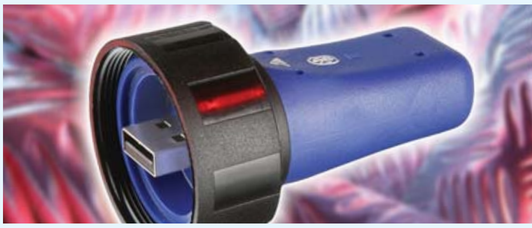
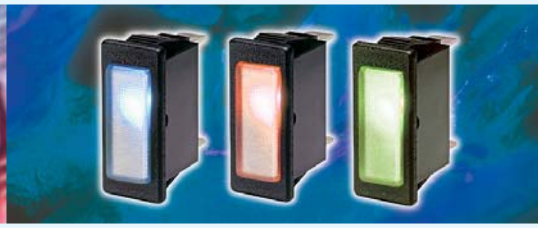
elektron plc





Annual Report 2006

Contents

Year in Brief

- Profit before taxation, excluding goodwill and discontinued items up 14% to £1,771,000

- Earnings per share, before goodwill, up 10% to 1.65p

- Proposed final dividend up 17% to 0.35p per share

- Current order intake up 15%

- Share buyback programme commenced with 2.1 million shares purchased to date

- A number of growth initiatives in hand including new sales subsidiary in China and portfolio of new products

Chairman's Statement

Last year was hard work, but great fun.

We are beginning to see the ongoing benefits of our relentless efforts to reduce costs by moving manufacturing offshore, coupled with the enthusiasm of our global distribution partners as they embrace our determined efforts to re-invent the business by developing innovative products beyond our traditional electromechanical experience.

At our exhibition stand at Domotechnica in Koeln, the premier European Exhibition for Home Appliances, we displayed a range of new products, including smart indicators, temperature logging devices, cooker hood controls and timer switches. Most important, our distributors as well as OEM customers old and new are starting to recognise Elektron as a forward looking engineering innovator.

To date we have invested in excess of £100k in developing electronic products. Whilst it will be some while before the sales of these higher margin products have a significant impact on the bottom line, we are already seeing the positive effects on customer order levels for traditional products, through a distribution chain motivated by the prospect of something new.

With a strong balance sheet, we are well positioned to cope with the recent dramatic increases in material prices, especially metals. Where we already maintain good price levels achievable because of high quality and service levels, we are not so squeezed as some of our competitors who are now forced to raise prices. Also, owing to a strategy of global procurement and manufacturing, we have some natural hedging to offset the decline in the US dollar. The ability to 'ride out' the currency and commodity price fluctuations gives us opportunities to win market share.

Recognising the ever growing opportunities in China and Asia Pacific in general, we are taking steps to transition our business there from a factory primarily structured for export, to a 'Wholly Owned Foreign Enterprise' which will allow us to trade directly into that market. We are hiring and training sales personnel to be based at the major cities. We have transferred the first auto-assembly machine to our factory in China, as part of the programme to enable the factory to function as a wholly independent designer and manufacturer of Elektron products.

Chairman's Statement

Results

Turnover on continuing operations was £22,467,000 *(2005: £22,683,000).* Last year's figure included a one-off benefit of around £800,000 relating to the order backlog following the acquisition of Arcolectric.

Gross margins rose from 36.4% to 37.5%, in the face of metal and plastics price increases which were more then offset by the transfer of hand assembly to Tunisia.

Operating profit margins before goodwill rose to 8.0% compared with 6.9% the previous year. With continued cash generation the net interest charges have reduced to £16,000 compared to £101,000 in the year ended 31 January 2005.

In accordance with FRS 21 the comparative figures have been restated to show dividends in the period in which they were paid.

Balance sheet & cashflow

Robust trading has continued to strengthen the balance sheet with net funds increasing to £443,000 after repayment of £589,000 of lease finance obligations. All existing asset loan finance will be repaid by the end of the financial year.

Because of the increase in profitability the Group now has to pay UK Corporation tax by instalments instead of in arrears. Consequently £203,000 on account of the liability arising in the year has been paid as well as the liability for the previous year, giving a total tax paid of £814,000.

Capital expenditure of £546,000 was paid from cash reserves rather than by taking on asset finance and cash of £309,000 was paid for provisions previously made relating to the transfer of assembly to Tunisia.

£150,000 was received from maturing loan notes on the sale of a previous subsidiary.

£205,000 was spent on the consolidation and purchase of our own shares which was almost offset by the issue of new shares following the exercise of a third party option to sell a cash shell to us in exchange for shares.

Earnings per share, dividends and purchase of own shares

Basic earnings per share for the year ended 31 January 2006 were 1.65p *(year ended 31 January 2005: 1.50p before goodwill)*.

Chairman's Statement

The Board is proposing a final dividend of 0.35p per share *(2005: 0.3p)* payable on 8 August 2006.

The Board will also look for opportunities to purchase the Company's shares on market subject to funds not being required elsewhere.

Future strategy

Whilst continuing to develop new electromechanical products to maintain and grow our market share, we are exploiting our position in existing markets to introduce innovative electronic solutions to existing customers. By winning more of the wallet of our customers we see the opportunity to grow faster than the markets we serve.

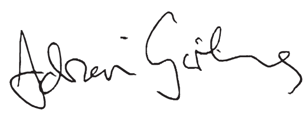
We are strengthening our distribution organisation to grow faster in Asia Pacific, North America and Eastern Europe.

The Bulgin business, which has been located in Barking for many decades, is expected to move its moulding, press, plating and logistics operations by the first quarter of 2007 and the lease on the existing site will be surrendered in accordance with the break clause. This move will be a significant one-time cost with excellent payback.

Elektron continues to be active in searching for and assessing suitable acquisition targets. Some proposals have included manufacturers of engineered products operating outside its traditional sphere of activity. The Board is optimistic about concluding a transaction in the current year.

Outlook

The current year has started well with orders up 15% to £6,447,000 in the first quarter compared with the same period last year.



Adrian Girling

Executive Chairman

23 June 2006

Directors and Professional Advisers

Directors	**Adrian C. N. Girling,** M.A. Oxon *Executive Chairman* aged 54, is a Chartered Engineer and Fellow of the Institute of Electrical Engineers. He joined the Company in January 2003 having previously held a senior position at Spirent Plc. **Christopher M. Leigh,** B.A. (Hons)., F.C.A., *Group Finance Director* aged 46, is a Chartered Accountant with 22 years post qualification experience. He trained with a large city practice and spent time in industry carrying out projects in the UK and abroad before joining Elektron in 1990. **Keith A. Daley,** M.A. Cantab *Non-Executive Director* aged 51, trained as a Corporate banker. For the past 20 years he has been an active professional investor specialising in the shares of small quoted companies. He has owned a number of small businesses and also invests in the unquoted sector. He has been a shareholder in Elektron since 1996.
Company Secretary	**Christopher M. Leigh,** B.A. (Hons)., F.C.A.
Registered Office	Alfreds Way Barking Essex IG11 0AZ
Registered in England	No. 448274
Registrars	Capita Registrars The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Nominated Adviser & Nominated Broker	Beaumont Cornish Limited Floor 5 10-12 Copthall Avenue London EC2R 7DE
Auditors	Bright Grahame Murray Chartered Accountants and Registered Auditors 124/130 Seymour Place London W1H 1BG
Bankers	Fortis Bank S.A./N.V. Camomile Court 23 Camomile Street London EC3A 7PP
Solicitors	Wollastons Brierly Place New London Road Chelmsford Essex CM2 0AP

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 2006.

