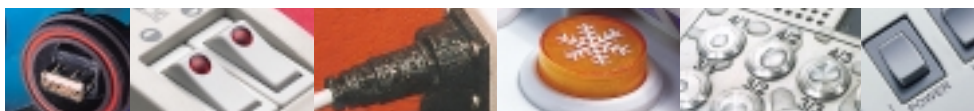


elektron plc



Interim Report 2004 / 2005

Key Points

- Turnover increased to £13 million (2003: £5.7 million)
- Operating profits on continuing operations before goodwill release of £972,000 (2003: £214,000)
- Operating profits include exceptional costs of £400,000 for the closure of assembly operations at Bulgin which are being transferred to Tunisia
- Profit before taxation of £1,851,000 (2003: £201,000)
- Earnings per share before goodwill release and exceptional items of 1.23p (2003: 0.42p)
- Net borrowings reduced to £385,000 from £1,651,000 at 31 January 2004 giving a net gearing on net tangible assets of 8%

Chairman's Statement

In the six months to 31 July 2004 the Elektron Group exceeded the profit targets the Board set itself for the entire year following the Arcoelectric acquisition.

The Group profit before taxation of £1,851,000 consists of £887,000 from operations, £931,000 of negative goodwill release and £33,000 profit on disposal of BP Purchasing.

The results include a provision of £400,000 for the closure of assembly operations at the Bulgin Components factory, which are in the process of being transferred to Arcoelectric's factory in Tunisia. A further £125,000 of closure costs are expected to be incurred by the time the transfer is completed around the end of this financial year.

Following the disposal of BP Purchasing, Elektron is able to concentrate on its two key operating businesses.

Bulgin designs and manufactures connectors, switches and other electro-mechanical components for industrial markets.

Turnover of £4,859,000 returned operating profits of £462,000 before the restructuring provision of £400,000 referred to above. In the full year to 31 January 2004 operating profits were £376,000 on sales of £7,931,000. The market in the first half was extremely buoyant with orders up 14% on the comparative period. Sales in the second half are not expected to match the levels of the first half.

Arcoelectric specialises in the manufacture of appliance switches, indicator lights and fuseholders for consumer and industrial markets.

Turnover of £7,848,000 returned operating profits of £768,000. As stated in the last Annual Report, the backlog of orders built up during its receivership prior to acquisition has resulted in a disproportionate level of sales for the first half compared to the normal level of ongoing business. Consequently we do not expect this level of sales to continue in the light of Far East competition and decreasing prices.

The market has been strong in the first half, particularly in the US where industrial production has continued to increase but some customers are now experiencing softness in some of their markets.

At both businesses we continue to focus on the significant cost reduction opportunities afforded by Elektron's manufacturing facilities in Tunisia and China whilst maximising the sales potential of the Arcoelectric and Bulgin brands in North America and elsewhere.

Gearing and Balance Sheet

At 31 July 2004, net gearing on net tangible assets was 8% compared with 36% at the last year-end. Net borrowings reduced to £385,000 from £1,651,000 at the start of the period.

Net tangible assets at the half-year increased 9% to £5,001,000 which equates to 6.6p per share.

The Group now has a strong balance sheet which will allow it to consider selectively further acquisitions.

Earnings per share and dividends

Earnings per share before negative goodwill write backs and exceptional items were 1.23p. Basic earnings per share after negative goodwill write backs and exceptional items were 1.67p. The parent company, Elektron Plc, now has positive reserves and a final dividend will be considered at the time of the final results announcement in the light of trading at that time.

Outlook

The Board expects sales and profits in the second half of the financial year will be lower than the first half as a result of the usual seasonal factors, but the effect will be exaggerated this year by the additional sales arising from the Arcoelectric backlog at the start of the year. By how much is difficult to indicate at this time, but it should be assumed that the exceptional results of Arcoelectric in the first half of the current year will not be repeated.

Against this background the Board will be relentless in the drive to reduce costs, to seek new higher margin products and to increase market share.



Adrian Girling
Executive Chairman

24 September 2004

Group Profit and Loss Account

Unaudited Interim Results to 31 July 2004

	Half year to 31 July 2004 £'000	Half year to 31 July 2003 £'000	Year to 31 January 2004 £'000
Turnover – continuing operations	12,707	4,239	9,334
– discontinued operations	333	1,457	2,649
	13,040	5,696	11,983
Operating profit/(loss) – continuing operations	972	214	812
– discontinued operations	(68)	40	(201)
– negative goodwill release	931	–	1,135
	1,835	254	1,746
Profit/(loss) on disposal of discontinued operations	33	–	(47)
Profit on ordinary activities before interest	1,868	254	1,699
Net interest payable	(17)	(53)	(94)
Profit on ordinary activities before taxation	1,851	201	1,605
Taxation on profit on ordinary activities	(577)	(66)	(299)
Profit on ordinary activities after taxation	1,274	135	1,306
Dividends	–	–	–
Transfer to reserves	1,274	135	1,306
Earnings per ordinary share – basic	1.67p	0.26p	2.42p
– before exceptional items/negative goodwill release	1.23p	0.42p	1.26p

Group Balance Sheet

Unaudited Interim Results at 31 July 2004

	31 July 2004 £'000	31 July 2003 £'000	31 January 2004 £'000
Fixed assets			
Goodwill	–	328	–
Negative goodwill	(278)	–	(1,257)
Tangible assets	2,879	1,581	3,149
Investment in own shares	20	–	20
	2,621	1,909	1,912
Current assets			
Stocks	2,618	1,200	2,605
Debtors	5,386	2,343	4,384
Cash at bank and in hand	1,491	41	1,123
	9,495	3,584	8,112
Creditors:			
Amounts falling due within one year	(4,959)	(3,647)	(4,659)
Net current assets/(liabilities)	4,536	(63)	3,453
Total assets less current liabilities	7,157	1,846	5,365
Creditors:			
Amounts falling due after more than one year	(1,395)	(429)	(1,318)
Provision for liabilities and charges	(1,039)	(322)	(708)
Net assets	4,723	1,095	3,339
Capital and reserves			
Called up share capital	3,821	2,602	3,730
Share premium	244	270	235
Profit and loss account	658	(1,777)	(626)
Shareholders' funds	4,723	1,095	3,339

Notes

1. The financial information in this statement does not constitute statutory accounts. The financial information in respect of the year ended 31 January 2004 has been extracted from the statutory accounts which have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified and did not contain any statement under Section 237 of the Companies Act 1985.
2. The interim financial information has been prepared on the basis of the accounting policies set out in the Group's statutory accounts for the year ended 31 January 2004. Fixed annual charges are apportioned to the interim period on the basis of time elapsed. Other expenses are accrued in accordance with the same principles used in the preparation of the annual accounts.

