition of Hartest Holdings plc in the prior year for a consideration of £8 0m and acquisition costs of £0 4m

Notes to the parent company financial statements

year ended 31 January 2012 contınued

5 Debtors

	2012 £m	2011 £m
Amounts owed by subsıdıary undertakıngs	**8.2**	3 0
Other debtors	**0 1**	–
Prepayments	**0 1**	–
	8 4	3 0

6 Credıtors amounts fallıng due wıthın one year

	2012 £m	2011 £m
Bank loans and overdrafts (Note 8)	**3 7**	1 1
Amounts owed to subsıdıary undertakıngs	**5 2**	5 5
Fınance leases (Note 8)	**0 1**	0 1
Trade payables	**0 3**	0 1
Other taxes and socıal securıty costs	**0 1**	0 1
Other credıtors	**0 1**	0 1
Accruals and deferred ıncome	**0 2**	0 4
	9 7	7 4

7 Credıtors amounts fallıng due after more than one year

	2012 £m	2011 £m
Bank loans (Note 8)	**0 7**	1 6
Fınance leases (Note 8)	**0 3**	0 2
	1 0	1 8

8. Loans and other borrowings

	2012 £m	2011 £m
Bank overdrafts	**2 8**	—
Bank loans	**1 6**	2 7
Finance leases	**0 4**	0 3
	4 8	3 0
Maturity of financial liabilities		
In one year or less	**3 8**	1 2
In more than one year, but not more than two years	**0 8**	1 0
In more than two years, but not more than five years	**0 2**	0 8
	4 8	3 0

Bank loans of £1 6m are secured by debentures and fixed charges over certain of the assets of the Company and the Group and are repayable at £0 2m per quarter Bank loans attract interest at 2 75% to 6 00% over LIBOR plus an Additional Regulatory Cost Rate

9 Provisions

	Restructuring costs £m	Total £m
At 1 February 2011	0 1	0 1
Charged to profit and loss account	0 1	0 1
Utilised in the year	(0 1)	(0 1)
At 31 January 2012	**0 1**	**0 1**

Notes to the parent company financial statements
year ended 31 January 2012 continued

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

	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 2011	5 3	2 9	1 1	0 2	0 1	0 4	10 0
Profit for the year	–	–	–	–	–	1 7	1 7
Share issues	0 7	2 4	–	–	–	–	3 1
Dividends paid on ordinary shares	–	–	–	–	–	(0 9)	(0 9)
Adjustment for scrip dividend element	–	0 1	–	–	–	–	0 1
At 31 January 2012	**6 0**	**5 4**	**1 1**	**0 2**	**0 1**	**1 2**	**14 0**

11 Capital expenditure commitments and operating lease commitments
Capital expenditure contracted but not provided for in the financial statements amounted to £nil (2011 £nil) The Company had £0 1m annual operating lease commitments for land and buildings at 31 January 2012 (2011 £nil)

12 Contingent liabilities
The Company has given certain guarantees in respect of invoice discounting arrangements of certain subsidiary companies up to £2 6m and has guaranteed rental obligations of certain subsidiary companies up to £1 9m

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

Consolidated ten year record

	2012 £m	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m	2005* £m	2004 £m	2003** £m
Revenue – continuing operations	**64 3**	50 0	29 9	35 6	34 9	26 0	22 5	22 7	9 3	9 1
– discontinued operations	**–**	–	–	–	1 0	0 6	—	0 3	2 6	5 6
	64 3	50 0	29 9	35 6	35 9	26 6	22 5	23 0	11 9	14 7
Adjusted operating profit/(loss)*	**5 0**	5 3	1 8	1 1	2 1	1 9	1 8	1 7	0 8	(0 4)
Profit/(loss) before taxation	**2 5**	3 5	0 2	(2 3)	2 0	0 5	1 7	2 6	1 6	(3 4)
Shareholders' funds	**15 8**	14 6	8 5	7 9	10 2	8 0	6 6	5 5	3 3	1 0
Adjusted earnings/(loss) per share*	**3 33p**	4 20p	1 50p	0 61p	2 48p	1 73p	1 65p	1 52p	1 53p	(0 82)p
Earnings/(loss) per share	**1 82p**	3 00p	0 34p	(2 36p)	2 76p	0 50p	1 63p	2 67p	2 42p	(6 18)p
Dividends paid and proposed per share	**0 83p**	0 80p	0 50p	0 46p	0 45p	0 40p	0 35p	0 30p	nil	nil

Adjusted for goodwill, discontinued operations and non-recurring or special items
The figures for 2005 2004 and 2003 are presented under UK GAAP

Ten year share price

indexed to base of 100

— Elektron Technology plc — FTSE AIM All-Share Index

Further information

For further information about Elektron Technology and our businesses, please visit our website at

www.elektron-technology.com

Printing and paper This report has been printed in the UK. The printers are accredited with ISO14001 hold full FSC chain of custody and are also carbon neutral All inks used are vegetable based The paper used is a coated silk stock which is fully recyclable and biodegradable and is FSC accredited

If you have finished reading this report and no longer wish to retain it please pass it on to other interested readers or recycle it Thank you

Designed and produced by The College www the college com

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

info@elektron-technology com
www elektron-technology com