Activity
The principal activity of the Group is the design and manufacture of electronic and electromechanical components. The principal operating subsidiaries are listed in Note 16.

Business review and future developments
A review of the business for the year and comments on future developments are contained in the Chairman's Statement, on pages 2 to 4.

Results and dividends
The profit for the year after taxation was £1,286,000 *(2005: £2,028,000)* and the Directors are recommending the payment of a final dividend of 0.35p per share *(2005: 0.3p per share)*.

Research and development
The Board considers that research and development continues to play a vital role in maintaining and increasing the Group's competitive position in the market. Details are set out in Note 6 to the financial statements.

Directors and their interests
The Directors at 31 January 2006 together with their interests in the Company's Ordinary shares of 5p each were:

	At 31 January 2006	At 1 February 2005
Beneficial interests		
A.C.N. Girling	**351,562**	351,562
C.M. Leigh	**84,000**	84,000
K.A. Daley	**2.460,000**	2,360,000
Non-beneficial interests		
C.M. Leigh and A.C.N. Girling	**364,500**	664,500

Executive share option schemes
On 17 January 2001 the shareholders, in General Meeting, approved the adoption of an Executive Share Option Scheme.

Mr C.M. Leigh was granted the following options to acquire Ordinary shares of 5p each at an adjusted price of 14.84p.

26 February 2001 – 500,000
1 October 2004 – 250,000

Mr A.C.N. Girling was granted options to purchase 1,000,000 Ordinary shares of 5p each at 14.84p per share on 1 April 2004. These options are exercisable after three years but before ten years from the date of granting.

The middle market price of the Ordinary shares at 31 January 2006 was 13p per share and the range during the year was 11p to 15.5p per share.

Report of the Directors

Share capital
Details of share capital are given in Note 23 to the financial statements.

Charitable and political donations
The Group made no political contributions during the year and charitable donations of £706.

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 creditor days in the year for the Group were 46 days and for the Company were nil.

Employees
All employees receive equal opportunities for training and career development. The sole criterion for selection and promotion is the individual's suitability for the position of employment offered. The Group supports the employment of disabled persons wherever appropriate. Each individual operating Company within the Group operates its own communication and consultative programmes relevant to its own particular workforce.

Corporate governance
Whilst there is currently no requirement for AIM companies to comply with current corporate governance guidelines, the Board believes that it is appropriate to comply with those provisions in-so-far as they are appropriate for a company of this size.

Directors

(i) *The Board*

The Board consists of an Executive Chairman, incorporating the role of Chief Executive, a Finance Director and one Non-Executive Director and their biographies appear on page 5. These indicate the level and range of business experience which, the Board believes, enables it to provide clear and effective leadership of the Company.

The Board meets at least 10 times each year and more frequently where business needs require. 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 for Directors to take independent professional advice if necessary and at the Company'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 relevant regulations are complied with.

(ii) *Chairman and Chief Executive*

The differing roles of Chairman and Chief Executive are acknowledged by the Board but in a company of this size it is felt inappropriate to incur the cost of employing a separate Chairman.

(iii) *Remuneration and Audit Committees*

Mr Keith A. Daley, as Non-Executive Director, forms the remuneration and audit committees. Board remuneration is recommended by him but is agreed by the Board excluding the Director whose pay is under review. Audit matters are reviewed by him.

(iv) *Supply of Information*

To enable the Board to function 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 an Executive Chairman's report and a Finance Director's report 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) *Re-appointment*
Any Director appointed during the year is required, in accordance with the Company's articles of association, to retire and seek appointment by shareholders at the next annual general meeting. The articles also require that one third, but not more than one third, of the Directors (excluding the Executive Chairman) retire by rotation each year and seek re-appointment at the annual general meeting. With the current small number of the Board, there is therefore no requirement for retirement by rotation. In the event that additional Directors are appointed the Directors required to retire will be those who have been longest in office since their last appointment or re-appointment.

Directors' remuneration

(i) *Executive remuneration*
Details of Directors' remuneration are contained in Note 10 of the financial statements.

Communication with shareholders

(i) *Dialogue*
The Company places a great deal of importance on constructive communication with its shareholders.

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

Accountability and audit

(i) *Internal financial control*
The Board of Directors has overall responsibility for the Group's system of internal financial control, which is designed to provide reasonable, but not absolute, assurance against material mis-statement 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;
- defined procedures for the appraisal, review and authorisation of capital and major revenue and development expenditure;

(ii) *Financial reporting*
It is the Board's responsibility to always present a balanced assessment of the Company's position and prospects. The respective responsibilities of the Directors and the auditors in connection with these financial statements are explained on pages 10 and 11. The Directors' report on the business as a going concern is given below.

Going concern

After making due enquiries, the Directors formed a judgement when approving the financial statements that there is a reasonable expectation that the Group and the Company have 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.

Report of the Directors

Post balance sheet event

On 8 June 2006 Bulgin Components plc announced its intention to relocate from its Barking site by the end of March 2007. The majority of the office functions will be relocated to a new office location whilst the manufacturing operations will be transfered to other Group sites in particular Tunisia and Molesey.

Auditors

Bright Grahame Murray have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

The notice of the Annual General Meeting is on page 32 and includes three resolutions relating to special business that allow for:-

- the issue of up to £6,084,000 of ordinary shares for non-cash consideration
- the issue of up to 5% of the issued ordinary shares without pre-emption rights
- the purchase of up to 14.99% of the Company's issued ordinary shares on-market.

These resolutions will also assist the Board in pursuing its stated objectives of acquiring complementary businesses as well as enabling it to potentially increase earnings per share should the share price not reflect the underlying value of the business.

By order and on behalf of the Board

C. M. Leigh
Company Secretary

23 June 2006

Alfreds Way
Barking
Essex IG11 0AZ

Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

– select suitable accounting policies and then apply them consistently;

– make judgements and estimates that are reasonable and prudent;

– state whether applicable accounting standards have been followed, subject to any material departure disclosed and explained in the financial statements;

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

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report

To the Members of Elektron Plc

We have audited the Group and Company financial statements of Elektron Plc for the year ended 31 January 2006 which comprise the Group profit and loss account, the Group and Company balance sheets, the Group cash flow statement, the Group statement of total recognised gains and losses, and the related notes. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 Auditors

As described in the Statement of Directors' Responsibilities the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions with the Group is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Report of the Directors and the Chairman's Statement. We consider the implications for our report if we become aware of any apparent mis-statements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material mis-statement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the Group's financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company and of the Group as at 31 January 2006 and of the profit of the Group for the year then ended and the financial statements have been properly prepared in accordance with the Companies Act 1985.

Bright Grahame Murray
Chartered Accountants and Registered Auditors

124/130 Seymour Place
London W1H 1BG

23 June 2006

Group Profit and Loss Account

Year ended 31 January 2006

		Notes	2006 £'000	As restated 2005 £'000
Turnover	– continuing operations	4	**22,467**	22,683
	– discontinued operations	4	**–**	333
			22,467	23,016
Cost of sales		5	**(14,041)**	(14,635)
Gross profit			**8,426**	8,381
Net operating expenses		5	**(6,639)**	(5,711)
Operating profit	– continuing operations		**1,787**	1,653
	– negative goodwill release		**–**	1,080
			1,787	2,733
	– discontinued operations		**–**	(63)
Operating profit		6	**1,787**	2,670
Profit on disposal/closure of discontinued operations			**–**	33
Profit on ordinary activities before interest			**1,787**	2,703
Net interest payable		7	**(16)**	(101)
Profit on ordinary activities before taxation			**1,771**	2,602
Taxation on profit on ordinary activities		11	**(485)**	(574)
Profit attributable to shareholders		25	**1,286**	2,028
Earnings per ordinary share	**– basic**	13	**1.65p**	2.67p
	– diluted	13	**1.65p**	2.59p
Earnings per ordinary share before goodwill	**– basic**	13	**1.65p**	1.50p
	– diluted	13	**1.65p**	1.45p

Statement of Total Recognised Gains and Losses

Year ended 31 January 2006

	2006 £'000	As restated see note 2 2005 £'000
Profit attributable to shareholders	**1,286**	2,028
Currency translation differences on foreign currency net investments	**40**	4
Total recognised gains and losses for the financial year	**1,326**	2,032

Balance Sheets

As at 31 January 2006

		Group		Company	
			As restated		As restated
		2006	2005	**2006**	2005
	Notes	**£'000**	£'000	**£'000**	£'000
Fixed assets					
Tangible assets	15	**2,165**	2,528	**58**	–
Investment in subsidiary undertakings	16	**–**	–	**2,000**	3,551
		2,165	2,528	**2,058**	3,551
Current assets					
Stocks	17	**3,266**	3,000	**–**	–
Debtors	18	**4,661**	3,946	**2,058**	2,310
Cash at bank and in hand	31	**1,714**	1,581	**839**	999
		9,641	8,527	**2,897**	3,309
Creditors: Amounts falling due within one year	19	**(4,818)**	(4,363)	**(269)**	(2,547)
Net current assets		**4,823**	4,164	**2,628**	762
Total assets less current liabilities		**6,988**	6,692	**4,686**	4,313
Creditors: Amounts falling due after more than one year	20	**–**	(512)	**–**	–
Provisions for liabilities and charges	22(b)	**(435)**	(729)	**(24)**	(30)
Net assets		**6,553**	5,451	**4,662**	4,283
Capital and reserves					
Called up share capital	23	**3,954**	3,821	**3,954**	3,821
Share premium	24	**244**	244	**244**	244
Capital redemption reserve	24	**67**	–	**67**	–
Other reserves	24	**2**	20	**–**	–
Profit and loss account	24	**2,286**	1,386	**397**	238
Own shares		**–**	(20)	**–**	(20)
Shareholders' funds	25	**6,553**	5,451	**4,662**	4,283

Approved by the Board and signed on its behalf by:

A. Girling

C.M. Leigh

Directors

23 June 2006

Group Cash Flow Statement

Year ended 31 January 2006

	Notes	2006 £'000	2005 £'000
Cash flow from operating activities	8	**1,636**	1,849
Returns on investments and servicing of finance			
Interest received		**66**	62
Interest paid		**(32)**	(53)
Interest element of hire purchase and finance lease payments		**(49)**	(110)
		(15)	(101)
Taxation			
UK Corporation tax (paid)		**(763)**	(17)
Overseas tax (paid)		**(51)**	(41)
		(814)	(58)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		**(546)**	(558)
Proceeds of sale of tangible fixed assets		**28**	11
		(518)	(547)
Acquisitions and disposals			
Sale of subsidiaries	33	**150**	671
Cash disposed of on sale of subsidiary		**–**	(13)
		150	658
Equity dividends paid		**(241)**	–
Net cash inflow before financing		**198**	1,801
Financing			
Issue of shares	23	**200**	100
Purchase of own shares		**(205)**	–
Debt due beyond a year:			
Capital element of hire purchase and finance lease payments		**(589)**	(848)
Net cash (outflow) from financing		**(594)**	(748)
(Decrease)/increase in net cash in the year	30	**(396)**	1,053

Notes to the Financial Statements

1. Accounting policies

The particular accounting policies adopted by the Directors are described below:

(a) **Accounting convention**
The financial statements are prepared in accordance with the historical cost convention and are in accordance with applicable Accounting Standards, except that disclosures required in respect of FRS 17 'Retirement Benefits' have not been made as they are not relevant to schemes in winding up.

(b) **Basis of consolidation**
The consolidated financial statements incorporate the financial statements of the Company and all subsidiary undertakings drawn up to 31 January each year. 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. Details are given in note 33.

(c) **Goodwill**
Negative goodwill represents the difference between the consideration given, over the fair value of the identifiable net assets acquired. It is the Group's policy to release negative goodwill in line with asset utilisation. Positive goodwill arising on consolidation represents the excess of the consideration given over the fair value of the identifiable net assets acquired. Having due regard to factors affecting the useful economic life of positive goodwill, it is the Group's policy to amortise goodwill over a period of five years.

(d) **Development costs**
All costs incurred on research and development are written off to the profit and loss account as incurred, unless such expenditure relates to a clearly defined project where the outcome both technically and commercially can be assessed with reasonable certainty.

Deferred costs are written off to the profit and loss account over a period of up to three years commencing from the date of commercial production of the products concerned.

(e) **Tangible fixed assets**
The cost of fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated on the cost or valuation of each tangible fixed 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

The Group's policy is to write off the book value of each tangible fixed asset evenly over its estimated remaining life. 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.

(f) **Stocks**
Stocks are valued 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.

(g) **Leases**
Assets held under finance leases and hire purchase contracts are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful lives. The finance charges are allocated over the period of the agreement to produce a constant rate of charge on the balance of capital repayments outstanding.

Operating lease rentals are written off as incurred.

Notes to the Financial Statements

1. Accounting policies *(continued)*

(h) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, a binding agreement to distribute earnings has been entered into by the subsidiary.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(i) Foreign currency transactions

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account. The results of overseas subsidiary undertakings are translated at the average rates of exchange ruling during the year. Exchange translation differences on consolidation in respect of foreign equity investments are taken to reserves.

(j) Pension costs

Full provision for any deficit on defined benefit schemes is made for schemes in winding up. Contributions to the defined contribution schemes are expensed as incurred.

(k) Investments

Investments are valued at cost less provision for any permanent impairment in value.

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2. Changes in accounting policy

In preparing the financial statements for the current year, the Company has adopted the following Financial Reporting Standards:

-FRS 21 'Events after the Balance Sheet date' and -FRS 25 'Financial Instruments: Disclosure and Presentation' – in respect of presentation only.

The adoption of FRS 21 has resulted in a change in accounting policy in respect of proposed equity dividends. If the company declares dividends to the holders of equity instruments after the balance sheet date, the Company does not recognise those dividends as a liability at the balance sheet date. Previously, proposed equity dividends were recorded as liabilities at the balance sheet date. The effect of the change in the accounting policy is a prior year adjustment of £229,000 (note 24) to reduce dividends payable and increase profit and loss reserves in respect of dividends proposed at 31 January 2005.

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3. Parent Company profit and loss account

As permitted by Section 230 of the Companies Act 1985 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 £603,000 *(2005: profit £806,000) (see note 24).*

Notes to the Financial Statements

4. Turnover

The turnover, comprising amounts invoiced excluding value added tax, and the profit on ordinary activities before taxation are attributable to the principal activity of the Group and originate in the United Kingdom, with the exception of turnover of £2,704,000 *(2005: £2,745,000)* and profit on ordinary activities before taxation of £134,000 *(profit: £88,000)* which originate from North America.

Group turnover by geographical destination is analysed below:

	2006		2005	
	Continuing	**Discontinued**	Continuing	Discontinued
	£'000	**£'000**	£'000	£'000
United Kingdom	**7,674**	**–**	7,938	120
Rest of Europe	**7,399**	**–**	7,546	50
North America	**3,780**	**–**	3,463	95
Rest of World	**3,614**	**–**	3,736	68
	14,793	**–**	14,745	213
	22,467	**–**	22,683	333

5. Cost of sales and net operating expenses

	2006			2005		
	Continuing	**Discontinued**	**Total**	Continuing	Discontinued	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Cost of sales	**14,041**	**–**	**14,041**	14,392	243	14,635
Net operating expenses						
Distribution costs	**2,386**	**–**	**2,386**	1,968	9	1,977
Administrative expenses	**4,222**	**–**	**4,222**	4,217	144	4,361
Operating expenses	**6,608**	**–**	**6,608**	6,185	153	6,338
Goodwill	**–**	**–**	**–**	(1,080)	–	(1,080)
Restructuring costs	**31**	**–**	**31**	453	–	453
	6,639	**–**	**6,639**	5,558	153	5,711

6. Operating profit

	2006	2005
	£'000	£'000
Operating profit is after charging/(crediting):		
Negative goodwill release	**–**	(1,080)
Depreciation on owned tangible fixed assets	**648**	516
Depreciation on tangible fixed assets held under finance leases	**254**	331
Research and development expenditure		
– current year expenditure	**396**	393
Operating lease rentals		
– land and buildings	**803**	813
– plant and machinery	**11**	11
Auditors' remuneration – audit services	**69**	68
– non audit services	**28**	28
(Profit)/loss on sale of fixed assets	**(18)**	9
Restructuring costs	**31**	453
(Profit)/loss on foreign currency translation	**(71)**	137

Notes to the Financial Statements

7. Net interest payable

	2006 £'000	2005 £'000
Bank overdrafts and loans wholly repayable within five years	**32**	53
Finance leases and hire purchase contracts	**50**	110
	82	163
Interest receivable	**(66)**	(62)
	16	101

8. Reconciliation of operating profit to net cash inflow from operating activities

	2006 £'000	2005 £'000
Operating profit	**1,787**	2,670
Release of negative goodwill	**–**	(1,080)
Depreciation charges	**902**	847
(Profit)/loss on disposal of tangible fixed assets	**(18)**	9
Increase in stocks	**(236)**	(436)
Increase in debtors	**(748)**	(496)
Increase in creditors	**243**	130
Exchange adjustments	**–**	4
(Decrease)/increase in provisions	**(294)**	201
Cash flow from operating activities	**1,636**	1,849

9. Staff information (including Directors)

	2006 £'000	2005 £'000
Employee costs were:		
Wages and salaries	**7,520**	7,948
Social security costs	**713**	772
Other pension costs (Note 29)	**221**	225
	8,454	8,945

The average monthly number of persons employed by the Group during the year was as follows:

	2006 No.	2005 No.
Administration and sales	**102**	100
Production	**716**	692
	818	792

Notes to the Financial Statements

10. Directors' remuneration

	2006 £'000	2005 £'000
Aggregate emoluments	**247**	232
Bonuses	**25**	40
Pension contributions	**28**	26
Sums paid to third parties for directors' services	**21**	23
	321	321

Bonuses are payable by reference to individual Directors' contracts of employment and by reference to performance related targets. Pension contributions are to defined contribution schemes. Two Directors are accruing benefit under a defined contribution scheme *(2005: two directors).*

The emoluments of the highest paid Director were £145,000 *(2005: £140,000)* and the Company made pension contributions of £12,000 *(2005: £12,000)* on his behalf.

11. Taxation on profit on ordinary activities

(a) Analysis of charge for the period

	2006 £'000	2005 £'000
Current taxation:		
UK Corporation tax on profit for the period	**627**	329
Double tax relief	**(151)**	–
Over provision for prior year	**(7)**	–
Foreign tax on income for the period	**61**	116
Total current taxation (Note 11(b))	**530**	445
Deferred taxation:		
Origination and reversal of timing differences (Note 22(a))	**(45)**	129
Taxation on profit on ordinary activities	**485**	574

(b) Factors affecting taxation charge for the period

The current taxation charge differs from that resulting by applying the standard rate of corporation tax in the UK (30%) and is explained below:

	2006 £'000	2005 £'000
Profit on ordinary activities before taxation	**1,771**	2,602
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% *(2005: 30%)*	**531**	781
Effects of:		
Expenses not deductible for tax purposes	**8**	55
Negative goodwill release	**–**	(44)
Capital allowances	**17**	13
Other timing differences	**31**	(73)
Utilisation of losses	**–**	(71)
(Profit) on disposal of subsidiary	**–**	(10)
Effects of overseas tax rates	**(46)**	(228)
Unrelieved losses of subsidiary disposed in period	**–**	22
Marginal rate relief	**(4)**	–
Adjustment in respect of prior periods	**(7)**	–
Current taxation (Note 11(a))	**530**	445

(c) Factors that may affect future taxation charges

Deferred taxation assets have not been recognised in respect of certain timing differences relating to capital losses as there is insufficient evidence that the assets will be recovered. The amount of assets not recognised in respect of capital losses is £236,000 *(2005: £236,000)*. The assets in respect of capital losses would be utilised if the Company were to make a capital gain in future periods.

12. Dividends paid

	2006 £'000	2005 £'000
Dividend paid of 0.3p per share (see note 2)	**241**	–

13. Earnings per share

The calculation of the basic earnings per share is based on the profit attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

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 dilutive options.

The adjusted earnings per share has been provided in order that the effects of goodwill amortisation and negative goodwill releases on reported profit can be fully appreciated.

The calculation of profit is based on the profit attributable to shareholders and is set out below:

	2006		2005	
	Profits £'000	**Per-share amount Pence**	Profits £'000	Per-share amount Pence
Profit attributable to shareholders	**1,286**	**1.65**	2,028	2.67
Release of negative goodwill, net of tax	**–**	**–**	(890)	(1.17)
Adjusted profit attributable to shareholders	**1,286**	**1.65**	1,138	1.50

The weighted average number of shares used in the calculations is set out below:

	2006		2005	
	Basic	**Diluted**	Basic	Diluted
Weighted average number of shares in issue				
– ordinary shares	**77,938,838**	**77,938,838**	76,101,354	76,101,354
– share options	**–**	**–**	–	2,340,249
	77,938,838	**77,938,838**	76,101,354	78,441,603
Earnings per share – standard	**1.65p**	**1.65p**	2.67p	2.59p
– before goodwill amortisation/ negative goodwill release	**1.65p**	**1.65p**	1.50p	1.45p

14. Negative goodwill

	Group Negative goodwill £'000	*Company* Negative goodwill £'000
Cost		
At 1 February 2005	(2,215)	(975)
At 31 January 2006	**(2,215)**	**(975)**
Amortisation		
At 1 February 2005	(2,215)	(975)
At 31 January 2006	**(2,215)**	**(975)**
Net book value		
At 31 January 2006	**–**	**–**
At 31 January 2005	–	–

15. Tangible fixed assets

Group	Leasehold Improvements £'000	Plant and machinery £'000	Equipment, fixtures, fittings and vehicles £'000	Total £'000
Cost or valuation				
At 1 February 2005	3	5,960	1,638	7,601
Currency translation	–	2	4	6
Additions	–	264	282	546
Disposals	–	(10)	(130)	(140)
At 31 January 2006	**3**	**6,216**	**1,794**	**8,013**
Depreciation				
At 1 February 2005	1	3,832	1,240	5,073
Currency translation	–	1	2	3
Charge for the year	1	755	146	902
Disposals	–	(4)	(126)	(130)
At 31 January 2006	**2**	**4,584**	**1,262**	**5,848**
Net book value				
At 31 January 2006	**1**	**1,632**	**532**	**2,165**
At 31 January 2005	2	2,128	398	2,528
Assets held under finance leases and hire purchase contracts				
Net book value				
At 31 January 2006	**–**	**745**	**–**	**745**
At 31 January 2005	–	998	–	998

Company	Leasehold Improvements £'000	Plant and machinery £'000	Equipment, fixtures, fittings and vehicles £'000	Total £'000
Cost or valuation				
At 1 February 2005	–	–	28	28
Additions	–	–	68	68
At 31 January 2006	**–**	**–**	**96**	**96**
Depreciation				
At 1 February 2005	–	–	28	28
Charge for the year	–	–	10	10
At 31 January 2006	**–**	**–**	**38**	**38**
Net book value				
At 31 January 2006	**–**	**–**	**58**	**58**
At 31 January 2005	–	–	–	–

Notes to the Financial Statements

16. Investment in subsidiary undertakings

	Company	
	2006	2005
	£'000	£'000
At 1 February	**3,551**	3,536
Additions	**202**	101
Impairment	**(1,753)**	(86)
At 31 January	**2,000**	3,551

The following principal subsidiary undertakings are all wholly owned and operated primarily during the year in the country of incorporation except for Arcolectric Switches (Hong Kong) Limited which operated in China.

Company	*Principal activity*	*Country of Incorporation*
Bulgin Components Plc	Design and manufacture of electromechanical components	England
Arcolectric Limited	Design and manufacture of electromechanical components	England
Arcolectric Corporation	Sale of electromechanical components	U.S.A.
Arcolectric Tunisie Sarl	Manufacture of electromechanical components	Tunisia
Arcolectric Switches (Hong Kong) Ltd	Manufacture of electromechanical components	Hong Kong

The Group and Company held none of its own ordinary shares of 5p each at 31 January 2006 *(2005: 300,000)*.

17. Stocks

	Group	
	2006	2005
	£'000	£'000
Raw materials	**2,016**	1,786
Work in progress	**426**	448
Finished goods and goods for resale	**824**	766
	3,266	3,000

18. Debtors

	Group		Company	
	2006	2005	**2006**	2005
	£'000	£'000	**£'000**	£'000
Trade debtors	**3,979**	3,385	**–**	–
Amounts owed by subsidiary undertakings	**–**	–	**1,801**	2,044
Other debtors	**270**	358	**141**	248
Prepayments	**336**	172	**8**	14
Deferred taxation (Note 22(a))	**76**	31	**8**	4
Corporation tax paid on account	**–**	–	**100**	–
	4,661	3,946	**2,058**	2,310

The recoverability of the deferred taxation asset is dependent on future taxable profits in excess of those arising from the reversal of deferred taxation liabilities. Deferred taxation assets have only been recognised for companies with a past history of profitable trends where there is persuasive and reliable evidence in the form of management accounts and financial projections that trading profits are anticipated to arise in the year to 31 January 2007.

Included within other debtors is an amount of £nil *(2005: £100,000)* due after more than one year.

Notes to the Financial Statements

19. Creditors: Amounts falling due within one year

	Group 2006 £'000	Group As restated 2005 £'000	Company 2006 £'000	Company As restated 2005 £'000
Bank overdrafts and invoice discounting facilities (Note 21(a))	**758**	229	**–**	–
Obligations under finance leases and hire purchase contracts	**513**	590	**–**	–
Trade creditors	**1,674**	1,315	**–**	–
Amounts owed to subsidiary undertakings	**–**	–	**95**	2,136
Corporation tax	**354**	637	**–**	121
Other taxes and social security costs	**324**	248	**18**	15
Other creditors	**165**	295	**35**	119
Accruals & deferred income	**1,030**	1,049	**121**	156
	4,818	4,363	**269**	2,547

20. Creditors: Amounts falling due after more than one year

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Obligations under finance leases and hire purchase contracts	**–**	512	**–**	–
	–	512	**–**	–

21. (a) Borrowings

	Group 2006 £'000	Group 2005 £'000	Company 2006 £'000	Company 2005 £'000
Bank overdrafts and invoice discounting facilities	**758**	229	**–**	–
Obligations under finance leases and hire purchase contracts	**513**	1,102	**–**	–
	1,271	1,331	**–**	–
Due within one year	**1,271**	819	**–**	–
Due after more than one year	**–**	512	**–**	–
	1,271	1,331	**–**	–
Analysis of repayments:				
Bank overdrafts and invoice discounting facilities:				
Within one year	**758**	229	**–**	–
Finance leases and hire purchase contracts:				
Within one year	**513**	590	**–**	–
In two to five years	**–**	512	**–**	–
	513	1,102	**–**	–
	1,271	1,331	**–**	–

Invoice discounting facilities of £297,000 are secured by a debenture over the assets of Bulgin Components Plc.

Hire purchase finance totalling £466,000 is secured by a chattels mortgage over certain of the assets of Arcolectric Limited.

21. (b) Financial assets and liabilities

As permitted by FRS13 the Company has chosen to exclude short term debtors and creditors when disclosing details of financial instruments.

(i) Financial instruments

The Group's financial instruments comprise borrowings, cash at bank and in hand and various items such as trade debtors and creditors 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 below and has not changed since 2005. 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 Main Board. At 31 January 2006 gross gearing on tangible net assets was 19% *(2005: 25%)*.

Export turnover for the year accounted for 66% *(2005: 65%)* of sales.

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

The only financial asset held is cash at bank and in hand. The balances as at 31 January are detailed below:

	2006 £'000	2005 £'000
Sterling accounts	**945**	1,392
US Dollar accounts	**453**	36
Tunisian Dinar accounts	**56**	17
Euro accounts	**181**	84
Hong Kong Dollar accounts	**58**	32
Danish Krone accounts	**21**	20
	1,714	1,581

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

The only financial liabilities of the Group which are subject to interest charges are invoice discounting facilities, overdrafts and obligations under finance leases and hire purchase contracts. All borrowings attracted interest at variable rates.

At 31 January the interest rate profile of the Group's financial liabilities was as follows:

	2006 £'000	2005 £'000
Floating rate financial liabilities	**1,271**	1,331

(iv) Maturity

The maturity profile is shown in Note 21(a) above.

(v) Fair value of financial assets and liabilities

The fair value of financial assets and liabilities is not significantly different from their book value.

(vi) Committed undrawn borrowing facilities

At the year end the Group had committed undrawn facilities of £1,743,000 *(2005: £2,347,000)* which related to invoice discounting facilities repayable on demand in the event of any breaches in the covenants given by the Group.

21 (c) 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 2006 the Group had no commitment under non-cancellable forward contracts *(2005: £Nil)*.

The Group's currency exposure being those transactional exposures that give rise to net currency gains and losses recognised in the profit and loss account, after taking account of forward contracts where appropriate, was as follows:

	2006 Cash at bank and in hand £'000	2005 Cash at bank and in hand £'000
US dollar	**453**	36
Euro	**181**	84
Tunisian Dinar	**56**	17
Hong Kong Dollar	**58**	32
Danish Krone	**21**	20
	769	189

22. Provisions for liabilities and charges

	Group		*Company*	
	2006 £'000	2005 £'000	**2006 £'000**	2005 £'000
(a) Deferred taxation:				
At 1 February	**(31)**	(160)	**(4)**	(77)
Transfer (to)/from profit and loss account (Note 11)	**(45)**	129	**(4)**	73
Asset at 31 January	**(76)**	(31)	**(8)**	(4)

	Group		*Company*	
	2006 £'000	2005 £'000	**2006 £'000**	2005 £'000
Accelerated capital allowances	**(51)**	8	**–**	–
Short term timing differences	**(25)**	(39)	**(8)**	(4)
Undiscounted asset for deferred taxation	**(76)**	(31)	**(8)**	(4)

The deferred taxation asset is disclosed within debtors (Note 18).

22. Provisions for liabilities and charges *(continued)*

(b) Other:

	Dilapidation costs £'000	Warranty costs £'000	Restructuring costs £'000	Total £'000
Group:				
At 1 February 2005	324	97	308	729
Utilised in the year	(1)	(57)	(314)	(372)
Charged to profit and loss account	16	32	30	78
At 31 January 2006	**339**	**72**	**24**	**435**
Company:				
At 1 February 2005	–	–	30	30
Utilised in the year	–	–	(6)	(6)
At 31 January 2006	**–**	**–**	**24**	**24**

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

The warranty provision relates to sale of product and cost of any replacement product required under normal terms and conditions of sale.

The restructuring costs relate to:

(i) a parental guarantee given by Elektron to a customer of Bulgin Power Source Plc, a former subsidiary, for the performance and technical support of certain power supplies. This remains in force until 2010 and full provision has been made.

(ii) the costs of transferring hand assembly at Bulgin Components Plc to an associated company in Tunisia.

23. Called-up share capital

	2006 £'000	2005 £'000
Authorised		
200,000,000 *(2005: 200,000,000)* Ordinary shares of 5p each	**10,000**	10,000
Allotted, called up and fully paid		
79,073,102 *(2005: 76,426,260)* Ordinary shares of 5p each	**3,954**	3,821

At 31 January 2006 under the Elektron Plc Executive Share Option Scheme, there were unexercised options on 3,250,000 *(2005: 4,000,000)* Ordinary shares of 5p each. These options are exercisable after three years but before ten years from the date of granting in whole or in part at a price of 14.84p per share.

During the year, 4,000,000 ordinary shares of 5p each were issued for the acquisition of Riveroak Limited. Details are given in note 33.

In August 2005, as a result of the consolidation and sub-division of the shares, 1,053,158 ordinary shares of 5p each were purchased for £147,000 and subsequently cancelled. On 26 January 2006, 300,000 ordinary shares of 5p each were purchased from the Group's Employee Benefit Trust ('EBT') for a total cost of £40,000 and subsequently cancelled.

Notes to the Financial Statements

24. Share capital and reserves

Group	*Share capital* £'000	*Share premium* £'000	*Capital redemption reserve* £'000	*Other reserves* £'000	*Profit and loss account* £'000
At 1 February 2005	3,821	244	–	20	1,157
Prior year adjustment (see note 2)	–	–	–	–	229
At 1 February 2005 as restated	3,821	244	–	20	1,386
Transfer from profit and loss account	–	–	–	–	1,286
Dividends paid on ordinary shares	–	–	–	–	(241)
Other reserves adjustment	–	–	–	(18)	18
Issue of new shares	200	–	–	–	–
Share consolidation and purchase of own shares	(67)	–	67	–	(187)
Share consolidation costs	–	–	–	–	(16)
Exchange differences	–	–	–	–	40
At 31 January 2006	**3,954**	**244**	**67**	**2**	**2,286**

Other reserves comprise a legal reserve as required by Tunisian law.

Company	*Share capital* £'000	*Share premium* £'000	*Capital redemption reserve* £'000	*Other reserves* £'000	*Profit and loss account* £'000
At 1 February 2005	3,821	244	–	–	9
Prior year adjustment (see note 2)	–	–	–	–	229
At 1 February 2005 as restated	3,821	244	–	–	238
Transfer from profit and loss account	–	–	–	–	603
Dividends paid on ordinary shares	–	–	–	–	(241)
Issue of new shares	200	–	–	–	–
Share consolidation and purchase of own shares	(67)	–	67	–	(187)
Share consolidation costs	–	–	–	–	(16)
At 31 January 2006	**3,954**	**244**	**67**	**–**	**397**

25. Reconciliation of movement in shareholders' funds

		2006 **£'000**		As restated 2005 £'000
Profit attributable to shareholders		**1,286**		2,028
Dividends paid		**(241)**		–
Issue of shares		**200**		100
Shares redeemed		**(187)**		–
Share redemption costs		**(16)**		–
Exchange differences		**40**		4
Sale/(restatement) of investment in own shares		**20**		(20)
Net increase in shareholders' funds		**1,102**		2,112
Shareholders' funds at 31 January				
As previously reported	**5,242**		3,339	
Prior year adjustment re FRS 24	**229**		–	
Restatement of investment in own shares	**(20)**		–	
		5,451		3,339
		6,553		5,451

26. Capital commitments

Expenditure contracted but not provided for in the financial statements amounted to £14,000 *(2005: £22,000)*.

27. Lease commitments

At 31 January 2006 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		*Other*	
	2006	2005	**2006**	2005
	£'000	£'000	**£'000**	£'000
Expiring within one year	**39**	–	**–**	–
Expiring between two and five years	**719**	763	**11**	12
Expiring after five years	**48**	50	**–**	–
	806	813	**11**	12

The Company has annual commitments under non-cancellable operating leases of £nil *(2005: £nil)* in respect of land and buildings.

28. Contingent liabilities

The Company has given certain guarantees in respect of the financing arrangements of its subsidiaries to the extent they are not covered by the security described in note 21(a).

29. Pension schemes

(i) Defined contribution schemes
The Group operates a Group Personal Pension Plan for all qualifying employees.

Contributions to the Group Personal Pension Plan and to other Personal Pension Plans are charged to the profit and loss account as they become payable. The pension cost charge for the year was £221,000 *(2005: £225,000)* and outstanding contributions at the year-end amounted to £32,000 *(2005: £29,000)*.

(ii) Defined benefit schemes
The Group operated two defined benefit schemes for qualifying employees. Contributions were assessed in accordance with the advice of independent qualified actuaries.

The Bulgin Components scheme was put into winding up as of 21 September 2001. Form GN19 was issued on 26 March 2003. The market value of the assets was £1,405,000, the present value of the scheme liabilities £2,055,000 and the consequent Minimum Funding Requirement ("MFR") deficit £650,000, which has been paid in full. The scheme is expected to be wound up in the current year.

The Cirkit Holdings scheme was put into winding up on 15 April 2002 at which time the Actuary calculated the market value of the assets to be £674,000, the present value of the scheme liabilities to be £739,000 and the consequent MFR deficit to be £65,000. The actuary has now certified that there was no MFR deficit resulting in the release of accruals totalling £65,000. The scheme is expected to be wound up in the current year.

The profit and loss account charge for pension costs and the disclosures above are given on the basis of SSAP 24, which has been replaced by FRS 17.

FRS 17 requires disclosure of assets and liabilities as at 31 January 2006 calculated in accordance with the requirements of FRS 17. However, these disclosures have not been made as they are not relevant to schemes in winding up.

30. Reconciliation of net cash inflow to movement in net funds

	2006 £'000	2005 £'000
(Decrease)/increase in net cash in the year	**(396)**	1,053
Cash outflow from decrease in net debt and lease financing	**589**	848
Change in net funds resulting from cash flows	**193**	1,901
Net funds/(debt) at 1 February (Note 31)	**250**	(1,651)
Net funds at 31 January (Note 31)	**443**	250

31. Analysis of net funds

	As at 1 February 2005 £'000	*Cash flow £'000*	**As at 31 January 2006 £'000**
Cash at bank and in hand	1,581	133	**1,714**
Bank overdrafts and invoice discounting facilities	(229)	(529)	**(758)**
	1,352	(396)	**956**
Finance leases and hire purchase contracts	(1,102)	589	**(513)**
Net funds	250	193	**443**

32. Major non-cash transactions

During the year the Group entered into finance lease and hire purchase arrangements in respect of fixed assets with a total capital value at the inception of these agreements of £nil *(2005: £nil)*.

33. Disposals and acquisitions

(a) Disposals

Milmega Limited was sold to Frameflair Limited as a management buyout on 3 February 2004.

The Loan Notes are repayable in tranches. £50,000 was repaid on 2 February 2005, £100,000 was repaid on 31 January 2006 and the balance of £100,000 is repayable on 31 January 2007. The Loan Notes bear interest at base lending rate plus 2 per cent per annum payable quarterly in arrears.

At the option of Frameflair, repayment of the Loan Notes may be deferred providing certain net asset conditions are met but not beyond 31 January 2009. In the event of deferral, interest is payable at base lending rate plus 10% per annum payable quarterly in arrears. The Loan Notes are secured by a second charge over the assets of Milmega and Frameflair.

(b) Acquisitions

In accordance with the option exercised by Mr J. Kinder on 3 June 2005 the company issued 4 million shares of 5p each issued at par, for the acquisition of Riveroak Limited, a shell company containing cash of £200,000.

34. Related party transactions

(a) Details of investments in principal subsidiary undertaking are included in Note 16. In accordance with FRS 8, disclosure is not required of transactions and balances between Group companies where such transactions are eliminated on the consolidation.

(b) Specialist Holdings Ltd, a company of which Mr K.A. Daley is a Director and Shareholder, charged fees of £21,000 *(2005: £23,000)* during the year in respect of services provided by him as non-executive Director.

35. Post balance sheet event

On 8 June 2006 Bulgin Components plc announced its intention to relocate from its Barking site by the end of March 2007. The majority of the office functions will be relocated to a new office location whilst the manufacturing operations will be transfered to other Group sites in particular Tunisia and Molesey.

Group Five Year Record

	£'000				
	2006	As restated 2005	As restated 2004	As restated 2003	2002
Turnover – continuing operations	**22,467**	22,683	9,334	9,079	12,550
– discontinued operations	**–**	333	2,649	5,558	4,361
	22,467	23,016	11,983	14,637	16,911
Profit/(loss) before taxation	**1,771**	2,602	1,605	(3,366)	(2,652)
Shareholders' funds	**6,553**	5,451	3,339	960	4,177
Earnings/(loss) per share – basic	**1.65p**	2.67p	2.42p	(6.18p)	(4.49p)
– basic before goodwill release/amortisation	**1.65p**	1.50p	1.26p	(5.45p)	(3.87p)
Proposed dividends per share	**0.35p**	0.30p	Nil	Nil	Nil

Notice of Annual General Meeting

Notice is hereby given that an Annual General Meeting of the Company will be held in the premises of Elektron Plc, Alfreds Way, Barking, Essex, IG11 0AZ on 3 August 2006 at 3 p.m for the following purposes:

Ordinary business

1 To receive, consider and adopt the Director's Report and financial statements for the year ended 31 January 2006 and the Auditors' Report thereon.

2 To re-appoint Bright Grahame Murray as Auditors of the Company with effect from the conclusion of the meeting until the conclusion of the next general meeting at which financial statements are laid before the Company, and to authorise the directors to fix their remuneration in respect of such period.

3 That a final dividend for the year ended 31 January 2006 of 0.35p per Ordinary Share of 5p each in the capital of the Company, be declared payable on 8 August 2006 to shareholders registered at the close of business on 7 July 2006.

Special business

To consider and, if thought fit, to pass the following Resolutions of which that numbered 4 will be proposed as an Ordinary Resolution and those numbered 5 and 6 will be proposed as Special Resolutions;

4 That,

4.1 the directors be and they are hereby generally and unconditionally authorised for the purposes of Section 80 of the Companies Act 1985 to exercise all powers of the Company to allot relevant securities (as defined in the said Section) up to an aggregate nominal amount of £6,084,000 such authority to expire five years from the date of this Resolution but to be capable of previous revocation or variation from time to time by the Company in general meeting and of renewal from time to time by the Company in general meeting for a further period not exceeding five years; and

4.2 the Company may make any offer or agreement before the expiry of this authority that would or might require relevant securities to be allotted after this authority has expired and the directors may allot relevant securities in pursuance of any such offer or agreement as if this authority had not expired; and

4.3 all previous authorities to allot relevant securities conferred by resolution of the Company pursuant to Section 80 of the Companies Act 1985 or otherwise be and they are hereby revoked, but without prejudice to any allotment, offer or agreement made or entered into prior to the passing of this Resolution.

5 That, subject to and conditional upon Resolution 4 being passed and becoming unconditional:

5.1 the directors be and they are hereby empowered pursuant to Section 95(l) of the Companies Act 1985 to allot equity securities (as defined in Section 94(2) to Section 94 (3A) of the Companies Act 1985) pursuant to the authority conferred by the foregoing Ordinary Resolution 4 above as if Section 89(1) of the Companies Act 1985 did not apply to any such allotment provided that this power shall be limited:

5.1.1 to the allotment of equity securities in connection with a rights issue in favour of the holders of New Ordinary Shares in the capital of the Company in proportion (as nearly as may be practicable) to their respective holding of such shares but subject to such exclusions as the directors may deem fit to deal with fractional entitlements or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange in any territory;

5.1.2 to the allotment (otherwise than pursuant to sub-paragraph (5.1.1) above) of equity securities up to an aggregate nominal value of £195,000; and

5.1.3 to the sale of shares which is an allotment of equity securities by virtue of Section 94 (3A) of the Companies Act 1985 as if the words "pursuant to the authority conferred by the foregoing Ordinary Resolution 4 above" were omitted from the first paragraph of this Resolution 5.

5.2 the power hereby conferred shall expire on the conclusion of the next Annual General Meeting following the date of this Resolution or such later date as the Company may by Special Resolution prescribe but may be previously revoked or varied by Special Resolution;

5.3 the power hereby conferred shall enable the Company to make any offer or agreement that would or might require equity securities to be allotted after such power expires and the directors may offer equity securities in pursuance of any such offer or agreement up to the maximum amount prescribed by paragraph (5.1.2) of this Resolution as if the power hereby conferred had not expired; and

5.4 all previous powers to allot equity securities conferred by Resolution of the Company pursuant to Section 95 of the Companies Act 1985 be and are hereby revoked, but without prejudice to any allotment offer or agreement made or entered into prior to the passing of this Resolution.

6 That, the Company be generally and unconditionally authorised (including for the purposes of section 166 of the Companies Act 1985) to make one or more market purchases (within the meaning of Section 163(3) of the Companies Act 1985) of New Ordinary Shares of 5p each in the capital of the Company and to hold any such New Ordinary Shares so purchased as treasury shares (as defined in Section 162A of the Companies Act 1985) provided that:

6.1 the maximum number of New Ordinary Shares hereby authorised to be purchased is 11,740,000 representing 14.99 per cent of the Company's issued share capital;

6.2 the minimum price, exclusive of any expenses, which may be paid for a New Ordinary Share is 5p;

6.3 the maximum price, exclusive of any expenses, which may be paid for any such New Ordinary Share is an amount equal to 105 per cent of the average of the middle market quotations for a New Ordinary Share taken from the AIM Appendix to the Daily Official List of the London Stock Exchange for the five business days immediately preceding the date on which such share is contracted to be purchased;

6.4 the authority hereby conferred shall expire on the earlier of 2 February 2008 or the close of the next annual general meeting of the Company,

6.5 the Company may make a contract for the purchase of New Ordinary Shares under this authority before the expiry of this authority which would or might be executed wholly or partly after the expiry of such authority, and may make purchases of New Ordinary Shares in pursuance of such a contract as if such authority had not expired.

By order of the Board

C.M. Leigh
Company Secretary *23 June 2006*

Alfreds Way
Barking, Essex IG11 0AZ

Notes

1. A holder of Ordinary Shares is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him at the Meeting convened by the above Notice. A proxy need not be a member of the Company.

2. A form of proxy is attached. Completion of the form of proxy does not preclude a holder of Ordinary Shares from subsequently attending in person and voting at the Meeting convened by the above Notice.

3. In order to be valid and effective the form of proxy must be completed and signed and, together with any power of attorney or other authority under which it is signed or a notarially certified copy of such power or authority, be deposited at the offices of Capita Registrars, Proxy Department, PO Box 25, Beckenham, Kent BR3 4BR as soon as possible and, in any event, so as to arrive not less than forty-eight house before the time appointed for holding the Meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of the meeting or adjourned meeting, not less than twenty-four hours before the time appointed for the taking of the poll.

4. In the case of an individual, the form of proxy must be executed under the hand of the individual or his attorney authorised in writing. In the case of a corporation, the form of proxy must be executed under its common seal or under the hand of an officer, attorney or other person authorised to sign the same.

Shareholder Notes

Form of Proxy

Elektron Plc
ANNUAL GENERAL MEETING

Please complete in BLOCK CAPITALS

I/We ....

of ....

being (an) Ordinary Shareholder(s) of Elektron Plc, hereby appoint the Chairman of the Meeting*

....

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held at Elektron Plc, Alfreds Way, Barking, Essex, IG11 0AZ on 3 August 2006 at 3pm and at any adjournment thereof.

* If any other proxy is preferred please complete this line and strike out the words "the Chairman of the Meeting". Any alteration should be initialled by every signatory of this proxy.

I/We direct that my/our votes be cast on the Resolutions to be proposed as set out in the Notice convening the Meeting, as indicated by an "X" in the appropriate spaces below:

ORDINARY RESOLUTIONS:	**FOR**	**AGAINST**
1. To receive, consider and adopt the Director's Report and Financial Statements.		
2. To re-appoint the auditors and authorise the directors to fix their remuneration.		
3. To approve a final dividend.		
4. To authorise the directors to allot relevant securities up to a specified aggregate nominal amount.		
SPECIAL RESOLUTIONS:		
5. To authorise the directors to allot relevant securities up to £195,000 for cash without first offering them to existing shareholders.		
6. To authorise the Company to make market purchases of up to 14.99% of its issued share capital.		

If no indication is given your proxy will be deemed to have the authority to vote or abstain at his/her discretion on one or more of the Resolutions or any other business at the Meeting.

Date ....2006 Signature ....
(Please see note 2)

Notes:

1. To be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy therefore must be completed and deposited at the address shown overleaf not less than 48 hours before the time appointed for holding the Meeting.
2. In the case of a corporation this form of proxy must be executed under its common seal or under the hand of an officer, attorney or other person authorised to sign it. Please also indicate the capacity in which it is signed.
3. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the register of members in respect of the joint holding.
4. A proxy need not also be a member of the Company but must attend the Meeting in person to represent you.
5. Every alteration to this form must be initialled by every signatory.
6. Completion and return of a form of proxy does not prevent a holder of Ordinary Shares from attending the Meeting and voting in person, in which case any votes cast by the proxy will be excluded.

SECOND FOLD

BUSINESS REPLY SERVICE
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1

CAPITA REGISTRARS
Proxy Department
PO Box 25
Beckenham
Kent
BR3 4BR

FIRST FOLD

THIRD FOLD AND TUCK IN

Investor Information

Share price listings
Financial Times
Evening Standard

Current shareholdings over 3%

Mr. J. Kinder	18.2%
Panther Securities Plc & related parties	16.9%
Trustees of the AF Bulgin Settlements	8.1%
Rathbone Nominees Limited	5.2%
Mr. R.A.R. Bulgin	3.7%
Mr. B. Bridge	3.2%
Specialist Holdings Limited & related parties	3.1%

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